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d'argument de publicité

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Commission de Surveillance du Secteur Financier

AB SICAV II

DECEMBER 2016

Important Information

If you are in any doubt about the contents of this offering document, you should seek independent professional financial advice. Prospective investors should inform themselves as to the legal requirements, exchange control regulations and tax consequences within the countries of their residence and domicile for the acquisition, holding or disposal of shares and any foreign exchange restrictions that may be relevant to them. Shares that are acquired by persons not entitled under the Articles to hold them may be redeemed by the Management Company on behalf of the Fund at the current Net Asset Value.

Subscriptions can be made on the basis of this document and the KIIDs, which shall be updated by the latest available annual report of the Fund containing its audited accounts, and by the latest semi-annual report, if later than such annual report.

The Shares referred to in this document are offered solely on the basis of the information contained herein and in the reports and documents referred to herein. In connection with the offer made hereby, no person is authorized to give any information or to make any representations other than those contained herein or in the documents referred to herein. If given or made, such information or representations must not be relied upon as having been authorized by the Fund, the Management Company or the Distributor and any purchase made by any person on the basis of statements or representations which are not contained in or which are inconsistent with the information contained herein or in the documents referred to herein shall be solely at the risk of the purchaser.

All references herein to (i) “Dollar”, “USD” or “\$” are to the U.S. Dollar, (ii) “Euro”, “EUR” or “€” are to the Euro, (iii) “SGD” or “S\$” are to the Singapore Dollar, (iv) “GBP”, “Sterling” or “£” are to the British Pound, (v) “AUD” or “A\$” are to the Australian Dollar, (vi) “CAD” and “C\$” are to the Canadian Dollar, (vii) “Rupee” and “Rs” are to the Indian Rupee, (viii) “CHF” is to the Swiss franc, (ix) “HKD” or “HK\$” are to the Hong Kong Dollar, (x) “RMB” refers to offshore RMB (“CNH”) or to onshore RMB (“CNY”), as the context requires (xi) “Kroner” or “NOK” are to the Norwegian Kroner (xii) “NZD” or “NZ\$” are to the New Zealand Dollar and (xiii) “SEK” or “Kronor” are to the Swedish Kronor.

None of the Shares has been or will be registered under the United States Securities Act of 1933, as amended, and the Shares may not be offered, sold, transferred or delivered, directly or indirectly, in the United States (as defined in the glossary of defined terms) or to any U.S. Person (as defined in the glossary of defined terms). The Fund has not been registered under the United States Investment Company Act of 1940, as amended.

AllianceBernstein Investments, a unit of the Management Company will act as Distributor of the Shares in connection with the offering of the Shares referred to herein. Application forms for Shares are subject to acceptance by the Distributor and the Management Company on behalf of the Fund.

Any information contained herein or in any other sales document relating to the Fund or on the AB funds website, www.abglobal.com, does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. In particular, the information in the AB funds website is not for distribution in the United States or to U.S. Persons other than in accordance with the laws of the United States. If a prospective

investor has accessed the AB funds website from another website, the Fund, the Management Company and the Distributor are not responsible for the accuracy of information contained within the websites of other providers which have links to any page of the AB funds website.

Copies of the Fund's Prospectus, Articles, latest annual report and, if issued thereafter, the latest semi-annual report, as well as copies of the KIIDs of the Fund, may be obtained at the office of the Management Company and the Distributor without cost.

The Fund is structured as an "umbrella fund" comprising separate pools of assets (each a "Portfolio"). Investors should reference the Portfolio Details to determine the particular terms to which their investment in a Portfolio of the Fund relates. In addition, investors should read carefully the "Risk Profile" set out in the Portfolio Details section of each Portfolio, as well as "Risk Factors" in the Fund's General Information section.

The value of Shares of the Portfolios to which this Prospectus relates will change with the value of such Portfolios' underlying investments. Hence, the value of Shares and any income arising from them will fluctuate and is not guaranteed. Consequently, investors may not get back the full amount of their investment upon redemption.

Investors are encouraged to consult their independent financial advisors regarding the suitability of shares of a particular Portfolio for their investment needs.

Data Protection. Investors in Shares acknowledge and agree that certain data relating to them and their holdings in Shares will be collected, stored and processed by the Management Company, the Transfer Agent and/or Depositary for the purpose of facilitating subscriptions, payment of distributions, if any, redemptions and exchanges, as well as for the purposes of anti-money laundering identification, tax identification, and in order to comply with their applicable legal obligations including but not limited to, tax reporting obligations (if any). In connection therewith such data, subject to applicable laws and regulations, may be disseminated to certain of the Management Company's and/or the Transfer Agent's affiliates within the AB Group as well as certain authorized agents of the Management Company, the Transfer Agent or the Fund. In addition, data may be transferred to third parties such as governmental or regulatory bodies including tax authorities, auditors and accountants in Luxembourg as well as in other jurisdictions.

Especially, for the purposes of FATCA and CRS Investors in Shares will be required to provide certain information and details characterized as personal data. These data may be provided to the Luxembourg direct tax authorities (Administration des contributions directes), which may forward it to foreign tax authorities in the context of FATCA and CRS. The Fund reserves the right to reject any application for Shares if the information provided by any prospective investor does not provide the requested information and/or documentation and/or has not itself complied with the applicable requirements. In addition, failure to provide the requested information and/or documentation could lead to penalties which may affect the value of the investor's Shares.

By subscribing and/or holding Shares of the Fund, investors are deemed to be providing their consent to the processing of their data and in particular, the disclosure of such data to, and the processing thereof by the parties referred to above including parties situated in countries outside of the European Union which may not offer a similar level of protection as the one deriving from Luxembourg data protection law.

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Portfolio Details

Each Portfolio of the Fund is a separate and distinct sub-fund with its own assets under Luxembourg law. Investors should review the Portfolio information below carefully together with the General Information about the Fund.

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Multi-Strategy Alpha Portfolio

Investment Objective and Policies

Investment Objective

The Portfolio's investment objective is long term capital appreciation.

Investment Policies

The Portfolio seeks to achieve its investment objective primarily by allocating its investment exposure among non-traditional and alternative investment strategies (the "Strategies") which the Investment Manager believes may achieve a positive absolute return. In order to pursue the Strategies, the Investment Manager will allocate the Portfolio's assets among multiple Strategies managed by investment managers (each a "Sub-Investment Manager") that the Investment Manager believes have substantial experience managing one or more Strategies. The Investment Manager may also manage a portion of the Portfolio's assets directly.

The Investment Manager allocates the Portfolio's investments principally among the following types of Strategies: (i) long/short equity, (ii) special situations, (iii) credit and (iv) global macro. The Investment Manager generally allocates the Portfolio's investments among a variety of Sub-Investment Managers, seeking to obtain exposure across various Strategies, but may focus the Portfolio's investments in particular Strategies in order to take advantage of perceived investment opportunities or based on its current market outlook, and may employ all or a subset of the Strategies at any one time and change those allocations from time to time in its sole discretion.

The Investment Manager identifies potential Sub-Investment Managers through a variety of sources. The Sub-Investment Manager selection process is driven by both quantitative and qualitative analysis. For each prospective allocation to a new Sub-Investment Manager, the Investment Manager will first conduct an evaluation of the Sub-Investment Manager and its Strategy, team, and approach through analysis of, among other criteria, the prior investment returns of similar strategies (if any), portfolio exposures, current assets under management, and Strategy outlook. The Investment Manager may also (i) conduct background checks; (ii) analyze whether the Sub-Investment Manager has the personnel, research and technology resources to effectively implement its Strategy; and (iii) conduct additional due diligence as it deems appropriate. The Investment Manager may add or remove Sub-Investment Managers without prior notice to Shareholders. A current list of Sub-Investment Managers and Strategies related to the Portfolio may be obtained from the Management Company. For further information, see "Management and Administration" in the General Information of the Fund.

Strategies

Long/Short Equity. A long/short equity strategy typically involves buying securities believed to be significantly under-priced and/or selling securities believed to be significantly over-priced by the market in relation to their potential value. A long/short equity strategy generally will seek to buy securities in the expectation that they will increase in value (called "going long") and take synthetic short positions in the expectation that they will decrease in value (called "going short"). A long/short equity strategy may also hedge

its positions through the use of financial derivative instruments.

A long/short equity strategy generally employs fundamental and/or quantitative analysis that evaluates the underlying determinants expected to affect the price of securities. The actual research process can be based on a bottom-up approach that first examines the factors affecting a single company or marketplace, or a top-down approach that first analyzes the macroeconomic trends affecting a market or industry. The strategy attempts to spot changes in fundamentals; identify where comparable companies are mispriced in relation to each other and buy the undervalued companies and sell short the overvalued ones; and capture the excess return as a perceived mispricing narrows, while attempting to minimize overall net market risk. A long/short equity strategy can be effected in a variety of different manners and use a variety of techniques, including, but not limited to, hedged equity, long-only, long- and/or short-biased, market neutral and/or sector-specific strategies.

Special Situations. Special situations strategies seek to take advantage of information inefficiencies resulting from a particular corporate or market event or situation. A special situations strategy will take positions in companies that are or are expected to become the subject of takeovers, liquidations, bankruptcies, tender offers, buybacks, spin-offs, exchange offers, mergers, other types of corporate reorganizations, litigation, or substantial financial or operational stress, or to be affected by regulatory or legislative changes, in the hope of profiting on results from the specific event. The goal of a special situations investment strategy is to profit when the price of a security changes to reflect more accurately the likelihood and potential impact of the occurrence, or non-occurrence, of the anticipated event. The prices of securities of the companies involved in these events are typically influenced by the dynamics of the particular event or situation.

A special situations strategy may take an active role in determining the outcome of an event, subject to the ownership control restrictions in Article 48 of the UCITS Law. Often, special situations strategies rely on fundamental research that extends beyond the evaluation of the issues affecting a single company to include an assessment of the legal and structural issues surrounding an extraordinary event or transaction. The Portfolio's assets are expected to be allocated among a variety of special situations strategies, thereby effectively allocating capital between merger arbitrage, distressed securities, restructurings and other areas of focus for special situations strategies. A special situations approach may employ a broad range of investment strategies and techniques to attempt to take advantage of specific events.

Credit. Credit strategies generally involve obtaining exposure to particular issuers by investing in a variety of fixed-income and other securities, including bonds (corporate and government), bank debt, asset-backed financial instruments, mortgage-backed securities and mezzanine and distressed securities. Credit strategies may likewise seek credit exposure through the use of financial derivative instruments such as credit default swaps and total return swaps, or hedge existing positions through the use of derivatives.

This strategy also includes opportunistic trading and investing in securities of distressed companies and high yield securities (also known as "junk bonds"). The Portfolio may be invested in various credit strategies that involve being long and short different financial instruments, and the credits involved will range from high grade to

high yield and distressed debt.

Credit strategies often pursue distressed or high yield strategies that involve the purchase of securities (including bonds, bank debt and trade claims) that are currently out-of-favor, have low credit ratings or are affected by other adverse factors. In many cases, the securities are issued by a company that has declared bankruptcy, is about to declare itself bankrupt, or has recently emerged through reorganization from a bankruptcy proceeding.

A credit strategy analyzes these situations in order to choose those that are believed to have attractive risk/reward characteristics. This may be due to an anticipation of an upgrade in the debt instrument's ratings, expectation that a re-organization will provide greater value, or other business factors that may not yet be reflected in the marketplace.

Often, a credit strategy will purchase securities, bank debt or trade claims of companies involved in reorganizing their affairs through the bankruptcy process, and then seek out those investment opportunities with a higher likelihood of being satisfied with consideration higher than the current market level for such securities, or those that will receive valuable new securities worth more than the current market price.

Credit strategies may also employ relative value strategies that generally seek to profit from the relative mispricing of related financial instruments. These strategies may apply qualitative or quantitative analysis and typically are not dependent on the general direction of broad market movements.

Global Macro. Global macro strategies aim to identify and exploit imbalances in global economies and assets classes. Though encompassing many approaches and styles, macro strategies are linked by the utilization of macroeconomic and technical market factors, rather than "bottom-up" individual security analysis, as the primary basis for management. A global macro strategy generally may invest in all major asset classes—equities, bonds, currencies and commodities (via UCITS-eligible commodity index-related instruments)—though not always at the same time, and will typically use leverage in its investment strategy in the form of short positions, swaps, forwards, options and other derivative instruments. A global macro approach typically attempts to identify the most attractive markets in which to invest in light of market conditions. Some global macro approaches will base their investments on their fundamental determinations of market conditions and market evolutions (the discretionary approach), while others will use quantitative or pre-defined rules to do so (the systematic approach) or a combination of styles. A global macro approach typically trades in very liquid, deep markets which may allow for the reduction in portfolio risk or other adjustments in positioning over a relatively short period of time.

Other Investment Strategies. The Investment Manager may also determine to allocate the Portfolio's investment exposure among Sub-Investment Managers employing other investment strategies, including, but not limited to, emerging markets, currency, high-frequency trading, quantitative and real estate-related strategies. The foregoing list of Strategies is not intended to be exhaustive and it is anticipated that the different types of Strategies employed by Sub-Investment Managers will evolve over time. The Investment Manager will implement and incorporate new Strategies in a manner it deems advisable from time to time.

Principal Investments. The Portfolio's principal investments may include:

- equity securities, including common and preferred stocks, convertible securities, depositary receipts and the equity securities of REITs;
- fixed-income and/or floating rate securities, including debt issued by companies and debt issued by government entities, their agencies, instrumentalities, sponsored entities and political subdivisions. The Portfolio's fixed-income assets may include Investment Grade securities (as defined in the Definitions), below-Investment Grade securities and unrated securities as determined by the Investment Manager. The Portfolio may from time to time invest in distressed securities up to 10% of its NAV.
- within the limits set forth in Article 41(2) of the UCITS Law the Portfolio may invest in loans qualifying as Money Market Instruments as per Article 1(23) of the UCITS Law and Articles 3 and 4 of the Grand-Ducal Regulation of 8 February 2008;
- mortgage-backed and other mortgage-related securities, asset-backed securities, municipal securities, and structured securities up to 20% of its NAV;
- currencies and currency-related instruments;
- pooled investment vehicles, including ETFs and other UCITS and UCIs that qualify as UCITS-eligible investments, up to 10% of its net asset value; and
- financial derivative instruments, such as options, futures, forwards, swaps and commodity index-related instruments.

The Portfolio's investments may include securities of issuers of any industry, sector or market capitalization, and which are located throughout the world, including developed and emerging market countries, as well as securities denominated in various currencies.

Other Investment Policies

Currency of the Portfolio: USD

Financial Derivative Instruments. The Portfolio may use financial derivative instruments (i) as an alternative to investing in the underlying instruments, (ii) to create aggregate exposure that is greater than the net assets of the Portfolio (*i.e.*, to create a leverage effect), (iii) to take synthetic short positions, (iv) to manage duration and (v) to hedge against equity risk, interest rate and credit risk, and currency fluctuations.

Leverage. The expected level of leverage of the Portfolio is estimated to be in the 0% to 500% range of its Net Asset Value. Shareholders should be aware that the expected level of leverage is calculated pursuant to the sum of the notionals method as described in "Risk Management" in the General Information of the Fund, and that a significant portion of the level of leverage of this strategy is generated by the use of derivatives to increase the Portfolio's gross exposure.

Investment Risk

Profile of the Typical Investor. The Portfolio may suit investors seeking capital appreciation through investment in a portfolio of

alternative investment strategies that invests across multiple markets and asset classes.

Risk Profile. Investment in the Portfolio entails certain risks, including those portfolio strategy risk factors listed below, as well as the general risks set forth in “Risk Factors—General Risks” in the General Information of the Fund.

- Sub-Investment Manager Risk
- Equity Securities Risk
- Fixed Income Securities Risk
- Lower-Rated Fixed Income Securities Risk
- Asset Backed Securities Risk
- Structured Securities Risk

- Derivatives Risk
- Currency Transactions Risk
- Emerging Markets Risk
- Turnover Risk

For further information about risks of the Portfolio, please see “Risk Factors—Portfolio Risk Factors” in the General Information of the Fund.

Global Exposure. The Portfolio will use Absolute VaR to measure global exposure. Please see “Risk Management” in the General Information of the Fund for more information.

History. The Portfolio was established as a portfolio of the Fund on 12 May 2015.

Share Class Information*

Management Fee, Expenses and Distributions				
	<u>Management Fee¹</u>	<u>Total Expense Ratio (Maximum)²</u>	<u>Distributing Shares³</u>	<u>Accumulation Shares</u>
Class A	1.60%	Up to 2.90%	No	Yes
Class I ⁴	0.80%	Up to 2.10%	No	Yes
Class S ⁴	None	Up to 1.25%	No	Yes
Class SQD ⁴	0.20%	Up to 1.45%	Yes, Quarterly	No
Class S1 ⁴	0.80%	Up to 2.05%	No	Yes

* For a list of distributing/accumulation sub-classes and currency hedged share classes offered by the Portfolio, please see Appendix B, “Sub-Classes and Currency Hedged Share Classes”.

Sub-Investment Manager Fee. For the services provided to the Portfolio, the Sub-Investment Managers are paid a fee out of the assets of the Portfolio. The aggregate fees paid to the Sub-Investment Managers may not exceed 1.50% of the Portfolio’s NAV.

¹ As an annual percentage of average daily Net Asset Value. See “Sales Charges, Fees and Expenses” in the General Information of the Fund for further information.

² As an annual percentage of average daily Net Asset Value. For additional information on fees and expenses applicable to the Portfolio, see “Sales Charges, Fees and Expenses” in the General Information of the Fund.

³ For a list of distributing share sub-classes offered, please see Appendix B and “Share Classes” in the General Information of the Fund.

⁴ Offering is limited to certain investors as described in “Share Classes” in the General Information of the Fund.

Diversified Equity Alpha Portfolio

Investment Objective and Policies

Investment Objective

The Portfolio's investment objective is long term capital appreciation.

Investment Policies

The Portfolio seeks to achieve its investment objective by utilizing a long/short equity investment strategy. In order to pursue the strategy, the Investment Manager will allocate the Portfolio's assets among multiple investment managers (each a "Sub-Investment Manager") that the Investment Manager believes have substantial experience managing assets in the global securities markets. The Investment Manager generally allocates the Portfolio's investments among a variety of Sub-Investment Managers, but may focus the Portfolio's investments with particular Sub-Investment Managers and change those allocations from time to time in its sole discretion. The Investment Manager may also manage a portion of the Portfolio's assets directly.

The Investment Manager identifies potential Sub-Investment Managers through a variety of sources. The Sub-Investment Manager selection process is driven by both quantitative and qualitative analysis. For each prospective allocation to a new Sub-Investment Manager, the Investment Manager will first conduct an evaluation of the Sub-Investment Manager and its strategy, team, and approach through analysis of, among other criteria, the prior investment returns of similar strategies (if any), portfolio exposures, current assets under management, and strategy outlook. The Investment Manager may also (i) conduct background checks; (ii) analyze whether the Sub-Investment Manager has the personnel, research and technology resources to effectively implement the Long/Short Strategy; and (iii) conduct additional due diligence as the it deems appropriate. The Investment Manager may add or remove Sub-Investment Managers without prior notice to Shareholders. A current list of Sub-Investment Managers related to the Portfolio may be obtained from the Management Company. For further information, see "Management and Administration" in the General Information of the Fund.

Long/Short Equity Strategy. A long/short equity strategy typically involves buying securities believed to be significantly under-priced and/or selling securities believed to be significantly over-priced by the market in relation to their potential value. A long/short equity strategy generally will seek to buy securities in the expectation that they will increase in value (called "going long") and take synthetic short positions in the expectation that they will decrease in value (called "going short"). A long/short equity strategy may also hedge its positions through the use of financial derivative instruments.

A long/short equity strategy generally employ fundamental and/or quantitative analysis that evaluates the underlying determinants expected to affect the price of securities. The actual research process can be based on a bottom-up approach that first examines the factors affecting a single company or marketplace, or a top-down approach that first analyzes the macroeconomic trends affecting a market or industry. The long/short equity strategy attempts to spot changes in fundamentals; identify where comparable companies are mispriced in relation to each other and buy the undervalued companies and sell

short the overvalued ones; and capture the excess return as a perceived mispricing narrows, while attempting to minimize overall net market risk. The long/short equity strategy can be effected in a variety of manners and use a variety of techniques, including, but not limited to, hedged equity, long-only, long- and/or short-biased, market neutral and/or sector-specific strategies.

The Portfolio's principal investments may include:

- equity securities, including common and preferred stocks, convertible securities, depositary receipts and the equity securities of REITs;
- currencies and currency-related instruments;
- pooled investment vehicles, including ETFs and other UCITS and UCIs that qualify as UCITS-eligible investments, up to 10% of its net asset value; and
- financial derivative instruments, such as options, futures, forwards, swaps and commodity index-related instruments.

The Portfolio's investments may include securities of issuers of any industry, sector or market capitalization, and which are located throughout the world, including developed and emerging market countries, as well as securities denominated in various currencies.

Other Investment Policies

Currency of the Portfolio: USD

Financial Derivative Instruments. The Portfolio may use financial derivative instruments (i) as an alternative to investing in the underlying instruments, (ii) to create aggregate exposure that is greater than the net assets of the Portfolio (*i.e.*, to create a leverage effect), (iii) to take synthetic short positions and (iv) to hedge against equity risk, interest rate and credit risk, and currency fluctuations.

Leverage. The expected level of leverage of the Portfolio is estimated to be in the 0% to 100% range of its Net Asset Value. Shareholders should be aware that the expected level of leverage is calculated pursuant to the sum of the notionals method as described in "Risk Management" in the General Information of the Fund, and that a significant portion of the level of leverage of this strategy is generated by the use of derivatives to increase the Portfolio's gross exposure.

Investment Risk

Profile of the Typical Investor. The Portfolio may suit investors seeking to achieve the long-term rewards of equity investment through an alternative equity strategy.

Risk Profile. Investment in the Portfolio entails certain risks, including those portfolio strategy risk factors listed below, as well as the general risks set forth in "Risk Factors—General Risks" in the General Information of the Fund.

- Sub-Investment Manager Risk
- Equity Securities Risk
- Derivatives Risk
- Currency Transactions Risk

- Emerging Markets Risk
- Turnover Risk

For further information about risks of the Portfolio, please see “Risk Factors—Portfolio Risks” in the General Information of the Fund.

Global Exposure. The Portfolio will use Absolute VaR to measure global exposure. Please see “Risk Management” in the General Information of the Fund for more information.

History. The Portfolio was established as a portfolio of the Fund on 12 May 2015.

Share Class Information*

Management Fee, Expenses and Distributions				
	<u>Management Fee¹</u>	<u>Total Expense Ratio (Maximum)²</u>	<u>Distributing Shares³</u>	<u>Accumulation Shares</u>
Class A	1.60%	Up to 2.90%	No	Yes
Class I ⁴	0.80%	Up to 2.10%	No	Yes
Class S ⁴	None	Up to 1.25%	No	Yes
Class S1 ⁴	0.80%	Up to 2.05%	No	Yes
Class Z ⁴	None	Up to 1.01%	No	Yes

* For a list of distributing/accumulation sub-classes and currency hedged share classes offered by the Portfolio, please see Appendix B, “Sub-Classes and Currency Hedged Share Classes”.

Sub-Investment Manager Fee. For the services provided to the Portfolio, the Sub-Investment Managers are paid a fee out of the assets of the Portfolio. The aggregate fees paid to the Sub-Investment Managers may not exceed 1.50% of the Portfolio’s NAV.

¹ As an annual percentage of average daily Net Asset Value. See “Sales Charges, Fees and Expenses” in the General Information of the Fund for further information.

² As an annual percentage of average daily Net Asset Value. For additional information on fees and expenses applicable to the Portfolio, see “Sales Charges, Fees and Expenses” in the General Information of the Fund.

³ For a list of distributing share sub-classes offered, please see Appendix B and “Share Classes” in the General Information of the Fund.

⁴ Offering is limited to certain investors as described in “Share Classes” in the General Information of the Fund.

China Bond Portfolio

Investment Objective and Policies

Investment Objective

The Portfolio's investment objective is to achieve high total returns through current income and long-term capital appreciation.

Investment Policies

The Portfolio seeks to achieve its investment objective by investing primarily in debt securities issued or guaranteed by the government of the People's Republic of China, its agencies and municipalities. The Portfolio may also invest in the debt securities of Chinese companies and companies traded on the Hong Kong offshore market, as well as debt securities issued or guaranteed by governments, government agencies or companies domiciled in other Asian countries, both for liquidity and diversification purposes.

AllianceBernstein Hong Kong Limited ("ABHK"), an affiliate of the Investment Manager, has been appointed as a Sub-Investment Manager for the Portfolio. ABHK has been granted a Renminbi Qualified Foreign Institutional Investor (RQFII) quota which enables the Portfolio to make direct investments in Chinese debt securities. See "Renminbi Qualified Foreign Institutional Investor (RQFII)" in "Management and Administration" in the General Information of the Fund for additional details on the RQFII regime.

Debt securities in which the Portfolio may invest include debt issued by governments, government agencies and supra-national issuers, corporate debt, asset-backed and mortgage-related securities, loan participations that are liquid and provide for interest rate adjustments at least every 397 days, securitized products and financial derivative instruments, to the extent such instruments qualify as UCITS-eligible investments.

Other Investment Policies

Currency of the Portfolio: CNH

Order Cut-off Time: 11:00 a.m. CET

Settlement Period: payment must be made within two Business Days of the relevant Trade Date for the purchase of Shares.

Valuation Point: 4:00 p.m. CET

Business Day means any day on which banks are open for business in Luxembourg, Hong Kong, Shanghai and Shenzhen.

Currency Management. Under normal market conditions, it is expected that all or substantially all of the Fund's exposure will be to CNY. Therefore, the investment manager expects that the Fund's return may be affected by exchange rate fluctuations between CNH (the Fund's base currency) and CNY.

Credit Quality. The Portfolio's assets may be invested in both Investment Grade and below Investment Grade securities. However, it is anticipated that under normal market conditions no more than 15% of the Portfolio's net assets will be invested in non-Investment Grade securities.

For these purposes, the term "Investment Grade" shall have the meaning set forth in the Glossary. With respect to Chinese bonds, the relevant rating agencies may include: (i) any CSRC-recognized Chinese rating agency such as China Cheng Xin International Credit

Rating Co., China Lianhe Credit Rating, Dagong Global Credit Rating, Shanghai Brilliance Credit Rating & Investors Service and Pengyuan Credit Rating Co, or (ii) any domestic or regional rating agency recognized for its ratings of fixed income securities of one or more Asian issuers, in the Investment Manager's discretion.

Structured Investments

The Investment Manager may invest in mortgage-backed securities ("MBS"), as well as other asset-backed securities ("ABS"), commercial mortgage-backed securities ("CMBS") and collateralized debt obligations ("CDOs"). The Portfolio's investments in such securities will not exceed 20% of its net assets.

Financial Derivative Instruments. The Portfolio may use financial derivative instruments (i) as an alternative to investing in the underlying instruments, and (ii) to hedge against interest rate and credit risk, and currency fluctuations.

Leverage. The expected level of leverage of the Portfolio is estimated to be in the 0% to 100% range of its Net Asset Value. Shareholders should be aware that the expected level of leverage is calculated pursuant to the sum of the notionals method as described in "Risk Management" in the General Information of the Fund, and that the level of leverage of this strategy is mainly generated by the use of derivatives for hedging purposes and as an alternative to investing in the underlying instruments.

Investment Risk

Profile of the Typical Investor. The Portfolio may suit investors seeking the medium- to long-term rewards of fixed income investment by investing in China, and who are willing to tolerate the volatility associated with investing in a single emerging market.

Risk Profile. Investment in the Portfolio entails certain risks, including those portfolio strategy risk factors listed below, as well as the general risks set forth in "Risk Factors—General Risks" in the General Information of the Fund.

- Country Risk—General
- China Market Risk
- Focused Portfolio Risk
- Turnover Risk
- Fixed Income Securities Risk
- Emerging Markets Risk
- Currency Transactions Risk

For further information about risks of the Portfolio, please see "Risk Factors—Portfolio Risks" in the General Information of the Fund.

China Investment Risk. Investing in fixed income and debt instruments in China involves particular risks and special considerations not typically associated with investment in more developed economies or markets, such as greater political, operational, tax, foreign exchange, liquidity and regulatory risks. For further information about the risks associated with investment in China, please see "Risk Factors—China Market Risk" in the General Information of the Fund.

Global Exposure. The Portfolio will use Absolute VaR to measure global exposure. Please see “Risk Management” in the General Information of the Fund for more information.

History. The Portfolio was established as a portfolio of the Fund on 12 May 2015.

Share Class Information*

Management Fee, Expenses and Distributions				
	Management Fee¹	Total Expense Ratio (Maximum)²	Distributing Shares³	Accumulation Shares
Class A2	1.20%	Up to 1.70%	No	Yes
Class I2 ⁴	0.65%	Up to 1.15%	No	Yes
Class SA ⁴	None	Up to 0.30%	Yes, Monthly	No
Class S1 ⁴	0.60%	Up to 0.90%	No	Yes

* For a list of distributing/accumulation sub-classes and currency hedged share classes offered by the Portfolio, please see Appendix B, “Sub-Classes and Currency Hedged Share Classes”.

¹ As an annual percentage of average daily Net Asset Value. See “Sales Charges, Fees and Expenses” in the General Information of the Fund for further information.

² As an annual percentage of average daily Net Asset Value. For additional information on fees and expenses applicable to the Portfolio, see “Sales Charges, Fees and Expenses” in the General Information of the Fund.

³ For a list of distributing share sub-classes offered, please see Appendix B and “Share Classes” in the General Information of the Fund.

⁴ Offering is limited to certain investors as described in “Share Classes” in the General Information of the Fund.

China Equity Portfolio

Investment Objective and Policies

Investment Objective

The Portfolio's investment objective is long term capital appreciation.

Investment Policies

The Portfolio seeks to achieve its investment objective by investing primarily in the equity securities of companies incorporated in mainland China and that are traded on the China A-share equity markets. The China A-shares market currently comprises portions of both the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

AllianceBernstein Hong Kong Limited (“ABHK”), an affiliate of the Investment Manager, has been appointed as a Sub-Investment Manager for the Portfolio. ABHK has been granted a Renminbi Qualified Foreign Institutional Investor (RQFII) quota which enables the Portfolio to make direct investments in Chinese equity securities. See “Renminbi Qualified Foreign Institutional Investor (RQFII)” in “Management and Administration” in the General Information of the Fund for additional details on the RQFII regime.

In addition, the Portfolio may invest its assets in China A shares through the Hong Kong StockConnect (“StockConnect”) trading link with the Shanghai stock market and such other markets that may be linked with StockConnect in the future. Securities purchased through StockConnect are not counted towards the RQFII quota.

The Portfolio may also invest in the equity securities of Chinese companies traded in Hong Kong or other offshore markets. With respect to such equity securities that are not China A shares, the Portfolio may obtain investment exposure by purchasing such securities directly or through financial derivative instruments or structured products.

Equity securities in which the Portfolio may invest include common stock, preferred stock, the equity securities of REITs, depositary receipts, and the securities of pooled investment vehicles up to 10% of the Portfolio's net asset value, including ETFs and other UCITS and UCIs that qualify as UCITS-eligible investments. The Portfolio's investments may include securities of issuers of any industry, sector or market capitalization.

Other Investment Policies

Currency of the Portfolio: CNH

Order Cut-off Time: 11:00 a.m. CET

Settlement Period: payment must be made within two Business Days of the relevant Trade Date for the purchase of Shares.

Valuation Point: 4:00 p.m. CET

Business Day means any day on which banks are open for business in Luxembourg, Hong Kong, Shanghai and Shenzhen.

Currency Management. Under normal market conditions, it is expected that all or substantially all of the Fund's exposure will be to CNY. Therefore, the investment manager expects that the Fund's return may be affected by exchange rate fluctuations between CNH (the Fund's base currency) and CNY.

Financial Derivative Instruments. The Portfolio may use financial derivative instruments (i) as an alternative to investing in the underlying instruments, and (ii) to hedge against equity risk, interest rate and credit risk, and currency fluctuations.

Leverage. The expected level of leverage of the Portfolio is estimated to be in the 0% to 100% range of its Net Asset Value. Shareholders should be aware that the expected level of leverage is calculated pursuant to the sum of the notionals method as described in “Risk Management” in the General Information of the Fund, and that the level of leverage of this strategy is mainly generated by the use of derivatives for hedging purposes and as an alternative to investing in the underlying instruments.

Investment Risk

Profile of the Typical Investor. The Portfolio may suit investors seeking to achieve the medium- to long-term rewards of equity investment by investing in China and who are willing to tolerate the volatility associated with investing in a single emerging market.

Risk Profile. Investment in the Portfolio entails certain risks, including those portfolio strategy risk factors listed below, as well as the general risks set forth in “Risk Factors—General Risks” in the General Information of the Fund.

- China Market Risk
- China Equities Risk: the Hong Kong Stock Connect Scheme.
- Equity Securities Risk
- Derivatives Risk
- Currency Transactions Risk
- Emerging Markets Risk
- Turnover Risk

For further information about risks of the Portfolio, please see “Risk Factors—Portfolio Risks” in the General Information of the Fund.

China Risk. Investing in equity securities in China involves particular risks and special considerations not typically associated with investment in more developed economies or markets, such as greater political, operational, tax, foreign exchange, liquidity and regulatory risks. For further information about the risks associated with investment in China, please see “Risk Factors—China Market Risk” and “Risk Factors—China Equities Risk: the Shanghai-Hong Kong Stock Connect Scheme” in the General Information of the Fund.

Global Exposure. The Portfolio will use Relative VaR to measure global exposure. The reference benchmark for risk management purposes is MSCI China A Index. Please see “Risk Management” in the General Information of the Fund for more information.

History. The Portfolio was established as a portfolio of the Fund on 12 May 2015.

Share Class Information*

Management Fee, Expenses and Distributions				
	Management Fee¹	Total Expense Ratio (Maximum)²	Distributing Shares³	Accumulation Shares
Class A	2.00%	Up to 2.95%	No	Yes
Class I ⁴	1.20%	Up to 2.15%	No	Yes
Class S ⁴	None	Up to 0.50%	No	Yes
Class S1 ⁴	1.00%	Up to 1.50%	No	Yes

* For a list of distributing/accumulation sub-classes and currency hedged share classes offered by the Portfolio, please see Appendix B, “Sub-Classes and Currency Hedged Share Classes”.

¹ As an annual percentage of average daily Net Asset Value. See “Sales Charges, Fees and Expenses” in the General Information of the Fund for further information.

² As an annual percentage of average daily Net Asset Value. For additional information on fees and expenses applicable to the Portfolio, see “Sales Charges, Fees and Expenses” in the General Information of the Fund.

³ For a list of distributing share sub-classes offered, please see Appendix B and “Share Classes” in the General Information of the Fund.

⁴ Offering is limited to certain investors as described in “Share Classes” in the General Information of the Fund.

AB Kynikos Portfolio

Investment Objective and Policies

Investment Objective

The Portfolio's investment objective is capital appreciation.

Investment Policies

The Portfolio seeks to achieve its investment objective by utilizing a synthetic short equity strategy that seeks to identify securities it believes to be over-priced by the market in relation to their potential value. In order to pursue the strategy, the Investment Manager will delegate the investment management of the Portfolio to a sub-investment manager, Kynikos Associates LP (“Kynikos”).

Kynikos utilizes fundamental research of companies and industries in seeking to identify and take short exposure to companies which will be revalued downward from their current prices due to deteriorating profit outlook, unsustainable growth, negative cyclical or secular industry forces, increased industry competition, or lack of a viable long-term business. Kynikos employs several analytical techniques, including balance sheet analysis, income statement analysis, flow of funds statement analysis, and examining the important interactions between these variables. Other important measures that Kynikos assesses are the quality of corporate earnings and a company's return on invested capital.

While the Portfolio maintains short investment exposure primarily to global equities, the Portfolio has broad and flexible investment authority and may invest in other UCITS-eligible instruments, including buying equity securities or taking long exposure.

The Portfolio expects to use derivatives to a significant extent in order to maintain synthetic short positions. The Portfolio expects to maintain significant levels of cash or cash equivalents in connection with the execution of these derivative strategies, and may maintain investment exposure of up to 100% of its net assets in U.S. government securities, U.K. gilts or German bunds.

The Portfolio's principal investment exposure may include:

- equity securities, including common and preferred stocks, convertible securities, depositary receipts and the equity securities of REITs, as well as shares of companies conducting an initial public offering;
- currencies and currency-related instruments;
- UCITS and UCIs (including ETFs) that qualify as UCITS-eligible investments, up to 10% of its net asset value; and
- financial derivative instruments, such as options, futures, forwards, and swaps.

The Portfolio's investments may include exposure to issuers of any industry, sector or market capitalization, and which are located throughout the world, including developed and emerging market countries, as well as exposures denominated in various currencies.

Other Investment Policies

Currency of the Portfolio: USD

Trade Date: the last Business Day of a calendar week

Order Cut-off Time: 6:00 p.m. Central European Time two

Business Days prior to the Trade Date

Valuation Point: 4:00 p.m. U.S. Eastern Time on each Business Day

Net Asset Value Calculation: each Business Day. Shareholders' attention is drawn to the fact that purchases and redemptions of Shares of the Portfolio will only be executed on the basis of the Net Asset Value calculated on a Trade Date. The Net Asset Value calculated on a non-Trade Date serves for information, reporting and fee purposes only and is not, and should not be interpreted as, the price at which Shares may be purchased or redeemed.

Financial Derivative Instruments. The Portfolio may use financial derivative instruments (i) as an alternative to investing in the underlying instruments, (ii) to create aggregate exposure that is greater than the net assets of the Portfolio (*i.e.*, to create a leverage effect), (iii) to take synthetic short positions and (iv) to hedge against equity risk, interest rate and credit risk, and currency fluctuations.

Leverage. The expected level of leverage of the Portfolio is estimated to be in the 0% to 300% range of its Net Asset Value. Shareholders should be aware that the expected level of leverage is calculated pursuant to the sum of the notionals method as described in “Risk Management” in the General Information of the Fund, and that a significant portion of the level of leverage of this strategy is generated by the use of derivatives to increase the Portfolio's exposure.

Investment Risk

Profile of the Typical Investor. The Portfolio may suit investors seeking to achieve the medium to long term rewards of an allocation to a short equity strategy.

Risk Profile. Investment in the Portfolio entails certain risks, including those portfolio strategy risk factors listed below, as well as the general risks set forth in “Risk Factors—General Risks” in the General Information of the Fund.

- Equity Securities Risk
- Derivatives Risk
- Currency Transactions Risk
- Emerging Markets Risk
- Turnover Risk

Short investment risk. The Portfolio seeks gains by taking short positions in the market, and as a result is expected to experience gains in a falling market, while in a rising market the Portfolio may face significant losses.

For further information about risks of the Portfolio, please see “Risk Factors—Portfolio Risks” in the General Information of the Fund.

Global Exposure. The Portfolio will use Relative VaR to measure global exposure. The reference benchmark for risk management purposes is MSCI ACWI. Please see “Risk Management” in the General Information of the Fund for more information.

History. The Portfolio was established as a portfolio of the Fund on 2 December 2016.

Share Class Information*

Management Fee, Expenses and Distributions					
	<u>Management Fee¹</u>	<u>Total Expense Ratio (Maximum)²</u>	<u>Performance Fee³</u>	<u>Distributing Shares⁴</u>	<u>Accumulation Shares</u>
Class A	2.25%	Up to 2.75%	15% above Prior High NAV	No	Yes
Class F ⁵	1.00%	Up to 1.50%	15% above Prior High NAV	No	Yes
Class I ⁶	1.50%	Up to 2.00%	15% above Prior High NAV	No	Yes
Class S1 ⁶	1.50%	Up to 1.95%	15% above Prior High NAV	No	Yes

* For a list of distributing/accumulation sub-classes and currency hedged share classes offered by the Portfolio, please see Appendix B, “Sub-Classes and Currency Hedged Share Classes”.

Kynikos Sub-Investment Manager Fee. For the services provided to the Portfolio, Kynikos is paid a fee by the Investment Manager, as well as the Performance Fee.

¹ As an annual percentage of average daily Net Asset Value. See “Sales Charges, Fees and Expenses” in the General Information of the Fund for further information.

² As an annual percentage of average daily Net Asset Value. For additional information on fees and expenses applicable to the Portfolio, see “Sales Charges, Fees and Expenses” in the General Information of the Fund. The Total Expense Ratio listed excludes any Performance Fee applicable to the Portfolio and its Shares.

³ Calculated as a percentage by which the Adjusted Net Asset Value of the Portfolio exceeds the Prior High NAV, as described in “Sales Charges, Fees and Expenses—Performance Fee, in the General Information of the Fund. The Performance Fee is paid to Kynikos.

⁴ For a list of distributing share sub-classes offered, please see Appendix B and “Share Classes” in the General Information of the Fund.

⁵ The Management Company reserves the right to compulsorily redeem the Class F Shares held by a Shareholder in the case where such Shareholder’s account value in Class F Shares is below \$5 million or the equivalent amount in another currency.

⁶ Offering is limited to certain investors as described in “Share Classes” in the General Information of the Fund.

General Information

The Fund

General

AB SICAV II is an open-ended investment company with variable capital (*société d'investissement à capital variable*) incorporated on 17 December 2014 with limited liability in the Grand Duchy of Luxembourg under the law of 10 August 1915, as amended, relating to commercial companies and in compliance with the provisions of Part I of the UCITS Law. The Fund qualifies as a UCITS within the meaning of Article 1(2) of the EC Directive 2009/65 of 13 July 2009, as amended (the "Directive 2009/65/EC"). The Fund is managed in the interest of its Shareholders in accordance with the Fund's Articles, as amended from time to time. See "Additional Information—Articles."

The Fund is structured as an "umbrella fund" comprising separate Portfolios. Each Portfolio is answerable only for its own obligations and expenses, and not for the liabilities of any other Portfolio. The Fund offers various classes of Shares in each of its Portfolios. In the future, the Fund may issue Shares of other classes of one or more Portfolios or Shares of other classes related to newly established Portfolios. All Shares of the same class have the same rights as to dividends and redemptions.

Articles

The Fund is managed by the Board of Directors in accordance with the Fund's Articles. The Fund was incorporated as a SICAV in Luxembourg on 17 December 2014 and its Articles were published in the *Mémorial* of the Grand Duchy of Luxembourg on 17 January 2015. The Articles are on file with the *Registre de Commerce et des Sociétés* of Luxembourg and at the registered office of the Fund where copies may be obtained upon request. The Fund's principal and registered office is at 2-4, rue Eugène Ruppert, L-2453 Luxembourg.

Applicable Law and Jurisdiction

The Articles are governed by the laws of the Grand Duchy of Luxembourg and any dispute arising among the Shareholders, the Fund, the Management Company and the Depositary will be subject to the jurisdiction of the District Court of Luxembourg.

Notwithstanding the foregoing, the Fund, the Management Company and the Depositary may subject themselves to the jurisdiction of the courts of the countries in which the Shares of the Fund are offered and sold with respect to claims by investors resident in such countries, and with respect to matters relating to subscriptions and repurchases of such Shares by Shareholders resident in such countries, to the laws of such countries.

Fiscal Year

The Fund's financial year ends on 31 December of each year and for the first time on 31 December 2015. The Fund's annual report incorporating audited financial statements is published no later than 4 months after the end of the fiscal year and the Fund's semi-annual report incorporating unaudited financial statements is published no later than 2 months after the end of the first six months of the fiscal year. The first report will be a semi-annual report as at 30 June 2015 and the first audited report will be as at 31 December 2015. The consolidated accounts of the Fund are kept in Dollars.

Shareholders' Information and Meetings

The Annual General Meeting of Shareholders will be held in Luxembourg at 9:30 a.m. (Luxembourg time) on the last Thursday in May of each year or, if such date is a legal holiday in Luxembourg, on the next following business day.

Notices of such meetings and of all other meetings of Shareholders will be mailed to Shareholders at their respective addresses as shown in the register of Shareholders and in accordance with Luxembourg law and the Articles. All notices of meeting will specify the time, place and agenda of the meeting and the quorum and voting requirements. In addition, notices will be published in accordance with Luxembourg law and the Articles. In addition, notice may be published in any newspaper of general circulation in such countries as the Board of Directors may from time to time determine.

The Board draws the investors' attention to the fact that any investor will only be able to fully exercise his investor rights directly against the Fund, notably the right to participate in general Shareholders' meetings, if the investor is registered himself and in his own name in the Shareholders' register of the Fund. In cases where an investor invests in the Fund through an intermediary investing into the Fund in his own name but on behalf of the investor, it may not always be possible for the investor to exercise certain shareholder rights directly against the Fund. Investors are advised to take advice on their rights.

Documents Available for Inspection

The following documents are available for inspection during normal business hours at the office of the Fund: (1) the Articles; (2) the Management Company Agreement; (3) the Depositary Agreement; (4) the Administration Agreement; (5) the Investment Management Agreement; (6) the articles of incorporation of the Management Company; (7) the latest semi-annual and annual reports relating to the Fund and, if available, each Portfolio; (8) the Prospectus of the Fund; and (9) KIIDs relating to the Portfolios of the Fund. Copies of the Fund's Prospectus, Articles, latest annual report and, if issued thereafter, the latest semi-annual report, as well as copies of the KIID of each Portfolio of the Fund, may be obtained at the offices of the Fund and the Distributor without cost.

Listing

Share classes of each Portfolio of the Fund may be listed on the Luxembourg Stock Exchange as and when issued. It is unlikely that a trading market for the Shares will develop or continue.

Portfolio Holdings

For certain Portfolios, the Management Company publishes a complete schedule of the Portfolio holdings monthly on www.abglobal.com. This posted information generally remains accessible on the website for three months. In addition, the Management Company may post information concerning the number of securities a Portfolio holds, a summary of the Portfolio's ten largest holdings (including name and the percentage of the Portfolio's assets invested in each holding), and a percentage breakdown of the Portfolio's investments by country, sector and industry, as applicable. Monthly Portfolio holdings information is generally posted between 30 and 90 days after the end of that month.

Historical Performance

Information on the historical performance of a Portfolio, once available, may be found in the KIID of the Portfolio and at www.abglobal.com.

Legal Proceedings

The Fund has not since its incorporation been engaged in and is not currently engaged in, any legal or arbitration proceedings and no legal or arbitration proceedings are known to the Board of Directors to be pending or threatened by or against the Fund. The Fund does not have, nor has it had since incorporation, any employees. Save as disclosed herein, no commissions, discounts, brokerages or other special terms have been granted or are payable by the Fund in connection with the issue or sale of any capital of the Fund. The Board of Directors shall not be required to hold any qualification shares. There is no age limit for the retirement of Directors.

Liquidation of the Fund, Termination of Portfolios and Classes of Shares

The Fund is of unlimited duration but may be liquidated at any time by resolution of Shareholders in accordance with Luxembourg law. The net proceeds of liquidation corresponding to each Portfolio shall be distributed by the liquidators to the holders of Shares in that Portfolio in proportion to their holding of Shares in that Portfolio. Amounts which are not promptly claimed by Shareholders will be held in escrow accounts by the *Caisse de Consignation*. Amounts not claimed from escrow within the period fixed by law may be liable to be forfeited in accordance with the provisions of Luxembourg law.

A general meeting of the Shareholders will be called to consider the liquidation of the Fund if the value of the Fund's net assets should decline to less than two-thirds of the minimum capital required by law. The minimum capital required by Luxembourg law is currently the equivalent of €1,250,000.

A Portfolio may be dissolved by decision of the Board at any time. In such case, the assets of the Portfolio will be realized, the liabilities discharged and the net proceeds of realization distributed to Shareholders in proportion to their holding of Shares in that Portfolio. Payment of proceeds to Shareholders will be made against delivery to the Fund of certificates (if issued) and any other evidence of discharge which the Board may reasonably require.

In the event that a Portfolio is terminated, notice will be given in writing to Shareholders. In case of termination of a Portfolio, notices will also be published in Luxembourg in accordance with the provisions of Luxembourg law and in other newspapers circulated in such jurisdictions as the Board may determine.

The Board may also decide to allocate the assets of a Portfolio to another Portfolio and to redesignate the Shares of the relevant Portfolio as Shares of another Portfolio (following any necessary split or consolidation).

The Board may also decide to contribute the assets and liabilities attributable to a Portfolio to another undertaking for collective investment against issue of Shares of that undertaking for collective investment to be distributed to the holders of Shares of the classes concerned.

In the event that a decision is taken to merge a Portfolio with another Portfolio or with another undertaking for collective investment, a notice will be published by the Fund which will contain information in relation to the relevant Portfolio or the relevant undertaking for collective investment. Publication will be made one month before the date on which the merger becomes effective in order to enable holders of Shares to request redemption of their Shares, free of charge, before the implementation of the merger.

Management and Administration

Board of Directors of the Fund

The Directors of the Fund are:

Bertrand Reimmel, *Administrateur Délégué* of the Fund and Senior Vice President, AllianceBernstein (Luxembourg) S.à r.l., 2-4, rue Eugène Ruppert, L-2453 Luxembourg;

Silvio D. Cruz, *Administrateur Délégué* of the Fund and Senior Vice President and Managing Director, AllianceBernstein L.P., 1345 Avenue of the Americas, New York, New York 10105, U.S.A.;

Louis T. Mangan, Senior Vice President and Counsel, AllianceBernstein L.P., 1345 Avenue of the Americas, New York, New York 10105, U.S.A.; and

Yves Prussen, *Avocat*, Elvinger Hoss Prussen, 2, Place Winston Churchill, B.P. 425, L-2014 Luxembourg.

Bios

Bertrand Reimmel. Bertrand Reimmel joined AllianceBernstein (Luxembourg) S.à r.l. (“ABLUX”) in August 2005, as the Head of the Legal & Compliance Department and, since 2012, he also assumes the role of Managing Director of ABLUX. Mr. Reimmel became a member of the Luxembourg Bar in 1997 and, before joining ABLUX, he worked for more than eight years with Elvinger Hoss Prussen, AllianceBernstein's principal Luxembourg law firm, where he worked on AllianceBernstein matters. Thus, Mr. Reimmel is currently one of the most-senior lawyers within the AllianceBernstein International Legal Group with significant technical expertise and long-time exposure to UCITS and Alternative Investment Funds (“AIFs”). In addition, he is an active member of (i) several ALFI Working Committees and (ii) the ABLUX Risk Committee. Mr. Reimmel is also a key element in the launch and restructuring of each single AllianceBernstein Luxembourg UCITS and non-UCITS. He is currently director and managing director of all AllianceBernstein Luxembourg based UCITS and AIFs.

Silvio D. Cruz. Silvio Cruz is a Senior Vice President and Managing Director in Global Product Development. He has more than 17 years of experience in areas that include servicing cross-border retail, institutional and private client distribution channels, fund structuring, fund launches, fund governance, business strategy and oversight, product development, fund accounting, fund administration, custody and transfer agency activities in support of AllianceBernstein's investment management and funds-related activities in Luxembourg, the UK, Ireland, Japan, the US and the Cayman Islands. Cruz previously served as a mutual fund accountant at New York Life Insurance Company. He holds a BS in accounting from Rutgers University and an MBA with a concentration in finance from Rutgers Business School. Cruz is a FINRA registered General Securities Representative licensed in the State of New York with Series 7 and 63.

Louis T. Mangan. Louis T. Mangan is a Senior Vice President, Counsel and Assistant Secretary of AllianceBernstein Corporation, the general partner of AllianceBernstein. He joined Alliance Capital's Corporate Legal Department in October 2000 in connection with the firm's acquisition of Sanford C. Bernstein & Co., Inc. Mangan is a senior attorney responsible for legal matters involving the firm's institutional asset management business. At Sanford C. Bernstein, he similarly headed up the team of legal professionals responsible for

institutional asset management matters. From 1987 to 1995, Mangan was an associate in the Corporate department of Rogers & Wells. He earned a BA from New York University in 1984 and a JD from Cornell Law School in 1987.

Yves Prussen. Yves Prussen is an independent director of the Fund. Mr. Prussen is doctor at law and *diplomé of the Institut d'Etudes Politiques* (Grenoble), became a member of the Luxembourg Bar in 1971. In 1975 he became a partner of the firm Elvinger & Hoss which later changed its name. He is a member of the International Bar Association, of the Luxembourg branch of the International Fiscal Association, of the Luxembourg Association for Arbitration and a member of the *Comité d'Experts Juristes* within the CSSF. He is the author of various publications in the field of tax law, securities law and company law as well as national reports for the International Fiscal Association Congress. His main areas of activity are, in addition to banking, financial and securities and company law, tax law, intellectual property law and litigation in these fields. Mr. Prussen is based in Luxembourg.

The Management Company

The Board of Directors of the Fund has appointed AllianceBernstein (Luxembourg) S.à r.l. as the Management Company of the Fund to be responsible on a day-to-day basis, under supervision of the Board of Directors, for providing administration, marketing, investment management and advisory services in respect of all Portfolios.

AllianceBernstein (Luxembourg) S.à r.l. (formerly known AllianceBernstein (Luxembourg) S.A.), the principal shareholder of which is AllianceBernstein Holdings Limited, a wholly owned subsidiary of the Investment Manager, was organized as a *société anonyme* under the laws of the Grand Duchy of Luxembourg by notarial deed dated 31 July 1990, and published in the *Mémorial* on 9 November 1990. It has been incorporated for an undetermined period and its registered and principal office is at 2-4, rue Eugène Ruppert, L-2453 Luxembourg. Its articles of incorporation were amended for the last time on 17 July 2014. It is registered with the *Registre de Commerce et des Sociétés* in Luxembourg under No. B 34.405. The issued capital of the Management Company is €16,300,000, divided into 163,000 registered shares with no par value, all of which are fully paid. The Management Company is (i) a management company authorized under chapter 15 of the UCITS Law and (ii) an alternative investment fund manager in Luxembourg authorized under chapter 2 of the law of 12 July 2013 on alternative investment fund managers.

In respect of all Portfolios, the Management Company has delegated its investment management and advisory functions to AllianceBernstein L.P.

The Management Company has delegated the depositary and administration functions to State Street Bank Luxembourg S.C.A.

The Management Company shall also ensure compliance of the Fund with the investment restrictions and oversee the implementation of the Fund's strategies and investment policies.

The object of the Management Company is the creation and management of collective investment undertakings on behalf of their respective Shareholders.

The Management Company may also be appointed to act as management company for other investment funds, the list of which

will be available, upon request, at the registered office of the Fund and the Management Company.

Remuneration Policy. The Management Company has established remuneration policies for those categories of staff, including senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers whose professional activities have a material impact on the risk profiles of the Management Company or the Fund, that:

- are consistent with and promote a sound and effective risk management and do not encourage risk-taking which is inconsistent with the risk profiles of the Fund or with its Articles;
- are in line with the business strategy, objective values and interests of the Management Company and the Fund and of the shareholders of the Fund, and includes measures to avoid conflict of interest;
- include an assessment of performance set in a multi-year framework appropriate to the holding period recommended to the shareholders of the Fund in order to ensure that the assessment process is based on the longer-term performance of the Fund and its investment risks and that the actual payment of performance-based components of remuneration is spread over the same period; and
- fixed and variable components of total remuneration are appropriately balanced and the fixed components represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component.

In particular, based on established remuneration policies, no employee of the Management Company is paid based on the investment performance of the Fund. Moreover variable remuneration of employees is based on function-specific objectives and company-wide performance criteria and it does not usually exceed 40% of the total compensation.

In accordance with ESMA Guidelines on sound remuneration policies under the UCITS directive and AIFMD, the Management Company has not established a remuneration committee separated from the remuneration committee established at the AB Group level.

The up-to-date remuneration policy of the Management Company, including, but not limited to, a description of how remuneration and benefits are calculated, the identity of persons responsible for awarding the remuneration and benefits, are available at <http://spd2.alliancebernstein.com/SPDesktopWeb/DisplayFile.aspx?fssID=55348>. A paper copy is available free of charge upon request at the Management Company's registered office.

The managers of the Management Company are:

Silvio D. Cruz, Managing Director, AllianceBernstein (Luxembourg) S.à r.l. and Senior Vice President and Managing Director, AllianceBernstein L.P., 1345 Avenue of the Americas, New York, New York 10105, U.S.A.;

Simone Thelen, Managing Director and Senior Vice President, AllianceBernstein (Luxembourg) S.à r.l., 2-4, rue Eugène Ruppert, L-2453 Luxembourg;

Bertrand Reimmel, Managing Director and Senior Vice President, AllianceBernstein (Luxembourg) S.à r.l., 2-4, rue Eugène Ruppert, L-2453 Luxembourg;

Steven M. Eisenberg, Chief Operating Officer and Senior Vice President, AllianceBernstein L.P., 1345 Avenue of the Americas, New York, New York 10105, U.S.A.;

Louis T. Mangon, Senior Vice President and Counsel, AllianceBernstein L.P., 1345 Avenue of the Americas, New York, New York 10105, U.S.A.; and

Yves Prussen, *Avocat*, Elvinger Hoss Prussen, 2, Place Winston Churchill, B.P. 425, L-2014 Luxembourg.

Bios

Silvio D. Cruz. See “Board of Directors” above.

Simone Thelen. Ms. Thelen joined AB Lux in September 2003 as Vice President and General Manager having direct responsibility for AllianceBernstein Investor Services (“ABIS”), a unit of AB Lux, the Company’s Transfer Agent. In April 2008, Ms. Thelen took in addition the responsibility of AllianceBernstein Investments (“ABI”), a unit of AB Lux, the Company’s Global Distributor activities. Before joining AB Lux, Ms. Thelen spent over five years at Prumerica Financial, Prudential-Bache International Luxembourg, where Ms. Thelen was director in charge of third-party distribution and operations. From 1985 to early 1998, Ms. Thelen held several managerial positions at Clearstream Banking and International in Luxembourg, mostly in Customer Services, Sales and Training and Career Development. Ms. Thelen, who has over 29 years of Financial Services Industry experience, has an extensive knowledge of operational and regulatory requirements especially in relation to the Transfer Agent and Registrar as well as the Distributor function. As Senior Vice President and Managing Director, she has also oversight of all support functions at the AB Lux management company level including Internal Audit, Information Technology, Human Capital, Finance and Facilities.

Bertrand Reimmel. See “Board of Directors” above.

Steven M. Eisenberg. Steven Eisenberg is the Chief Operating Officer for AllianceBernstein’s Institutional and Retail businesses, and head of its global client service and marketing teams—positions he has held since 2009. In 2014, Steve also became responsible for the firm’s product development and strategy effort. Prior to his current position, Steve served five years as Global Head of Client Service and Business Operations for the Institutional sales and client-service division of the firm, focusing on building out a global client service and sales infrastructure during a period of rapid global expansion and growth. In this role, Steve spent a year in the firm’s Tokyo office developing a robust client-service infrastructure, appointing and developing a leadership team and recruiting staff. Prior to these global management positions, Steve was responsible for overseeing client-service teams and servicing institutional clients in North America for several years. Among his earlier positions in the firm, Steve spent time as a business analyst and project manager, where he took on responsibility for integrating sales and client-service-systems and processes following the merger of Alliance Capital, LP and Sanford C. Bernstein in 2000. Steve earned a BA from the University of Delaware and an MBA from New York University, Stern School of Business. Steve has been with the firm since 1997 and is based in New York.

Louis T. Mangan. See “Board of Directors” above.

Yves Prussen. See “Board of Directors” above.

Investment Management

AllianceBernstein L.P., a Delaware limited partnership with principal offices at 1345 Avenue of the Americas, New York, New York 10105, U.S.A., a leading global investment manager providing diversified services to institutions and individuals through a broad line of investments, has been appointed as the investment manager for the Fund pursuant to the terms of an Investment Management Agreement. The Investment Management Agreement may be terminated by the Management Company on behalf of the Fund or by the Investment Manager upon sixty days' written notice to the other.

AllianceBernstein Corporation, the Investment Manager's general partner, is an indirect wholly owned subsidiary of AXA Financial, Inc., which in turn is a wholly owned subsidiary of AXA, a French company.

The Investment Manager is registered with the U.S. Securities and Exchange Commission (the “SEC”) as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended. Additional information about the Investment Manager is available on the SEC's website at www.adviserinfo.sec.gov. Registration with the SEC or with any U.S. state securities authority does not imply a certain level of skill or training.

The Investment Manager may utilize the services of investment and other personnel of its direct and indirect subsidiaries (*i.e.* any company within the AB Group) (“Connected Entities”) for purposes of providing services to the Fund and may execute, transact and otherwise carry out its functions, duties and obligations with or through any Connected Entities. The Investment Manager shall remain responsible for the proper performance by such Connected Entities of those responsibilities.

Sub-Investment Managers

With respect to certain Portfolios as described in the Portfolio Details relating to such Portfolio, the Investment Manager may appoint one or more Sub-Investment Managers to manage a portion of the Portfolio's assets. The Investment Manager identifies potential Sub-Investment Managers through a variety of sources. The Sub-Investment Manager selection process is driven by both quantitative and qualitative analysis. For each prospective allocation to a new Sub-Investment Manager, the Investment Manager will first conduct an evaluation of the Sub-Investment Manager and its strategy, team, and approach through analysis of, among other criteria, the prior investment returns of similar strategies (if any), portfolio exposures, current assets under management, and strategy outlook. The Investment Manager may also (i) conduct background checks; (ii) analyze whether the Sub-Investment Manager has the personnel, research and technology resources to effectively implement the relevant strategy; and (iii) conduct additional due diligence as it deems appropriate. The Investment Manager may add or remove Sub-Investment Managers without prior notice to Shareholders. A list of Sub-Investment Managers that are currently managing the Multi-Strategy Alpha Portfolio and Diversified Equity Alpha Portfolio may be obtained from the Management Company or the Investment Manager and will be reflected in the annual report of the Fund.

Pursuant to separate subadvisory agreements (the “Subadvisory Agreements”), subject to the supervision and direction of the Board,

the Sub-Investment Managers will manage the portions of a Portfolio's assets allocated to them in accordance with the Portfolio's stated investment objective and policies, make investment decisions for the allocated portions of the Portfolio's assets, place orders to purchase and sell securities and other instruments and employ professional portfolio managers who provide research services to the Portfolio. The Sub-Investment Managers may also manage investment strategies and maintain investments in which a Portfolio invests via financial derivatives instruments. Pursuant to each Subadvisory Agreement, the Fund pays each Sub-Investment Manager a monthly fee at an annual rate equal to a percentage of the Portfolio's assets allocated to them. The aggregate fees paid to all Sub-Investment Managers of a Portfolio shall not exceed 1.5% of such Portfolio's NAV. Each of the Subadvisory Agreements will continue in effect for its initial term and thereafter from year to year provided such continuance is specifically approved at least annually by the Management Company and the Investment Manager. The Management Company may terminate a Subadvisory Agreement without penalty on 30 days' prior written notice to the Investment Manager and Sub-Investment Manager or on any shorter period specified in the applicable Subadvisory Agreement. The Investment Manager may terminate a Subadvisory Agreement on 30 days' written notice to the Sub-Investment Manager or on any shorter period specified in the applicable Subadvisory Agreement. Each Sub-Investment Manager may terminate its Subadvisory Agreement on 90 days' written notice to the Management Company and the Investment Manager.

Depository

State Street Bank (Luxembourg) S.C.A. (the “Depository”) has been appointed by the Fund as the depository for (i) the safekeeping of the assets of the Fund (ii) the cash monitoring, (iii) the oversight functions and (iv) such other services as agreed from time to time and reflected in the Depository Agreement.

The Depository is a credit institution established in Luxembourg, whose registered office is situated at 49, avenue J.F. Kennedy, L-1855 Luxembourg, and which is registered with the Luxembourg register of commerce and companies under number B 32771. It is licensed to carry out banking activities under the terms of the Luxembourg law of 5 April 1993 on the financial services sector, as amended.

Depository's functions. The Depository has been entrusted with following main functions:

- ensuring that the sale, issue, repurchase, redemption and cancellation of Shares are carried out in accordance with applicable law and the Articles.
- ensuring that the value of the Shares is calculated in accordance with applicable law and the Articles.
- carrying out the instructions of the Management Company/the Fund unless they conflict with applicable law and the Articles.
- ensuring that in transactions involving the assets of the Fund any consideration is remitted within the usual time limits.
- ensuring that the income of the Fund is applied in accordance with applicable law and the Articles.
- monitoring of the Fund's cash and cash flows.

- safekeeping of the Fund's assets, including the safekeeping of financial instruments to be held in custody and ownership verification and record keeping in relation to other assets.

The Depositary regularly provides the Management Company and the Fund with a complete inventory of all assets of the Fund.

Depositary's liability. In the event of a loss of a financial instrument held in custody, determined in accordance with the UCITS Directive, the Depositary shall return financial instruments of identical type or the corresponding amount to the Fund without undue delay.

The Depositary shall not be liable if it can prove that the loss of a financial instrument held in custody has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary pursuant to the UCITS Directive.

In case of a loss of financial instruments held in custody, the Shareholders may invoke the liability of the Depositary directly or indirectly through the Fund provided that this does not lead to a duplication of redress or to unequal treatment of the Shareholders.

The Depositary will be liable to the Fund for all other losses suffered by the Fund as a result of the Depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the UCITS Directive.

The Depositary shall not be liable for consequential or indirect or special damages or losses, arising out of or in connection with the performance or non-performance by the Depositary of its duties and obligations.

Delegation. The Depositary has full power to delegate the whole or any part of its safe-keeping functions but its liability will not be affected by the fact that it has entrusted to a third-party delegate some or all of the assets in its safekeeping. The Depositary's liability shall not be affected by any delegation of its safe-keeping functions under the Depositary Agreement.

The Depositary shall exercise care and diligence in choosing and appointing the third-party delegates so as to ensure that each third-party delegate has and maintains the required expertise and competence. The Depositary shall also periodically assess whether the third-party delegates fulfil applicable legal and regulatory requirements and will exercise ongoing supervision over each third-party delegate to ensure that the obligations of the third-party delegates continue to be competently discharged.

The Depositary has delegated those safekeeping duties set out in Article 22(5)(a) of the UCITS Directive to State Street Bank and Trust Company with registered office at Copley Place 100, Huntington Avenue, Boston, Massachusetts 02116, USA, whom it has appointed as its global sub-custodian. State Street Bank and Trust Company as global sub-custodian has appointed local sub-custodians within the State Street Global Custody Network.

Information about the safekeeping functions which have been delegated and the identification of the relevant delegates and sub-delegates are available at the registered office of the Fund or at the following internet site:
<http://www.statestreet.com/about/office-locations/luxembourg/subcustodians.html>.

Conflicts of Interest. The Depositary is part of an international group of companies and businesses that, in the ordinary course of their business, act simultaneously for a large number of clients, as

well as for their own account, which may result in actual or potential conflicts. Conflicts of interest arise where the Depositary or its affiliates engage in activities under the depositary agreement or under separate contractual or other arrangements. Such activities may include:

- providing nominee, administration, registrar and transfer agency, research, agent securities lending, investment management, financial advice and/or other advisory services to the Fund;
- engaging in banking, sales and trading transactions including foreign exchange, derivative, principal lending, broking, market making or other financial transactions with the Fund either as principal and in the interests of itself, or for other clients.

In connection with the above activities the Depositary or its affiliates:

- will seek to profit from such activities and are entitled to receive and retain any profits or compensation in any form and are not bound to disclose to, the Fund, the nature or amount of any such profits or compensation including any fee, charge, commission, revenue share, spread, mark-up, mark-down, interest, rebate, discount, or other benefit received in connection with any such activities;
- may buy, sell, issue, deal with or hold, securities or other financial products or instruments as principal acting in its own interests, the interests of its affiliates or for its other clients;
- may trade in the same or opposite direction to the transactions undertaken, including based upon information in its possession that is not available to the Fund;
- may provide the same or similar services to other clients including competitors of the Fund;
- may be granted creditors' rights by the Fund which it may exercise.

The Fund may use an affiliate of the Depositary to execute foreign exchange, spot or swap transactions for the account of the Fund. In such instances the affiliate shall be acting in a principal capacity and not as a broker, agent or fiduciary of the Fund. The affiliate will seek to profit from these transactions and is entitled to retain and not disclose any profit to the Fund. The affiliate shall enter into such transactions on the terms and conditions agreed with the Fund.

Where cash belonging to the Fund is deposited with an affiliate being a bank, a potential conflict arises in relation to the interest (if any) which the affiliate may pay or charge to such account and the fees or other benefits which it may derive from holding such cash as banker and not as trustee.

The Management Company may also be a client or counterparty of the Depositary or its affiliates.

Potential conflicts that may arise in the Depositary's use of sub-custodians include four broad categories:

- conflicts from sub-custodian selection and asset allocation among multiple sub-custodians influenced by (a) cost factors, including lowest fees charged, fee rebates or similar

incentives and (b) broad two-way commercial relationships in which the Depository may act based on the economic value of the broader relationship, in addition to objective evaluation criteria;

- (ii) sub-custodians, both affiliated and non-affiliated, act for other clients and in their own proprietary interest, which might conflict with clients' interests;
- (iii) sub-custodians, both affiliated and non-affiliated, have only indirect relationships with clients and look to the Depository as its counterparty, which might create incentive for the Depository to act in its self-interest, or other clients' interests to the detriment of clients; and
- (iv) sub-custodians may have market-based creditors' rights against client assets that they have an interest in enforcing if not paid for securities transactions.

In carrying out its duties the Depository shall act honestly, fairly, professionally, independently and solely in the interests of the Fund and its Shareholders.

The Depository has functionally and hierarchically separated the performance of its depository tasks from its other potentially conflicting tasks. The system of internal controls, the different reporting lines, the allocation of tasks and the management reporting allow potential conflicts of interest and the depository issues to be properly identified, managed and monitored. Additionally, in the context of the Depository's use of sub-custodians, the Depository imposes contractual restrictions to address some of the potential conflicts and maintains due diligence and oversight of sub-custodians to ensure a high level of client service by those agents. The Depository further provides frequent reporting on clients' activity and holdings, with the underlying functions subject to internal and external control audits. Finally, the Depository internally separates the performance of its custodial tasks from its proprietary activity and follows a standard of conduct that requires employees to act ethically, fairly and transparently with clients.

Information. Updated information regarding the description of the Depository's duties and of conflicts of interest that may arise as well as of any safekeeping functions delegated by the Depository, the list of delegates and sub-delegates and any conflicts of interest that may arise from such a delegation, may be obtained, free of charge and upon written request, from the Depository.

Miscellaneous. The Depository or the Management Company may terminate the Depository Agreement at any time upon ninety (90) calendar days' written notice (or earlier in case of certain breaches of the Depository Agreement, including the insolvency of any party), provided that the Depository Agreement shall not be terminated until a replacement depository is appointed.

Administrator

State Street Bank Luxembourg S.C.A. has been appointed by the Management Company as the administrator of the Fund pursuant to the terms of the Administration Agreement. In such capacity it is responsible for the general administrative functions of the Fund required by Luxembourg law, such as the calculation of the Net Asset Value of the Shares and the maintenance of accounting records. State Street Bank Luxembourg S.C.A. also acts as paying agent of the Fund. Either the Administrator or the Management Company may terminate

the Administrator's appointment at any time on giving ninety days' written notice.

Registrar and Transfer Agent

AllianceBernstein Investor Services, a unit of the Management Company, acts as registrar and transfer agent of the Fund. In such capacity, the Transfer Agent is responsible for processing purchases, redemptions, exchanges and transfers of Shares of the Fund.

Distributor

AllianceBernstein Investments, a unit of the Management Company acts as the Distributor for the Shares on a best efforts basis. The Distributor has contracted with sub-distributors for the distribution of Shares. The Distributor may enter into agreements with sub-distributors pursuant to which such sub-distributors agree to act as or appoint nominees for investors subscribing for Shares through their facilities. In such capacity the sub-distributor may effect subscriptions, conversion and redemptions of Shares in such nominee's name on behalf of individual investors and request the registration of such transactions on the register of Shareholders of the Fund in the nominee's name. The appointed nominee maintains its own records and provides the investor with individualized information as to its holdings of Shares in the Fund. Except where local law or custom prohibits the practice, investors may invest directly in the Fund and not avail themselves of a nominee service. Unless otherwise provided by local law, any Shareholder holding Shares in a nominee account with a sub-distributor has the right to claim direct title to such Shares at any time.

Auditors

The Auditor of the Management Company is PricewaterhouseCoopers, 2, rue Gerhard Mercator - B.P. 1443 L-1014, Luxembourg.

The Board has appointed Ernst & Young S.A., Independent Public Accountants, 35E, avenue John F. Kennedy, L-1855 Luxembourg, as independent auditor of the Fund. Ernst & Young will, with respect to the assets of the Fund, carry out the duties prescribed by the UCITS Law.

Renminbi Qualified Foreign Institutional Investor

Foreign institutional investors who wish to invest directly in the PRC domestic securities market may apply to be a RMB qualified foreign institutional investor ("RQFII") pursuant to the prevailing RQFII regulations of the PRC. AllianceBernstein Hong Kong Limited (the "RQFII Holder"), a subsidiary of the Investment Manager, has obtained a RQFII licence and, as of the date of this Prospectus, a total RQFII investment quota of RMB500 million. To the extent that AllianceBernstein Hong Kong Limited has, on behalf of a Portfolio, utilised its entire RQFII investment quota, AllianceBernstein Hong Kong Limited may, subject to any applicable regulations, apply for additional quota.

The RQFII regime is governed by rules and regulations as promulgated by the mainland Chinese authorities, *i.e.*, the Chinese Securities Regulatory Commission (the "CSRC"), the State Administration of Foreign Exchange (the "SAFE") and the People's Bank of China (the "PBOC"). Such rules and regulations may be amended from time to time and include (but are not limited to):

- (i) the "Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" (人民幣合格境外機構投資者境內證券投資試點辦法)

issued by the CSRC, the PBOC and the SAFE and effective from 1 March 2013;

(ii) the “Implementation Rules for the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors” (關於實施《人民幣合格境外機構投資者境內證券投資試點辦法》的規定) issued by the CSRC and effective from 1 March 2013; and

(iii) the “Circular on Issues Related to the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors” (國家外匯管理局關於人民幣合格境外機構投資者境內證券投資試點有關問題的通知) issued by SAFE and effective from 21 March 2013 (“RQFII Measures”);

(iv) the “Notice of the People's Bank of China on the Relevant Matters concerning the Implementation of the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors” (中國人民銀行關於實施《人民幣合格境外機構投資者境內證券投資試點辦法》有關事項的通知) issued by the PBOC and effective from 2 May 2013; and

(v) any other applicable regulations promulgated by the relevant authorities.

Indemnifications

The Fund has, in general, agreed to indemnify, out of the assets of each Portfolio, each service provider to the Portfolio for any loss, liability or other expense (including reasonable attorneys' fees) incurred by such service provider in connection with the performance of its services in good faith to the Portfolio.

Co-Management of Assets.

For the purpose of effective management, where the investment policies of a Portfolio so permit, the Investment Manager may choose to co-manage assets of such Portfolios within or outside the Fund. In such cases, assets of different portfolios or strategies will be managed in common. The assets which are co-managed shall be referred to as a "pool." These pooling arrangements are an administrative device designed to reduce operational and other expenses and do not change the legal rights and obligations of Shareholders. The pools do not constitute separate entities and are not directly accessible to investors. Each of the co-managed Portfolios or strategies shall remain entitled to its specific assets. Where the assets of more than one portfolio or strategy are pooled, the assets attributable to each participating portfolio or strategy will initially be determined by reference to its initial allocation of assets to such a pool and will change in the event of additional allocations or withdrawals. The entitlements of each participating portfolio or strategy to the co-managed assets apply to each and every line of investments of such pool. Additional investments made on behalf of the co-managed portfolios or strategies shall be allotted to such portfolios or strategies in accordance with their respective entitlement, whereas assets sold shall be levied similarly on the assets attributable to each participating portfolio or strategy.

A review of the tax impact of the pooling arrangements has been undertaken in Luxembourg. It is not anticipated that any material Luxembourg taxes will arise due to the implementation of the pooling arrangements as described in this Prospectus. There may be a risk of taxation impacts in other jurisdictions where securities located in those countries are pooled as described in this Prospectus, though any additional taxes arising are not anticipated to be material.

Share Classes

Share Classes

All Shares of a class convey, upon issue, the same rights as to redemption and distributions. The Net Asset Value per Share of the various classes of Shares in respect of a particular Portfolio may differ as a result of the different fees assessed on each class of Shares.

The Fund currently offers, and in the future may offer in respect of each Portfolio, various classes of Shares with differing fee structures and subscription requirements to meet the needs of certain classes of investors or to conform to market practice or requirements in certain jurisdictions. The Fund retains the right to offer only one or more class of Shares for purchase by investors in any particular jurisdiction. In addition, the Fund or the Distributor may adopt standards applicable to classes of investors or transactions which permit, or limit investment to, the purchase of a particular class of Shares. Prospective investors should consult their financial adviser to determine which classes of Shares may be available in their particular jurisdiction and best suit their investment needs.

Offered Currencies

Share classes are offered in the base currency of a Portfolio and may additionally be offered in one or more other currencies in the Management Company's discretion. Currency-hedged share classes are offered in the relevant hedged currency only.

Minimum/Maximum Investment Amount*

Share classes are subject to the minimum initial, minimum subsequent, and maximum investment amounts set forth below. Such limits may be waived in the Management Company's discretion.

Share Class [†]	Minimum Initial Investment [‡]	Minimum Subsequent Investment [‡]	Maximum Investment
Classes A, C, N	\$2,000	\$750	None
Class I	\$1,000,000	None	None
Class F	\$5,000,000	None	\$50,000,000
Classes S and Z	\$25,000,000	None	None
Class SQD	\$100,000,000	None	None

Distributions

Certain share classes may make periodic distributions, as described in the Portfolio Details of the relevant Portfolio. A Portfolio may offer either distributing or accumulation (non-distributing) versions of a particular share class, as set forth in the Portfolio Details relating to such Portfolio. Portfolios that offer only accumulation share classes

* May be waived by the Management Company in its sole discretion

[†] Share classes listed include all sub-classes and hedged share classes (e.g., data for Class A includes AA, AD, A2, AT, and Class A EUR H, where applicable).

[‡] Does not apply to automatic investment plans, where offered. Applicable limits for share classes offered in another currency are the non-USD equivalent to the amount listed above in such other currency.

may offer distributing share classes in the future, as determined by the Board in its discretion.

The timing and basis of such distributions is described below.

Accumulation Share Classes. For share class that do not pay a distribution, any net income and net realized profits attributable to the Shares will be reflected in the respective Net Asset Value of the Shares.

Distributing Share Classes. For distributing share classes, the Board intends to declare and pay periodic distributions, as set forth in the Portfolio Details of the relevant Portfolio. Distributions are paid when they are declared. Such distributions may come from gross income (income before reduction for fees and expenses), realized and unrealized gains and capital attributable to the relevant Distribution Classes. Distributions may be paid out of the capital of a Portfolio. Investors should note that distributions in excess of net income (gross income less fees and expenses) may represent a return of the investor's original investment amount, and so may result in a decrease in the Net Asset Value per Share for the relevant Class and reduce capital accumulation. Distributions out of capital may be taxed as income in certain jurisdictions.

To the extent that distributions exceed net income and do not account for fees and expenses, the NAV per Share of the relevant classes will be reduced by such fees and expenses. To the extent the net income and net realized profits attributable to these Shares exceed the amount declared payable, the excess return will be reflected in the respective Net Asset Value of such Shares.

Distributions may be automatically reinvested at the election of the Shareholder. There is no guarantee that distributions will be made. A high distribution yield does not necessarily imply a positive or high return. For further information about the distribution policy of a particular Class, please see the Portfolio Details of the relevant Portfolio and Appendix B.

Share Sub-Classes

Shareholders receiving distributing or accumulation share classes will receive sub-classes of a particular Share Class which correspond to the relevant distribution policy elected by the shareholder. All other features of such share sub-classes, including fees and liquidity, are the same as the Share Classes to which such sub-classes relate. Information on the distribution policies of the relevant sub-classes are listed below.

Equity Portfolios and Multi-Asset Portfolios

	<u>Shares</u>	<u>Distributions</u>
Class A	A	None
	AD	Monthly
Class I	I	None
	ID	Monthly
Class F	F	None
Class S	S	None
	S1	None
	SQD	Quarterly
Class Z	Z	None

Fixed-Income Portfolios

	<u>Shares</u>	<u>Distributions</u>
Class A	A2	None
	AT	Monthly
Class I	I2	None
	IT	Monthly
Class S	S	None
	SA	Monthly
	S1	None

For a list of distributing and accumulating share classes offered by each Portfolio, see Appendix B: Sub-Classes and Currency Hedged Share Classes.

Institutional Share Classes (Class S, F and Z Shares (and related sub-classes))

The sale of the Institutional Share Classes in the Fund is restricted to persons who qualify as institutional investors within the meaning of Article 174 of the UCITS Law. Class S shares are reserved for institutional investors that have entered into an agreement with the Management Company and are being charged an investment management fee separately. Class Z shares are reserved for investment by AllianceBernstein funds.

The Management Company will, at its discretion, refuse to issue shares of Institutional Share Classes if there is not sufficient evidence that the investor to whom such shares of Institutional Share Classes are sold is an institutional investor or in any other circumstances where any such issue would be detrimental to the Fund or its shareholders.

In considering the qualification of a subscriber as an institutional investor, the Management Company will have due regard to the guidelines or recommendations of the competent supervisory authority.

Institutional investors subscribing for shares of Institutional Share Classes in their own name, but on behalf of a third party, must certify to the Management Company that such subscription is made on behalf of an institutional investor as aforesaid, and the Management Company may require, at its sole discretion, evidence that the beneficial owner of the shares of Institutional Share Classes is an institutional investor.

If it shall come to the attention of the Management Company at any time that shares of Institutional Share Classes are beneficially owned by a non-institutional investor or by another person who is not authorized to hold such shares of Institutional Share Classes, either alone or in conjunction with any other person, the Management Company, on behalf of the Fund, may in its discretion compulsorily repurchase such shares of Institutional Share Classes at their redemption price as described herein. In addition, the Management Company reserves the right to compulsorily redeem the Class F Shares held by a Shareholder in the case where such Shareholder's account value in Class F Shares is below \$5 million or the equivalent amount in another currency. Not less than ten days after the Fund gives notice of such compulsory repurchase, the shares of Institutional Share Classes will be redeemed and Shareholders will cease to be the owners of such shares of Institutional Share Classes.

Distributor Share Classes (Class I Shares)

Certain share classes, including Class I Shares, are available only to (i) investors purchasing Shares through Distributors who have separate

fee arrangements with such investors, (ii) product structures that purchase the Shares directly, or on behalf of an end investor and assess such investor a fee at the product level, and (iii) other investors at the Management Company's discretion.

Currency Hedged Share Classes

One or more of a Portfolio's share classes offered in a particular currency (each, an "Offered Currency") may be hedged to such Offered Currency. Any such share class will constitute a "Currency Hedged Share Class." Each such share class will apply a hedging strategy which aims to mitigate currency risk between the base currency Net Asset Value (NAV) of the Portfolio and the Offered Currency in which the Currency Hedged Share Class is denominated, while taking account of various practical considerations including transaction costs. Currency Hedged Share Classes aim to provide investors a return more closely correlated to the Portfolio's base currency return by reducing the effect of exchange rate fluctuations between the Portfolio's base currency (*e.g.*, US Dollars) and the relevant Offered Currency, taking into account practical considerations such as transaction costs. The hedging strategy employed is designed to reduce, but may not eliminate, currency exposure between the Portfolio's base currency and the Offered Currency.

The precise hedging strategy applied to a particular Hedge Share Class may vary from one Portfolio offering Currency Hedged Share Class(es) to another. But, in general, the amount of net subscriptions/redemptions of a particular Currency Hedged Share Class will be converted into the Portfolio's base currency at the applicable spot rate. At the same time, the Investment Manager will enter into a forward currency exchange contract for the same amount. Thereafter the hedge will be monitored and adjusted from time-to-time to take account of net subscriptions/redemptions attributable to investor flows as well as the net asset value of the relevant Currency Hedged Share Class. The degree of effectiveness provided by a particular hedge will depend, among other things, on the Investment Manager's ability to enter into corresponding forward currency exchange contracts in order to match the most recently available value of the Portfolio's assets attributable to the Currency Hedged Share Class with corresponding forward currency exchange contracts. During the life of each foreign currency exchange contract, any gains or losses on the forward position is incorporated into the daily net asset value of the Currency Hedged Share Class and is realized on the settlement of the forward currency exchange contract in-question. These forward positions are then rolled from one forward currency exchange contract to another thereby continuing the hedge.

The returns of share classes denominated in a Portfolio's base currency are intended to correlate significantly with the returns of Currency Hedged Share Classes denominated in the Offered Currencies. However, these returns will not correlate perfectly due to various factors, including short-term interest rate differentials, unrealized gains/losses on currency forward positions' not being invested until the gains/losses are realized, the target hedge ratio and deviation range employed by the Investment Manager (the deviation range is designed to avoid higher transaction costs associated with excessive minor hedge adjustments but results in minor over/under hedges), the timing of the market value hedge adjustments relative to

the Portfolio's Valuation Point, and transaction costs attributable to hedging activity.

Hedging strategies in connection with Currency Hedged Share Classes may be entered into whether the Portfolio's base currency is declining or increasing in value relative to the relevant Offered Currency in which the Currency Hedged Share Class in question is denominated and so, where such hedging is undertaken it may substantially protect investors in the relevant Currency Hedged Share Class against a decrease in the value of the Portfolio's base currency relative to the Offered Currency in which such Currency Hedged Share Class is denominated, but at the same time it may also prevent investors from benefiting from an increase in the value of the Portfolio's base currency relative to the Offered Currency.

Currency Hedged Share Classes do not affect the investment management of the Portfolio's underlying assets since it is only the net asset value of the Currency Hedged Share Classes which is hedged, not the Portfolio's underlying assets.

In contrast to the rationale underlying Currency Hedged Share Classes, a particular Portfolio's investment strategy may seek to fully or partially hedge currency exposures arising from some or all of the Portfolio's underlying assets to the Portfolio's base currency to the extent indicated in the description of a particular Portfolio's investment strategy set out in the Portfolio Details. This type of hedging activity (*i.e.*, hedging the currency exposures of a Portfolio's investments against the Portfolio's base currency) is separate from – and unrelated to – the hedging activity discussed under this heading relating solely to Currency Hedged Share Classes.

To the extent a particular Portfolio offers Currency Hedged Share Classes and seeks also to fully or partially hedge currency exposures relating to some or all of the Portfolio's underlying assets to the Portfolio's base currency, certain costs and inefficiencies could result. Finally, shareholders should be aware that the level of leverage of Currency Hedged Share Classes will automatically be higher than the expected level of leverage disclosed for a specific Portfolio, because such expected level of leverage does not take into account the hedging transactions used for the Currency Hedged Share Classes.

The attention of Shareholders is drawn to the fact that the Fund is authorized, from time to time, to create and offer Currency Hedged Share Classes in addition to those currently described within the present Prospectus. Such newly created Currency Hedged Share Classes will be reflected in the next update of the Prospectus.

Given that there is no segregation of liabilities between the various share classes within a Portfolio, there is a remote risk that, under certain circumstances, currency hedging transactions in relation to a Currency Hedged Share Class could result in liabilities which might affect the Net Asset Value of the other share classes of the same Portfolio, in which case assets of the other share classes of the Portfolio may be used to cover the liabilities incurred by such Currency Hedged Share Class.

For a list of Currency Hedged Share classes available, see Appendix B of this prospectus.

RMB Hedged Share Classes

Since 2005, the RMB exchange rate is no longer pegged to the U.S. dollar. RMB has now moved to a managed floating exchange rate based on market supply and demand with reference to a basket of

foreign currencies. The daily trading price of the RMB against other major currencies in the inter-bank foreign exchange market is allowed to float within a narrow band around the central parity published by the People's Bank of China. RMB convertibility from offshore RMB (CNH) to onshore RMB (CNY) is a managed currency process subject to foreign exchange control policies of and repatriation restrictions imposed by the Chinese government in coordination with the Hong Kong Monetary Authority (HKMA). The value of CNH could differ, perhaps significantly, from that of CNY due to a number of factors, including without limitation those foreign exchange control policies and repatriation restrictions pursued by the Chinese government from time-to-time as well as other external market forces.

Since 2005, foreign exchange control policies pursued by the Chinese government have resulted in the general appreciation of RMB (both CNH and CNY). This appreciation may or may not continue and there can be no assurance that RMB will not be subject to devaluation at some point. Any devaluation of RMB could adversely affect the value of investors' investments in the RMB H Shares.

The RMB H Shares participate in the offshore RMB (CNH) market, which allows investors to freely transact CNH outside of mainland China with approved banks in the Hong Kong market (HKMA approved banks). The RMB H Shares will have no requirement to remit CNH to onshore RMB (CNY).

Partial Currency Hedged Share Classes

One or more of a Portfolio's share classes offered in a particular currency (each, an "Anchor Currency") will maintain a fixed hedge ratio to such Anchor Currency. Any such share class will constitute a Partial Currency Hedged ("PH") Share Class, which aims to achieve a balance among the Portfolio's expected return, volatility and/or inflation sensitivity to the Anchor Currency of the respective PH Share Class. The hedging strategy employed is designed to reduce, but may not eliminate the currency exposure between the Portfolio's base currency and the Anchor Currency.

The precise hedging strategy applied to a particular PH Share Class may vary from one Portfolio offering PH Share Class(es) to another. Each such Portfolio will apply a hedging strategy which aims to achieve a balance among the Portfolio's expected return, volatility and/or inflation sensitivity with respect to the Anchor Currency in which the PH Share Class is denominated, while taking account of various practical considerations including transaction costs.

In general, the amount of net subscriptions of a particular Partial Currency Hedged Share Class will be converted to the Portfolio's base currency at the applicable spot rate. At the same time, the Portfolio will hedge a fixed proportion of the net asset value from the base currency to the Anchor Currency through a forward currency exchange contract. Thereafter the hedge will be monitored and may be adjusted from time-to-time taking account of net flows as well as the net asset value of the relevant PH Share Class. During the life of each foreign currency exchange contract, any gains or losses on such is incorporated into the daily net asset value of the PH Share Class. These forward positions are rolled from one forward currency exchange contract to another thereby ensuring the hedge described herein is maintained.

Since the investment management of the underlying Portfolio is independent of the PH Share Class's hedging mechanism, the effective exposure to the base currency and the Anchor Currency will vary over time as the Investment Manager's views on these currencies

changes. It is only the net asset value of the PH Share Classes that is hedged to a fixed ratio, not the Portfolio's underlying assets.

In contrast to the rationale underlying PH Share Classes, a particular Portfolio's investment strategy may seek to fully or partially hedge currency exposures arising from some or all of the Portfolio's underlying assets to the Portfolio's base currency to the extent indicated in the description of a particular Portfolio's investment strategy set out in its Portfolio Details. This type of hedging activity (*i.e.*, hedging the currency exposures of a Portfolio's investments against the Portfolio's base currency) is separate from – and unrelated to – the PH Share Classes activity discussed under this heading.

To the extent a particular Portfolio offers PH Share Classes and seeks also to fully or partially hedge currency exposures relating to some or all of the Portfolio's underlying assets to the Portfolio's base currency, certain costs and inefficiencies could result.

The attention of Shareholders is drawn to the fact that the Fund is authorized, from time to time, to create and offer PH Share Classes in addition to those currently described within the present Prospectus. Such newly created PH Share Classes will be reflected in the next update of the Prospectus. A complete list of available Share Classes may be obtained from www.abglobal.com or the registered office of the Management Company.

Partial Duration Hedged Share Classes

For certain fixed-income Portfolios, the Management Company may offer Partial Duration Hedged Share Classes. Changes in interest rates will influence the total return of such fixed-income Portfolios. Partial Duration Hedged Share Classes aim to provide investors a return that is less sensitive to interest rate fluctuations by partially hedging the duration of the overall Portfolio for shareholders in the Partial Duration Hedged Share Class.

The partial duration hedging strategy is designed to reduce, however it may not eliminate, the interest rate risk of the overall Portfolio in the Partial Duration Hedged Share Class. Furthermore, there is no guarantee that such hedging strategies will be successful.

Managing the interest rate risk at the Partial Duration Hedged Share Classes level does not affect the investment management of the Portfolio's underlying assets since the financial derivative instrument transactions used to hedge the interest rate risk will be performed at the net asset value (NAV) of the Partial Duration Hedged Share Classes. Shareholders should be aware that Partial Duration Hedged Share Classes may still have significant sensitivity to changes in interest rates, which would impact the NAV of the Partial Duration Hedged Share Class.

Such partial duration hedging strategy will be achieved through the use of financial derivative instruments, such as interest rate futures. Expenses incurred as a result of such hedging activity will be borne on a pro rata basis by all Partial Duration Hedged Share Classes issued within the same Portfolio.

Additionally, shareholders should be aware that the level of leverage of Partial Duration Hedged Share Classes will automatically be higher than the expected level of leverage disclosed for a specific Portfolio. Indeed, such expected level of leverage does not take into account the hedging transactions used for the Partial Duration Hedged Share Classes.

Shareholders should be aware that investments in Partial Duration

Hedged Share Classes of a Portfolio are expected to outperform the relevant Portfolio's performance when interest rates rise. Conversely, there is a risk that, where interest rates are stable or falling, Partial Duration Hedged Share Classes may underperform the overall Portfolio's performance.

Hedging strategies relating to Partial Duration Hedged Share Classes seek to mitigate the effect of rising interest rates without impacting credit risk. However, duration risk and credit risk in fixed-income products may be negatively correlated, and so hedging interest rate risk may in some circumstances result in higher exposure to downside credit risk.

With respect to the financial derivative instruments used for duration hedging purposes, a Portfolio may be required to transfer cash or Treasuries to counterparties as collateral. Consequently, the Partial Duration Hedged Share Class may be allocated a greater proportion of cash than the other Share Classes. The impact on performance resulting from such larger cash balances may be positive or negative, and will impact only the relevant Partial Duration Hedged Share Class.

Market Neutral (MN) Hedged Share Classes

Certain Portfolio share classes apply a market neutral hedging strategy which aims to reduce the equity market exposure of the overall portfolio. The market neutral hedge strategy is designed to reduce, however it may not eliminate, the market exposure of the overall portfolio in the MN Share Classes. Shareholders should be aware that in a rising market the MN Share Classes will outperform other share classes, while in a falling market the MN Share Classes will underperform other share classes based on the level of market fluctuation.

It is intended therefore that the resulting exposure of the MN Share Classes will reflect the Portfolio holdings' relative outperformance or underperformance to the market. In order to execute the market neutral hedge, the Investment Manager will periodically estimate the beta of the overall Portfolio by reference to the MSCI ACWI 100% Hedged to USD Index and/or its components and will then implement derivative transactions to reduce the market exposure of the MN Share Classes and bring the beta-adjusted exposure to zero or close to zero. Implementation of the hedging transactions for the MN Share Classes does not affect the investment management of the Portfolio's underlying assets. Shareholders should note that, because the relevant derivative transactions are performed solely for the NAV of the MN Share Classes, gains and losses arising due to the market neutral hedge strategy will be borne solely by the MN Share Classes and incorporated into the daily net asset value of the MN Share Classes. Expenses incurred as a result of such hedging activity will be borne solely by the MN Share Classes in relation to which such expenses are incurred.

In connection with hedging transactions, a Portfolio may be required to transfer cash or treasuries to counterparties as collateral. Consequently, the MN Share Class may be allocated a greater or lower proportion of the Portfolio's overall exposure than the other Share Classes. The impact on performance resulting from this difference in the overall market value exposure allocation may be positive or negative, and will impact only the net asset value of the relevant MN Share Classes. Finally, Shareholders should be aware that the level of leverage of MN Share Classes, as calculated under the sum of notionals method, will automatically be higher than the

expected level of leverage disclosed for a specific Portfolio. Indeed, such expected level of leverage does not take into account the hedging transactions used for the MN Share Classes.

Restrictions on Ownership

U.S. Persons. Pursuant to its powers as set out in the Articles, the Board has resolved to restrict or prevent the ownership of shares by any "U.S. Person." Investors will be required to provide assurances satisfactory to the Distributor, the dealer or the Fund indicating that the prospective purchaser is not a U.S. Person. Shareholders are required to notify the Fund immediately of any change in such information. IT IS THE RESPONSIBILITY OF EACH SHAREHOLDER TO VERIFY THAT IT IS NOT A U.S. PERSON

THAT WOULD BE PROHIBITED FROM OWNING SHARES IN THE FUND.

The Board, in its discretion, may permit the ownership of Shares by U.S. Persons in certain circumstances.

If it shall come to the attention of the Board at any time that Shares of the Fund are beneficially owned by a U.S. Person, either alone or in conjunction with any other person, the Board, on behalf of the Fund, may in its discretion compulsorily repurchase such Shares at their redemption price as described herein. Not less than ten days after the Fund gives notice of such compulsory repurchase, the Shares will be redeemed and Shareholders will cease to be the owners of such Shares.

Sales Charges, Fees and Expenses

Sales Charges

Distributors of the Fund may charge a sales charge in connection with the purchase of Shares by an investor. The maximum sales charge with respect to the Shares offered is indicated under "Sales Charges and Distribution Fees" below. The Distributor may fully reallocate the amount of the sales charge to dealers with whom it has agreements. If in any country in which shares are offered, local law or practice requires or permits a lower sales charge than that indicated below for any individual purchase order, the Distributor may sell shares and may authorize or require dealers to sell shares within such country with a lower sales charge.

Contingent Deferred Sales Charges (CDSC)

With respect to certain classes of shares, the proceeds of these Shares redeemed by an investor within a certain number of years of the date such Shares were issued will be assessed a contingent deferred sales charge. Unless otherwise provided for in the Portfolio Details of a Portfolio, the charge will be calculated in the Currency of the Portfolio on the amount which is the lesser of the current Net Asset Value or original cost of the Shares being redeemed, and if applicable, thereafter, expressed in the Offered Currency at the applicable conversion rate on each Valuation Point. In addition, no charge will be assessed on Shares derived from reinvestment of dividends or capital gains distributions. In determining whether a contingent deferred sales charge is applicable to the proceeds of a redemption, the calculation will be determined in the manner that results in the lowest possible rate being charged, while taking into account that a request by an investor to redeem such class of Shares will be deemed to have been given for the Shares which have been held for the longest period by such investor.

Proceeds from the contingent deferred sales charge are paid to the Distributor and are used in whole or in part by the Distributor to defray its expenses in providing distribution-related services to the Fund with a contingent deferred sales charge and the furnishing of services to Shareholders by sales and marketing personnel of the Distributor. The Distributor may also receive, for certain classes of Shares, a distribution fee accrued daily and paid monthly in arrears at the annual rate indicated below based on the Portfolio's aggregate average daily Net Asset Value attributable to the appropriate class of Shares. The combination of the contingent deferred sales charge and the distribution fee is designed to finance the distribution of such Shares through the Distributor and dealers without a sales charge being assessed at the time of purchase. The Management Company and the Distributor reserve the right to modify the contingent deferred sales charge schedule applicable in certain jurisdictions. Shares subject to a contingent deferred sales charge may not be held within omnibus account arrangements unless the Management Company and Distributor consent.

CDSC Shares may only be purchased through a dealer authorized by the Distributor to offer such shares. Those investors considering an investment in CDSC Shares should speak with their financial advisor for details.

Sales Charges and Distribution Fees

	Initial Sales Charge ¹	Contingent Deferred Sales Charge ²	Distribution Fee ³
Class A	Up to 5.00%	None	None
Class C	None	0–1 year held=1.0% thereafter 0%	None
Class I	Up to 1.50%	None	None
Class N	Up to 3.00%	None	None
Class F	None	None	None
Class S	None	None	None
Class Z	None	None	None

Fees and Expenses

In addition to the sales charge and contingent deferred sales charge that investors purchasing Shares may incur, the Fund and each Portfolio are also subject to ongoing fees and expenses. Distribution fees are accrued and charged as expenses of the Portfolio to which they relate.

The Fund and each Portfolio are also subject to the following ongoing fees and expenses

Management Fee. The Management Company is entitled to a management fee with respect to each Portfolio, accrued daily and payable monthly, at the annual rate, based on the average daily Net Asset Value of the Shares, indicated under "Share Class Information" in the Portfolio Details of such Portfolio.

From the management fee paid to the Management Company by a Portfolio, the Investment Manager is entitled to the payment of an investment management fee with respect to such Portfolio, accrued daily and payable monthly, at the annual rate, based on the average daily Net Asset Value of the Shares of such Portfolio. Class S shares are reserved for institutional investors that have entered into an agreement with the Management Company and are being charged an investment management fee separately. With respect to certain share classes, the management fee may also include a component that is paid to distributors or other financial intermediaries and service providers to cover shareholder servicing and other administrative expenses. In the event that the Investment Manager does not act as investment manager for a complete month, the management fee payable by such Portfolio for such month will be prorated to reflect the portion of such month in which the Investment Manager acted as such under the Investment Management Agreement.

¹ As a percentage of purchase price.

² As a percentage of the lesser of the current Net Asset Value or original cost of the Shares being redeemed, based upon the duration that such Shares are held.

³ As an annual percentage of average daily Net Asset Value.

The Management Company or the Investment Manager, or an affiliate thereof, may make cash payments from time to time from such entity's own resources to distributors, dealers or other entities in connection with the sale of Shares of a Portfolio. Such payments may include payments to reimburse directly or indirectly the costs associated with these firms' marketing, educational and training efforts and other support activities. A number of factors are considered in determining the amount of these payments, including each firm's AB funds sales, assets and redemption rates, and the willingness and ability of the firm to provide access to its financial advisors for educational and marketing purposes. In some cases, firms may include AB funds on a "preferred list." The goal is to make the financial advisors who interact with current and prospective Shareholders more knowledgeable about AB funds so that they can provide suitable information and advice about AB funds and related investor services.

If one fund sponsor makes greater distribution assistance payments than another, a financial advisor in such arrangements and his or her firm may have an incentive to recommend one fund complex over another. Similarly, if such a financial advisor or his or her firm receives more distribution assistance for one share class versus another, then they may have an incentive to recommend that class.

Those considering an investment in AB funds should speak with their financial advisor to learn more about the total amounts paid to the financial advisor and his or her firm by the Management Company, the Investment Manager and their affiliates and by sponsors of other funds he or she may recommend and should also consult disclosures made by their financial advisor at the time of purchase. Under certain circumstances, an investor in class S and S1 shares may receive payments from the Management Company or the Investment Manager, or an affiliate thereof, out of such entity's own resources.

Performance Fee. Performance Fees will generally be paid out of the assets of the Portfolio at the end of each fiscal year as a percentage, as set forth in the Portfolio Details of the Portfolio, of the amount by which the Net Asset Value of each of the relevant Shares of the Portfolio at the end of such fiscal year (before reduction for the current year's Performance Fee and after reduction for the Management Fee) (the "Adjusted NAV") exceeds the Prior High NAV of such Shares. The Performance Fee will be based on the "Weighted Average Shares" in issue during the fiscal year. The "Weighted Average Shares" is the total Shares in issue on each calendar day of the relevant fiscal year, including weekends, divided by the total number of days comprising that fiscal year. The Performance Fee will only be paid if the Adjusted NAV per Share of a class of Shares is in excess of its Prior High NAV for the relevant Performance Period.

The "Prior High NAV" of a Class of Shares is the NAV of that respective Class (appropriately adjusted for distributions, if any) immediately after giving effect to the last Performance Fee paid with respect to such Class of Shares.

The Management Company will use a rolling annual time period to determine or reset the Prior High NAV (the "Performance Period"). The mechanism applied to determine the term of the Performance Period is the following:

- If at the end of the first fiscal year, a Performance Fee is accrued and paid for the relevant Class of Shares, then a new Performance Period begins.

- In the absence of a Performance Fee accrued at the end of a fiscal year, the Performance Period shall follow through the next fiscal year and continue until such time as a Performance Fee is paid.

If Shares of the Portfolio that are charged a Performance Fee are redeemed other than as of the end of a fiscal year and at a net asset value above the Prior High NAV, a Performance Fee with respect to such Shares will be determined for such partial fiscal year and paid as of such date. The Prior High NAV of the Class is not reset in the event that a Performance Fee is paid in respect of particular Shares following the redemption of such Shares (the Prior High NAV resets only upon payment of the Performance Fee with respect to the entire Class following fiscal year end).

For calculation of Performance Fees with respect to H Shares, the Management Company will exclude the impact of currency hedging activity. Therefore, a Performance Fee may be accrued and paid with respect to H Shares when, prior to the effects of currency hedging activity, the Adjusted NAV of such H Shares exceeds the Prior High NAV for the relevant Performance Period.

Sub-Investment Manager Fee. Each Sub-Investment Manager is paid a fee by the Fund or the Investment Manager for its services provided to the Investment Manager and the Portfolios, as specified in the relevant Portfolio Details, as applicable. The Sub-Investment Manager Fee shall be borne only by the Portfolio to which such Sub-Investment Manager's services relate. Excepting any applicable Performance Fee, the fee paid to all Sub-Investment Managers for a particular Portfolio shall not exceed 1.5% of such Portfolio's NAV.

Distribution Fee. Distribution fees with respect to a class of Shares will be paid to the Distributor as compensation for providing distribution-related services to the Fund with respect to such Shares at the rate indicated under "Sales Charges and Distribution Fees" above. Any shareholder servicing fees with respect to a class of Shares will be paid by the Management Company out of the Management Fee to the Distributor as compensation for providing ongoing shareholder services to the Fund for holders of such Shares. The Distributor may pay some or all of such distribution or shareholder servicing fees to dealers who distribute Shares based on the average daily Net Asset Value of shares owned by such dealers' clients during such month. The distribution fee and the shareholder servicing fee of a particular class will not be used to subsidize the sale of Shares of any other class.

Management Company Fee. The Management Company is entitled to receive out of the assets of the Portfolios a fee that is intended to cover the expenses of the services it provides in connection with the operation and central administration of the Portfolios in Luxembourg. The Management Company fee is accrued daily and paid monthly.

For Class A, Class C, Class N and Class I shares (and related sub-classes), the Management Company is paid an annual fee out of the assets of the Portfolio on the aggregate Net Asset Value attributable to the Shares equal to 0.05% of average daily Net Asset Value. For Class S and Class F shares (and related sub-classes), the Management Company is paid an annual fee out of the assets of the relevant Portfolio on the aggregate Net Asset Value attributable to the Class S shares (and related sub-classes) equal to the lesser of \$50,000 or 0.01% of average daily Net Asset Value. The Management Company fee is waived with respect to class Z shares to avoid duplication of fees as the Management Company fee is paid at the level of the AllianceBernstein fund that invests in class Z shares.

Administrator, Depositary and Transfer Agent Fees. Each of the Administrator, Depositary and Transfer Agent is entitled to receive out of the assets of each Portfolio a fee in accordance with the usual practice in Luxembourg. The Administrator fee, Depositary fee and Transfer Agent fee for the Portfolio are paid out of the assets of the Portfolio, calculated on each Business Day on the basis of the Net Asset Value of the assets attributable to the relevant Class of Shares, and paid out monthly. Unless otherwise provided for in the Portfolio Details relating to a specific Portfolio, the Administrator, Depositary and Transfer Agent fees will generally aggregate to less than 1.00% per year, calculated on the basis of the Net Asset Value of a Portfolio. The fees effectively borne by the Portfolio may be lower or higher depending on the assets of the Portfolio, transaction volume, applicable total expense ratios or for other reasons. The Depositary fees do not comprise the costs of correspondent banks, certain other taxes, brokerage (if applicable) and interest on borrowings which will be charged separately. The Administrator, Depositary and Transfer Agent fees are eligible for the total expense ratio caps disclosed in the relevant part of the prospectus relating to a specific Portfolio. The actual amounts of such fees are detailed in the annual report of the Fund.

Other Expenses. Each Portfolio bears all of its other expenses, including, but not limited to (a) all taxes which may be due on the assets and the income of the Portfolio and any entity-level taxes, (b) the reasonable disbursements and out-of-pocket expenses (including, without limitation, telephone, telex, cable and postage expenses) incurred by the Depositary and any custody charges of banks and financial institutions to which custody of assets of the Portfolio is entrusted, (c) usual banking fees due on transactions involving securities held in the Portfolio (such fees to be included in the acquisition price and to be deducted from the selling price), (d) any remuneration and out-of-pocket expenses of the Transfer Agent which will be determined on a graduated basis as a percentage of net assets, but not less than a stated amount, and will be payable monthly, (e) legal expenses incurred by the Management Company or the Depositary while acting in the interest of the Shareholders, and (f) the cost of printing certificates, the cost of preparing and/or filing the Articles and all other documents concerning the Portfolio, including registration statements, prospectuses and explanatory memoranda with all authorities (including local securities dealers' associations) having jurisdiction over the Portfolio and any other costs of qualifying or registering the Shares of the Portfolio for offer or sale in any jurisdiction, the cost of preparing, in such languages as are necessary for the benefit of the Shareholders, including the beneficial holders of the Shares, and distributing annual and semiannual reports and such other reports or documents as may be required under the

applicable laws or regulations of the above-cited authorities; the cost of accounting, bookkeeping and calculating the daily Net Asset Value; the cost of preparing and distributing public notices to the Shareholders; lawyers' and auditor's fees; the costs incurred with the admission and the maintenance of the Shares on the stock exchanges on which they are listed; annual Luxembourg registration fees; and all similar administrative charges, including, unless otherwise decided by the Management Company, all other expenses directly incurred in offering or distributing the Shares, including the printing costs of copies of the above-mentioned documents or reports, which are utilized by the distributors or dealers of the Shares in the course of their business activities.

Recurring charges of a Portfolio may be charged against income, capital gains and/or the assets (capital) of a Portfolio. Expenses attributable to a particular Portfolio are charged to that Portfolio, while expenses not attributable to a specific Portfolio will be allocated among the Fund's Portfolios on such basis as the Board determines is fair and equitable. Different classes of Shares within a Portfolio will bear all expenses attributable to that class of Shares, and if expenses of a Portfolio are not attributable to a specific class of Shares of such Portfolio, such expenses will be allocated among the classes of Shares of such Portfolio on such basis as the Board determines is fair and equitable.

At the date of the inception of a Portfolio, provision is made on the accounts of a Portfolio for estimated organizational expenses and such expenses are amortized over a period of up to five years.

The Management Company expects the annual expense ratio of each Portfolio to be comparable to that of other collective investment undertakings with similar investment objectives.

Total Expense Ratio. Certain Classes of Shares of a Portfolio may be subject to a total expense ratio, as set forth in the Portfolio Details of the relevant Portfolio. For shares subject to a total expense ratio, the Management Company has agreed to bear the fees and expenses in excess of the applicable percentage. The total expense ratio is a maximum fee level for a given fiscal year expressed as an annual percentage of the relevant share class's average daily NAV. Total expense ratios include the fees and expenses of a Portfolio described above, but exclude certain other costs such as sales charges, brokerage or other transactional costs, interest expense on borrowings, foreign exchange gain/losses and certain taxes. The total expense ratio also excludes any Performance Fee applicable to a Portfolio and its Shares.

Purchase of Shares

General

The Fund is offering through this document the classes of Shares indicated in the Portfolio Details of each Portfolio and Schedule B. The Shares being offered hereby may be subject to different sales charges and ongoing distribution and other fees. These alternative sale arrangements permit an investor to choose the method of purchasing shares that is most beneficial given the amount of the purchase, the length of time the investor expects to hold the shares and other circumstances.

The minimum initial investment, minimum subsequent investment and maximum investment, if applicable, are indicated under section "Share Class - Minimum/Maximum Investment Amount" above. For certain classes of Shares and certain categories of investors the minimum initial and subsequent investment may be reduced and any maximum investment amount may be waived by the Management Company in its sole discretion. In addition, the Management Company, in its sole discretion, may allow distributors or dealers to establish different minimums for initial and subsequent investments with respect to any class of Shares.

The offering price of each class of Shares will be available for inspection at the registered office of the Management Company and the Fund. The Management Company on behalf of the Fund may refuse any order to purchase Shares for any reason. In this regard, the Fund reserves the right to restrict purchases of Shares (including through exchanges) when they appear to evidence a pattern of frequent purchases and redemptions made in response to short-term considerations. See "Excessive and Short-Term Trading Policy and Procedures" below.

The Board may, at any time at its discretion, temporarily discontinue, cease indefinitely or limit the issue of Shares to investors resident or established in certain countries or territories. The Board may also prohibit certain investors from acquiring Shares if necessary for the protection of the Shareholders as a whole and the Fund.

Purchases of Shares

This section is applicable for all Portfolios of the Fund, unless otherwise provided for in the Portfolio Details of the relevant Portfolio.

Shares will be available for purchase in the Offered Currencies at their respective Net Asset Values (plus any applicable sales charge) on any Business Day. The Net Asset Value will be calculated in the Currency of the Portfolio and additionally a Net Asset Value in another Offered Currency will be determined based upon the applicable conversion rate(s) on such Business Day. The Net Asset Value is determined for each Trade Date as of its Valuation Point, which is 4:00 p.m. U.S. Eastern time on such Trade Date, unless otherwise provided for in the relevant Portfolio Details relating to a specific Portfolio. Orders from investors will be accepted only upon receipt of cleared funds by the Depositary unless, in a particular case, an individual investor has provided a written undertaking acceptable to the Management Company or the Distributor obligating such investor to effect payment in full for shares within a customary period of time. Any such arrangement may be accepted by the Management Company or the Distributor in its or their sole discretion. Each order should specify the Offered Currency in which the payment will be made. In cases where the Board consents to payments in a currency other than in an Offered Currency, the order will be accepted only

upon conversion in the Currency of the Portfolio of the amount received and the reconciliation thereof with the relevant application.

Purchase orders for a given Trade Date may be accepted up to the Order Cut-off Time for such Trade Date. Valid and complete orders received and accepted by the Management Company or its agents within this time frame are processed as of such Trade Date, in the relevant Offered Currency, at the Net Asset Value per Share of the appropriate class determined as of the Valuation Point for such Trade Date. Orders received and accepted after the Order Cut-off Time are processed on the next Business Day at the appropriate Net Asset Value determined as of the Valuation Point on such Business Day, in which case the Trade Date in respect of such purchase, redemption or exchange request will be such Business Day. At the discretion of the Management Company, Trade Dates, Valuation Points or the foregoing Order Cut-off Times may be changed, and additional Trade Dates, Valuation Points and Order Cut-off Times may be designated. The Board will notify Shareholders of any such changes. In the event the Board has suspended or postponed the determination of Net Asset Values as set out in "Suspension of Issue, Redemption and Exchange of Shares and Calculation of Net Asset Value", the Net Asset Value determined at the next Valuation Point will be utilized.

Orders generally will be forwarded to the Management Company by the Distributor or selling dealer on the date received, provided the order is received by the Distributor or dealer prior to such deadline as may from time to time be established by the office in which the order is placed. Neither the Distributor nor any dealer is permitted to withhold placing orders to benefit themselves by a price change.

Issuance and Settlement

Payments for Shares subscribed for should accompany the investor's application form, since the application will be accepted only upon identification of the payment made in respect of the Shares to be purchased, or, if Shares are subscribed for and purchased from or through an authorized selling dealer or the Distributor, payment should be made within three Business Days of the relevant Trade Date, unless stated otherwise in the Portfolio Details of a Portfolio, and in accordance with such procedures as may be adopted by such dealer and approved by the Distributor and the Fund. Different settlement periods may apply in certain jurisdictions where the Shares are sold. Payment for Shares purchased directly from the Fund are payable to the account designated by the Fund. Upon receipt of payment by the Fund, the Management Company will issue whole and fractional Shares and certificates, if requested. Confirmations will be delivered to the investor. Payment for Shares and the applicable sales charge, if any, must be made in an Offered Currency.

Anti-Money Laundering Compliance

Pursuant to the Luxembourg law of 19 February 1973 (as amended), the law of 5 April 1993 (as amended), the law of 12 November 2004 and associated circulars of the Luxembourg supervisory authority, obligations have been outlined to prevent the use of undertakings for collective investment such as the Fund for money laundering purposes. In addition, applicable laws and the laws, regulations, and the Executive Orders administered by the U.S. Department of Treasury's Office of Foreign Assets Control impose certain regulations (the "OFAC Obligations") on the Fund for the prevention of money laundering and terrorist financing.

Within this context a procedure for the identification of investors has been imposed and the investors may be required to produce a certified copy of their identification documents (*e.g.*, passport, identity card or driving license) and for investors who are corporate or legal entities constitutive documents (*e.g.*, an extract from the registrar of companies or articles or other official documentation). Such identification procedure may only be waived in the specific cases where the Luxembourg law or regulations, and where applicable, the OFAC Obligations, provide for exemptions.

Confirmation Notes and Certificates

A confirmation note will be sent to the investor on the Business Day following the issue of the Shares, providing full details of the transaction. All Shares are issued in registered form, and the Fund's Shareholder register in respect of the relevant Portfolio maintained by the Transfer Agent is evidence of ownership. The Fund treats the registered owner of a Share as the absolute and beneficial owner thereof. Shares are issued in uncertificated form unless a certificate is specifically requested at the time of application. The uncertificated form enables the Fund to effect redemption instructions without undue delay and consequently the Board recommends that investors maintain their Shares in uncertificated form. If an investor requests Shares to be issued in certificated form, a Share certificate is sent either to the investor or that person's nominated agent (at the investor risk) normally within 28 days of completion of the registration process or transfer, as the case may be, of the Shares.

AB Funds Accounts and Account Numbers

Upon acceptance of an investor's Application Form in connection with the investor's first investment in an AB Fund, the Transfer Agent will establish an account in its Shareholder processing system in which the investor's AB Fund Shares will be recorded. This account reflects an investor's share position in the relevant AB Fund. An AB funds account will be denominated in the Offered Currency in which the investor's first AB Fund subscription is made. An AB funds account can only be denominated in one currency and thus will only record holdings of Shares denominated in the same currency. Investors desiring to hold Shares in multiple Offered Currencies will therefore have more than one AB funds account and will receive separate statements with respect to each such account. Investors will be given an AB funds account number with respect to each AB funds account they establish, and this number, together with the investor's pertinent details, constitutes proof of identity. This AB funds account number should be used for all future dealings by the investor in respect of any AB Fund Shares of such accounts. Any change to an investor's personal details, loss of AB funds account number(s) or loss of Share certificates must be notified immediately to the Transfer Agent in writing. The Fund reserves the right to require an indemnity or verification of identity countersigned by a bank, stockholder or other party acceptable to it before accepting such instructions.

Subscriptions in Kind

The Fund may accept securities as payment for Shares at its discretion provided that the contribution of such securities are consistent with policies pursued by the Investment Manager and will not result in a breach of the relevant Portfolio's investment objective and policies or the Fund's investment restrictions. In such case, an auditor's report will be necessary to value the contribution in kind. Expenses in connection with the establishment of such report and any other expenses in connection with the subscription in kind will be borne by the subscriber that has chosen this method of payment, or by the Fund when the quantifiable benefits to the Fund exceed the cost of such

auditor's report.

Excessive and Short-Term Trading Policy and Procedures

Purchases and exchanges of Shares should be made for investment purposes only. The Management Company of the Fund does not permit market-timing or other excessive trading practices. Excessive, short-term trading practices may disrupt portfolio management strategies and harm Fund performance. The Management Company reserves the right to restrict, reject or cancel, without any prior notice, any purchase or exchange order for any reason, including any purchase or exchange order accepted by any Shareholder's financial intermediary. The Management Company will not be held liable for any loss resulting from rejected orders.

Surveillance procedures. The Management Company of the Fund has adopted policies and procedures designed to detect and deter frequent purchases and redemptions of Shares or excessive or short-term trading that may disadvantage long-term Shareholders. This surveillance process involves several factors, which include scrutinizing transactions in Shares that exceed certain monetary thresholds or numerical limits within a specified period of time. For purposes of these transaction surveillance procedures, the Management Company may consider trading activity in multiple accounts under common ownership, control, or influence. Trading activity identified by either, or a combination, of these factors, or as a result of any other information available at the time, will be evaluated to determine whether such activity might constitute excessive or short-term trading. Despite the efforts of the Management Company and its agents to detect excessive or short duration trading in Shares, there is no guarantee that the Management Company will be able to identify these Shareholders or curtail their trading practices.

Account Blocking Procedures. If the Management Company determines, in its sole discretion, that a particular transaction or pattern of transactions identified by the transaction surveillance procedures is excessive or short-term trading in nature, the relevant AB funds account(s) will be immediately "blocked" and no future purchase or exchange activity will be permitted. However, redemptions will continue to be permitted in accordance with the terms of the Prospectus. A blocked account will generally remain blocked unless and until the account holder or the associated financial intermediary provides evidence or assurance acceptable to the Management Company that the account holder did not or will not in the future engage in excessive or short-term trading.

Application of Surveillance Procedures and Restrictions to Omnibus Accounts. Omnibus account arrangements are common forms of holding Shares, particularly among financial intermediaries. The Management Company seeks to apply its surveillance procedures to these omnibus account arrangements. The Management Company will monitor turnover of assets as a result of purchases and redemptions in the omnibus account. If excessive turnover, in the opinion of the Management Company or its agents, is detected, the Management Company will notify the intermediary and request that the financial intermediary review individual account transactions for excessive or short-term trading activity and take appropriate action to curtail the activity, which may include applying blocks to accounts to prohibit future purchases and exchanges of Shares. The Management Company will continue to monitor the turnover attributable to a financial intermediary's omnibus account arrangement and may consider whether to terminate the relationship if the financial intermediary does not demonstrate that appropriate action has been

taken.

Limitations on Ability to Detect and Curtail Excessive Trading Practices. While the Management Company will try to prevent market timing by utilizing adopted procedures, these procedures may not be successful in identifying or stopping excessive or short-term

trading. Shareholders seeking to engage in excessive short-term trading activities may deploy a variety of strategies to avoid detection and, despite the efforts of the Management Company and its agents to detect excessive or short duration trading in Shares, there is no guarantee that the Management Company will be able to identify these Shareholders or curtail their trading practices.

Redemption of Shares

Shareholders may redeem their Shares on any Business Day through the Distributor or any authorized dealer, or by transmitting an irrevocable redemption order by facsimile or mail to the Management Company or its authorized agent. The redemption order must clearly state the name of the Fund and Portfolio, the Share class, the number of Shares to be redeemed or the total value (in the Offered Currency in which the Shareholder has elected to purchase the Shares) of Shares to be redeemed, together with the Shareholder's name and AB funds account number (for that Offered Currency) as registered with the Fund. Payments of redemption proceeds will be made in the Offered Currency in which the Shareholder's AB funds account is denominated.

If, as a result of any redemption request, a Shareholder's AB funds account falls below \$1,000 (or the equivalent amount in another Offered Currency depending on the currency in which the Shareholder's AB funds account is denominated), such redemption request may be deemed to apply to the Shareholder's entire AB funds account.

The redemption price will be equal to the Net Asset Value per Share in the relevant Offered Currency of the relevant share class determined for the appropriate Trade Date as of the Valuation Point, which is 4:00 p.m. U.S. Eastern time on such Trade Date, unless otherwise provided for in the relevant Portfolio Details relating to a specific Portfolio. Redemption requests for a given Trade Date may be accepted up to the Order Cut-off Time for such Trade Date. Valid and complete redemption requests received within this time frame are normally processed as of such Trade Date at the redemption price as stated above. Redemption requests received after such Order Cut-off Time will be processed on the next Business Day at the appropriate Net Asset Value determined as of the Valuation Point on such Business Day, in which case the Trade Date in respect of such redemption request will be such Business Day. Depending on the Net Asset Value calculated with respect to a given Trade Date, the redemption price of Shares may be higher or lower than the price paid for such Shares at the time of subscription.

Payment of the redemption proceeds (the redemption price less any applicable fees or charges) will be made by the Depositary or its agents in the relevant Offered Currency, usually within three Business Days after the relevant Trade Date, unless otherwise provided for in the relevant Portfolio Details relating to a specific Portfolio, to the account of the registered Shareholder, provided that (i) a redemption order has been received by the Management Company, or its authorized agent, in the appropriate form and (ii) the certificates (if issued) for the Shares to be redeemed have been received by the Board, or its authorized agent, prior to the Valuation Point with respect to such Trade Date. Notwithstanding the foregoing, if in exceptional circumstances the liquidity of the Fund is not sufficient to enable payment or redemption to be made within this period, such payment will be made as soon as reasonably practicable thereafter, but without interest. Payments can be made only to the registered

owner of the Shares; third party payments cannot be made. For fastest service, it is recommended that payments be made by wire transfer. Please note that payment of redemption proceeds may be delayed if the Management Company, or its authorized agent, has not received all required original documentation from Shareholders or their financial advisers, as appropriate, via mail. Wire transfer instructions should be included in an investor's original Application Form, otherwise wire transfer instructions must be received (and verified) by the Board, or its authorized agent, via mail or facsimile transmission before wire transfers of redemption proceeds may be sent. If wire transfer instructions are not received by the Board, Shareholders will receive redemption proceeds by check.

The Board will endeavor to ensure, for any Trade Date, that an appropriate level of liquidity is maintained in respect of each Portfolio so that redemption of Shares may, under normal circumstances, be made promptly on such date to Shareholders requesting redemption. However, the Board may limit the redemption of Shares in the event the Fund receives as of any Trade Date requests to redeem Shares representing more than 10% of the Net Asset Value of the relevant Portfolio as of such date (or such lower percentage as may be stated in the description of such Portfolio in its Portfolio Details), in which case Shares of the Portfolio may be redeemed on a pro rata basis. Any part of a redemption request to which effect is not given by reason of the exercise of this power by or on behalf of the Board will be treated as if a request has been made in respect of the next Trade Date and all following Trade Dates (in relation to which the Board has the same power) until the original request has been satisfied in full. Any such limitation will be notified to those Shareholders who have applied for redemption. In addition, under certain circumstances, the Board may suspend the right of Shareholders to redeem Shares. See "Additional Information—Suspension of Issue, Redemption and Exchange of Shares and Calculation of Net Asset Value."

Transfers

Except as set out below and under "Additional Information—Restrictions on Ownership," the Shares which are listed are freely transferable. The Shares may not be transferred to U.S. Persons without the consent of the Management Company.

Redemptions in Kind

If requested by the Shareholder, redemptions may be made in kind at the discretion of the Management Company. Expenses in connection with the redemption in kind (mainly costs relating to the drawing up of an auditor's report) will be borne by the Shareholder that has chosen this method of redemption or by the Fund when the quantifiable benefits to the Fund exceed the cost of such auditor's report. To the extent reasonably possible, such redemption in kind will normally be made on a pro rata basis of all investments held by the Fund (having always due regard to and/or protecting the interests of the Fund).

Exchange or Conversion of Shares

Exchange for Shares of Other Portfolios within the Fund and Certain Other AB Funds

Shareholders have the option to exchange Shares for Shares of the same class of any other Portfolio of the Fund or Shares of the same class of certain other AB funds. Any such exchange will be subject to the minimum investment requirements and any other applicable terms set out in the Prospectus relating to the Shares of the Portfolio of the Fund or other AB fund to be acquired upon exchange. The Board reserves the right, in its discretion, to waive any applicable minimum subscription amounts.

The applicable cut-off time for an exchange will be the earlier of the cut-off times of the two AB funds that are associated with the exchange. If the earlier cut-off time is not met, the exchange will not be considered for acceptance until the next common Business Day of the two AB funds. Following receipt and acceptance by the Board, or its agent, of a valid and complete exchange order, exchanges will be effected, in each case, at the Net Asset Value as next determined in accordance with the terms set out in "Additional Information—Determination of the Net Asset Value of the Shares" below. Exchanges involving other AB funds will be effected by means of a redemption of the original Shares and a subscription for and purchase of the Shares to be acquired upon exchange. Each side of an exchange transaction will be effected on the same trade date.

The Management Company, on behalf of the Fund and the Distributor, reserves the right (i) to reject any order to acquire shares through exchange at any time or (ii) otherwise modify, restrict or terminate the exchange privilege generally at any time on 60 days' notice to Shareholders.

In respect of any exchange order involving a class of Shares possessing a contingent deferred sales charge, the holding period for purposes of calculating the contingent deferred sales charge due upon redemption, if applicable, relating to Shares acquired in an exchange, will be based on the date of purchase of the original Shares. The contingent deferred sales charge on Shares acquired in an exchange will be calculated based on the contingent deferred sales charge schedule associated to the original Shares at the time of purchase.

Such restrictions may be waived under certain circumstances in the sole discretion of the Management Company, on behalf of the Fund.

Exchanges will be effected in a manner such that upon redemption of the Shares acquired in the exchange, the redemption price will be paid in the Offered Currency in which the Shareholder's AB funds account is denominated. In the event a Shareholder exchanges original Shares into Shares that are not available in the Offered Currency in which the Shareholder's AB funds account is denominated, a second AB funds account denominated in the second Offered Currency will be opened in order for such Shares to be recorded therein. Shareholders will be issued a second AB funds account number and receive separate account statements with respect to any such second account. Transaction costs, if any, incurred in respect of an exchange of Shares of the same class but involving different currencies will be reflected in the amount of Shares realized by the investor upon exchange.

Investors interested in exchanging Shares should contact their financial adviser or the Distributor for more information about the exchange option. Neither the Fund nor the Management Company currently charges any administrative or other fees in connection with exchanges. However, investors who hold their Shares through accounts with a dealer should contact such dealer to determine if any such fees apply in connection with exchanges.

Conversion of CDSC Shares (Class C)

Shareholders of CDSC Shares will have the right to convert their CDSC Shares to such other share classes of the same Portfolio without charge from either the Fund or the Management Company once such Shares have been held for the period required for such CDSC to equal 0%.

Conversions are not compulsory or automatic and will be effected only at the election of the registered holder of such CDSC Shares (*i.e.*, the owner of such CDSC Shares as reflected in the Fund's shareholder register). Accordingly, investors who hold their CDSC Shares through accounts with a dealer should contact their dealer for more information about converting their CDSC Shares.

Determination of Net Asset Value

Determination of the Net Asset Value of Shares

The Net Asset Value per Share of each class of Shares, expressed in the Currency of the Portfolio and any other Offered Currency, will be determined by the Management Company as of the Valuation Point. To the extent feasible, investment income, interest payable, fees and other liabilities (including management fees) will be accrued daily.

In all cases, the Net Asset Value per Share of each class of Shares is determined by dividing the value of the total assets of each Portfolio properly allocable to such class of Shares less the liabilities of such Portfolio properly allocable to such class of Shares by the total number of Shares of such class outstanding on each Business Day. The Net Asset Value per Share of each class of Shares of a Portfolio may differ as a result of the different fees assessed on each class of Shares of such Portfolio.

With respect to securities for which market quotations are readily available, the market value of a security held by a Portfolio will be determined as follows:

- (a) securities listed on an exchange are valued at the last sale price reflected on the consolidated tape at the close of the exchange on the Business Day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the closing bid and asked prices on such day. If no bid or asked prices are quoted on such day, then the security is valued in good faith at fair value by, or in accordance with procedures established by, the Board;
- (b) securities traded on more than one exchange are valued in accordance with paragraph (a) above by reference to the principal exchange on which the securities are traded;
- (c) securities traded in the over-the-counter market, including securities listed on an exchange whose primary market is believed to be over-the-counter (but excluding securities traded on The Nasdaq Stock Market, Inc. ("NASDAQ")) are valued at the mean of the current bid and asked prices;
- (d) securities traded on NASDAQ are valued in accordance with the NASDAQ Official Closing Price;
- (e) listed put or call options purchased by a Portfolio are valued at the last sale price. If there has been no sale on that day, such securities will be valued at the closing bid prices on that day;
- (f) open futures contracts and options thereon will be valued using the closing settlement price or, in the absence of such a price, the most recent quoted bid price. If there are no quotations available for the day of valuations, the last available closing settlement price will be used;
- (g) U.S. Government securities and other debt instruments having 60 days or less remaining until maturity are valued at amortized cost if their original maturity was 60 days or less, or by amortizing their fair value as of the 61st day prior to maturity if their original term to maturity exceeded 60 days (unless in either case it is determined, in accordance with procedures established by the Management Company, that this method does not represent fair value);
- (h) fixed-income securities are valued at the most recent bid price provided by the principal market makers;
- (i) mortgage-backed and asset-backed securities may be valued at prices that reflect the market value of such securities and that are obtained from a bond pricing service or at a price that reflects the market value of such securities and that is obtained from one or more of the major broker-dealers in such securities when such prices are believed to reflect the fair market value of such securities. In cases where broker-dealer quotes are obtained, the Investment Manager may establish procedures whereby changes in market yields or spreads are used to adjust, on a daily basis, a recently obtained quoted bid price on a security;
- (j) OTC and other financial derivatives instruments will be valued at their fair value, independently and in a reliable and verifiable manner on a daily basis and in accordance with market practice; and
- (k) the value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received shall be deemed to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof shall be arrived at after making such discount as the Fund may consider appropriate in such case to reflect the true value thereof;
- (l) units or shares in open-ended undertakings for collective investments shall be valued on the basis of their last net asset value, as reported by such undertakings;
- (m) all other securities will be valued in accordance with readily available market quotations as determined in accordance with procedures established by the Management Company. In the event that extraordinary circumstances render such a valuation impracticable or inadequate, the Management Company is authorized to follow other rules prudently and in good faith in order to achieve a fair valuation of the assets of the Fund.

The Fund values its securities at their current market value determined on the basis of market quotations or, if market quotations are not readily available or are unreliable, at "fair value" as determined in accordance with procedures established by and under the general supervision of the Management Company. In determining whether to apply fair value pricing, the Fund considers a number of factors, such as the Order Cut-off Time for a particular Portfolio, the close of the securities markets in which such Portfolio trades and the existence of extraordinary events. When the Fund uses fair value pricing, it may take into account any factors it deems appropriate. The Fund may determine fair value based upon developments related to a specific security or current valuations of market indices. The prices of securities used by the Fund to calculate its Net Asset Value may differ from quoted or published prices for the same securities. Fair value pricing involves subjective judgments and it is possible that the fair value determined for a security is materially different than the value that could be realized upon the sale of that security.

The Fund expects to use fair value pricing for securities primarily traded on exchanges in the Americas only under very limited circumstances, such as the early closing of the exchange on which a security is traded or suspension of trading in the security. The Fund may use fair value pricing more frequently for securities primarily traded outside of the Americas because, among other things, most markets outside of the Americas close well before the Fund values its

securities at 4:00 p.m. U.S. Eastern Time. The earlier or later close of these markets gives rise to the possibility that significant events, including broad market moves, may have occurred in the interim. To account for this, the Fund may frequently value many of its non-Americas securities using fair value prices based on third party vendor modeling tools to the extent available.

Accordingly, as may also be the case with a previously reported stock exchange price, the price of any portfolio security determined utilizing fair value pricing procedures may be materially different from the price to be realized upon the sale of such security.

For purposes of determining the Fund's Net Asset Value per Share, all assets and liabilities initially expressed in a currency other than the Currency of the Portfolio will be converted into such currency at the mean of the current bid and asked prices of such currency against the Currency of the Portfolio last quoted by a major bank that is a regular participant in the relevant exchange market or on the basis of a pricing service that takes into account the quotes provided by a number of such major banks. If such quotations are not available as of the close of the Exchange, the rate of exchange will be determined in good faith by, or under the direction of, the Board.

In the event that extraordinary circumstances render such a valuation impracticable or inadequate, the Management Company is authorized to follow other rules prudently and in good faith in order to achieve a fair valuation of the assets of the Fund.

State Street Bank Luxembourg S.C.A. has been appointed by the Management Company to make the daily determination of the Net Asset Value per Share of each class of Shares of each Portfolio. The Net Asset Value in respect of a particular Valuation Point will be available at or around 6:00 p.m. U.S. Eastern time on such Business Day. For purposes of issues and redemptions, the Net Asset Value may be converted in other currencies as specified in this Prospectus.

Swing Pricing Adjustment

In order to counter the effects of dilution on a Portfolio's Net Asset Value brought about by large purchases or redemptions of the Portfolio's Shares, the Board has implemented a swing pricing policy.

Dilution involves a reduction in the Net Asset Value brought about by investors purchasing, selling and/or exchanging in and out of a Portfolio of the Fund at a price that does not reflect the dealing costs associated with the Portfolio's trade activity undertaken to accommodate the corresponding cash inflows or outflows. Dilution occurs when the actual cost of purchasing or selling the underlying assets of a Portfolio deviates from the valuation of these assets in the Portfolio due to dealing charges, taxes and any spread between the buying and selling prices of the underlying assets. Dilution may have an adverse effect on the value of a Portfolio and therefore impact Shareholders.

Under the Fund's swing pricing policy, if on any Business Day, the aggregate net investor inflows or outflows in Shares of a Portfolio exceed a pre-determined threshold, as determined from time to time by the Board, the Net Asset Value of the Portfolio may be adjusted upwards or downwards to reflect the costs attributable to such net inflows or net outflows. The threshold is set by the Board taking into account factors such as the prevailing market conditions, the estimated dilution costs and the size of a Portfolio. The level of swing pricing adjustment will be reviewed and may be adjusted on a periodic basis to reflect an approximation of dealing costs as determined by the Board. The application of swing pricing will be

triggered automatically on a daily basis upon crossing the relevant threshold. The swing pricing adjustment will be applicable to all Shares of a Portfolio (and all transactions) on that Business Day. The swing pricing adjustment may vary by Portfolio and is dependent upon the particular assets in which a Portfolio is invested. The swing pricing adjustment will generally not exceed 2% of the original Net Asset Value of a Portfolio.

Investors are advised that the application of swing pricing may result in increased volatility in a Portfolio's valuation and performance, and a Portfolio's Net Asset Value may deviate from the underlying investments' performance on a particular Business Day as a result of the application of swing pricing. Typically, such adjustment will increase the Net Asset Value per Share on a given Business Day when there are net inflows into a Portfolio and decrease the Net Asset Value per Share when there are net outflows.

Suspension of Issue, Redemption and Exchange of Shares and Calculation of Net Asset Value

The Management Company may temporarily suspend the determination of Net Asset Value of a Portfolio, and consequently the issue, redemption and exchange of Shares of such Portfolio, in any of the following events:

- When one or more stock exchanges or markets that provide the basis for valuing a substantial portion of the assets of a Portfolio, or when one or more foreign exchange markets in the currency in which a substantial portion of the assets of the Portfolio are denominated, is closed otherwise than for ordinary holidays or if dealings therein are restricted or suspended.
- When, as a result of political, economic, military or monetary events or any circumstances outside the responsibility and the control of the Management Company, disposal of the assets of a Portfolio is not reasonably or normally practicable without being seriously detrimental to the interests of the Shareholders.
- In the case of a breakdown in the normal means of communication used for the valuation of any investment of a Portfolio or if, for any reason, the value of any asset of a Portfolio may not be determined as rapidly and accurately as required.
- If, as a result of exchange restrictions or other restrictions affecting the transfer of funds, transactions on behalf of a Portfolio are rendered impracticable or if purchases and sales of the Portfolio's assets cannot be effected at normal rates of exchange.
- Where an undertaking for collective investment in which a class of shares has invested a substantial portion of its assets temporarily suspends the subscription, redemption or conversion of its units, whether at its own initiative or at the request of its competent authorities.
- If the Fund or a class of Shares is being or may be wound-up or merged on or following the date on which notice is given of the meeting of Shareholders at which a resolution to wind up or merge the Fund or a class of Shares is proposed;
- If the Board has determined that there has been a material change in the valuations of a substantial proportion of the investments of the Fund attributable to a particular class of Shares in the preparation or use of a valuation or the carrying out of a later or subsequent valuation.

- During any other circumstance or circumstances where a failure to do so might result in the Fund or its shareholders incurring any liability to taxation or suffering other pecuniary disadvantages or any other detriment which the Fund or its Shareholders might so otherwise have suffered.

The decision to suspend temporarily the determination of the Net Asset Value of Shares of a Portfolio does not necessarily entail the same decision for the classes of Shares of another Portfolio, if the assets within such other Portfolio are not affected to the same extent by the same circumstances. Suspensions of the calculation of the Net Asset Value will be published if such suspension is likely to exceed ten days.

Indicative Intra-Day Net Asset Value

As disclosed in the relevant Portfolio Details relating to a specific Portfolio, where applicable, the Management Company may provide shareholders with an estimated or indicative Net Asset Value at

various times on any given Business Day (the “Indicative Intra-Day NAV”) for a particular share class of a Portfolio. The Indicative Intra-Day NAV will be calculated by the Administrator and made available to all Shareholders of the Portfolio concerned on www.abglobal.com. The Indicative Intra-Day NAV serves for information purposes only and is not, and should not be interpreted as, the price at which Shares may be purchased or redeemed. Purchases and redemptions of Shares of the Fund will only be executed on the basis of the Net Asset Value determined once on each Business Day in accordance with the provisions of the section "Determination of the Net Asset Value of Shares" above. Any expenses related to the calculation of an Indicative Intra-Day NAV are borne only by the share class concerned.

Risk Management, Derivatives and Financial Techniques and Instruments

Risk Management

The Management Company will employ, or will ensure that the Investment Manager will employ, a risk management process with respect to the Fund that enables the Management Company to monitor and measure at any time the risk of the positions in the Portfolios and their contribution to the overall risk profile of the Portfolios.

In relation to financial derivative instruments, the risk management process is designed to ensure accurate and independent assessment of the value of OTC derivatives and to ensure that each Portfolio's global risk exposure relating to financial derivative instruments does not exceed the limits specified in the prospectus, the UCITS Law and the relevant circulars of the CSSF.

The global risk exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time necessary to liquidate the positions.

Each Portfolio also may invest according to its investment objectives and policies and within the limitations contained in "Investment Restrictions" in Appendix A in financial derivative instruments. When a transferable security or money market instrument embeds a derivative, the latter must be taken into account when complying with such limitations.

Portfolio VaR Reporting. The Investment Manager may utilize either a Value-at-Risk ("VaR") methodology (either relative VaR or absolute VaR) or commitment methodology to monitor the global exposure (market risk) for a given Portfolio, as described in the relevant Portfolio Details relating to such Portfolio above.

Relative VaR. Generally, the Investment Manager uses the relative VaR methodology to measure the global exposure of an equity Portfolio. Pursuant to this methodology, the VaR of the relevant Portfolio may not exceed twice the VaR of a reference benchmark. For these purposes, the Portfolio's reference benchmark will be stated in the relevant Portfolio Details for such Portfolio.

Absolute VaR. Generally, the Investment Manager uses the absolute VaR methodology to measure the global exposure of a fixed income Portfolio. Pursuant to this methodology, the VaR of the relevant Portfolio may not exceed 20% of its Net Asset Value.

Commitment Method. For certain Portfolios, the Investment Manager may monitor the global exposure under the commitment method in accordance with CSSF Circular 11/512.

VaR reports will be produced and monitored on a daily basis based on the following criteria:

- 1 month holding period;
- 99% confidence level; and
- stress testing applied on an ad hoc basis.

Leverage. The Investment Manager does not expect to utilize bank borrowing in implementing the Portfolio's investment strategy. The expected level of leverage of each Portfolio is estimated to be in a range of its Net Asset Value as described in the Portfolio Details for the relevant Portfolio above. The expected level of leverage is calculated as the sum of the notionals of the financial derivative

instruments held by the Portfolio. Pursuant to the CSSF Circular 11/512 dated 30 May 2011, this calculation methodology neither takes into account the fact that a particular financial derivative instrument increases or decreases the Portfolio's investment risks nor permits to net financial derivative instruments with reverse positions. With this methodology, the use of derivatives for hedging purposes will automatically increase the level of leverage. Accordingly, shareholders should be aware that a higher level of expected leverage does not automatically imply a higher level of investment risk and should consult the Portfolio Details for the relevant Portfolio for information about the how the leverage of such Portfolio is generated. In addition, the actual leverage of the Portfolio may deviate from the above mentioned expected level of leverage.

Financial Derivative Instruments

The Investment Manager may use derivative products and strategies when implementing the Portfolio's investment strategy. Such financial derivative instruments (including OTC and exchange-traded financial derivative instruments) may include, but are not limited to, options, futures, forwards and swaps, including transactions on equity securities and currencies, as well as "local access products" (such as equity linked certificates, participation notes and warrants). These financial derivative instruments may be employed (i) as an alternative to investing directly in the underlying investments; (ii) to hedge against equity markets risk, specific issuer risk, and interest rate, credit or currency fluctuations; (iii) to manage the duration of fixed income instruments; (iv) to take synthetic short positions; (v) to create aggregate exposure that is greater than the net assets of the Portfolio (*i.e.*, to create a leverage effect). The specific uses to for which a given Portfolio may use financial derivative instruments are described in the relevant Portfolio Details for such Portfolio above.

Futures Contracts. A "sale" of a futures contract means the acquisition of a contractual obligation to deliver the securities or foreign currencies or commodity indices called for by the contract at a specified price on a specified date. A "purchase" of a futures contract means the incurring of an obligation to acquire the securities, foreign currencies or commodity indices called for by the contract at a specified price on a specified date. The purchaser of a futures contract on an index agrees to take or make delivery of an amount of cash equal to the differences between a specified multiple of the value of the index on the expiration date of the contract ("current contract value") and the price at which the contract was originally struck. No physical delivery of the securities underlying the index is made. A Portfolio may also invest in options on futures contracts, which are options that call for the delivery of futures contracts upon exercise. Options on futures contracts written or purchased by a Portfolio will be traded on an exchange or OTC and will be used only for efficient management of its securities portfolio.

Forward Commitments. Forward commitments for the purchase or sale of securities may include purchases on a "when-issued" basis or purchases or sales on a "delayed delivery" basis. In some cases, a forward commitment may be conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, corporate reorganization or debt restructuring (*i.e.*, a "when, as and if issued" trade).

When forward commitment transactions are negotiated, the price is fixed at the time the commitment is made, but delivery and payment for the securities take place at a later date. Normally, the settlement date occurs within two months after the transaction, but settlements beyond two months may be negotiated. Securities purchased or sold under a forward commitment are subject to market fluctuations, and no interest or dividends accrue to the purchaser prior to the settlement date.

The use of forward commitments enables a Portfolio to protect against anticipated changes in interest rates and prices. For instance, in periods of rising interest rates and falling bond prices, a Portfolio might sell securities held by it on a forward commitment basis to limit its exposure to falling prices. In periods of falling interest rates and rising bond prices, a Portfolio might sell a security held by it and purchase the same or a similar security on a when-issued or forward commitment basis, thereby obtaining the benefit of currently higher cash yields. However, if the Investment Manager were to forecast incorrectly the direction of interest rate movements, the Portfolio concerned might be required to complete such when-issued or forward transactions at a price inferior to the then current market values. When-issued securities and forward commitments may be sold prior to the settlement date, but a Portfolio will enter into when-issued and forward commitments only with the intention of actually receiving securities or delivering them, as the case may be. If a Portfolio chooses to dispose of the right to acquire a when-issued security prior to its acquisition or dispose of its right to deliver or receive against a forward commitment, it may incur a gain or loss. Any significant commitment of a Portfolio's assets to the purchase of securities on a "when, as and if issued" basis may increase the volatility of such Portfolio's Net Asset Value. In the event the other party to a forward commitment transaction were to default, the Portfolio might lose the opportunity to invest money at favorable rates or to dispose of securities at favorable prices.

Swaps, Caps, Floors. A Portfolio may enter into swaps (including interest rate swaps), may purchase and sell interest rate caps, may purchase or sell floors and may buy and sell options on all the aforementioned transactions. Portfolios expect to enter into these transactions to preserve a return or spread on a particular investment or portion of a Portfolio or for other hedging purposes. A Portfolio may also enter into these transactions to protect against any increase in the price of securities the Portfolio anticipates purchasing at a later date or to manage the duration of a Portfolio. Interest rate swaps involve the exchange by a Portfolio with another party of their respective commitments to pay or receive interest (*e.g.*, an exchange of floating-rate payments for fixed-rate payments). The purchase of an interest rate cap would entitle a Portfolio, to the extent that a specified index exceeds a predetermined interest rate, to receive payments of interest on a contractually based notional amount from the party selling the interest rate cap. The purchase of an interest rate floor would entitle a Portfolio to the extent that a specified index falls below a predetermined interest rate, to receive payments of interest on a contractually based notional amount from the party selling the interest rate floor. The sale of an interest rate cap would require that Portfolio, to the extent that a specified index rises above a predetermined interest rate, to make payments of interest on a contractually based notional amount to the party purchasing the cap in exchange for receipt of a premium by the Portfolio. The sale of an interest rate floor would require that a Portfolio, to the extent that a specified index falls below a predetermined interest rate, to make

payments of interest on a contractually based notional amount to the party purchasing the interest rate floor.

A Portfolio may enter into swaps, caps and floors on either an asset-based or liability-based basis, depending on whether it is hedging its assets or its liabilities, and will usually enter into swaps on a net basis (*i.e.*, the two payment streams are netted out, with the Portfolio receiving or paying, as the case may be, only the net amount of the two payments). The net amount of the excess, if any, of the relevant Portfolio's obligations over its entitlements with respect to each swap will be accrued on a daily basis. If a Portfolio enters into a swap on other than a net basis, the Portfolio will maintain a segregated account in the full amount accrued on a daily basis of the Portfolio's obligations with respect to the swap. The Investment Manager will monitor the creditworthiness of counterparties to its swap, cap and floor transactions on an ongoing basis.

The use of swaps (including caps and floors) involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. If the Investment Manager is incorrect in its forecasts of the market values, interest rates and other applicable factors, the investment performance of the Portfolio would diminish compared with what it would have been if these investment techniques were not used. Moreover, even if the Investment Manager is correct in its forecasts, there is a risk that the swap position may correlate imperfectly with the price of the asset or liability being hedged.

Currency Swaps. Currency swaps involve the individually negotiated exchange by a Portfolio with another party of a series of payments in specified currencies. A currency swap may involve the delivery at the end of the exchange period of a substantial amount of one designated currency in exchange for the other designated currency. Therefore the entire principal of a currency swap is subject to the risk that the other party to the swap will default on its contractual delivery obligations. The net amount of the excess, if any, of the Portfolio's obligations over its entitlements with respect to each currency swap will be accrued on a daily basis. If there is a default by the other party to such a transaction, the Portfolio will have contractual remedies pursuant to the agreements related to the transactions.

Credit Default Swaps. A Portfolio may enter into a credit default swap, or CDS, with institutions subject to prudential supervision, and belonging to the categories approved by the CSSF referencing any of the aforementioned eligible investments for hedging purposes or speculation. When used for hedging purposes, the Portfolio will be the buyer of a CDS contract. In this case, a Portfolio will pay to the counterparty a periodic stream of payments over the term of the CDS, in return for a right to exchange the debt obligation or cash settlement in lieu thereof for par value (or other agreed-upon value) upon the occurrence of a "credit event" on the issuer of the specified debt obligation. If a credit event does not occur, a Portfolio will have spent the stream of payments received on the CDS without having received any benefit. Conversely, when a Portfolio is the seller of a CDS, it receives the stream of payments and is obligated to pay to the counterparty par value (or other agreed-upon value) of the referenced debt obligation in exchange for the debt obligation or cash settlement in lieu thereof upon the occurrence of such a credit event. As the seller, a Portfolio will be subject to the credit risk of the issuer since it will have to look to the issuer in order

to be made whole. A Portfolio may invest in cleared, OTC, single name, index, tranche, basket or bespoke CDS transactions.

Total Return Swaps and Other Financial Derivative Instruments with Similar Characteristics. In case where a Portfolio enters into a total return swap or invests in other financial derivative instruments with similar characteristics, the assets held by the Portfolio must comply with the diversification limits set out in Articles 43, 44, 45, 46 and 48 of the UCITS Law. At the same time, pursuant to Article 42(3) of the UCITS Law and Article 48(5) of CSSF Regulation 10-4, the Management Company must ensure that the underlying exposures of the total return swap or of the other financial derivative instruments with similar characteristics are taken into account to calculate the Portfolio investment limits laid down in accordance with Article 43 of the UCITS Law.

In addition, where a Portfolio enters into a total return swap or invests in other financial derivative instruments with similar characteristics, the underlying exposure gained directly or via a recognized index, is in line with the relevant Portfolio's investment objective and policy.

The counterparties to such type of transactions must be highly rated financial institutions specialized in this type of transaction and are selected from a list of authorized counterparties established by the Investment Manager.

Unless otherwise provided for in the Portfolio Details relating to a specific Portfolio, the counterparty has no discretion over the composition or management of the Portfolio's investments or of the underlying assets or reference index of the financial derivative instrument. If, for a specific Portfolio, the counterparty has any discretion over the composition or management of the Portfolio's investments or of the underlying assets of the financial derivative instruments, the agreement between the Portfolio and the counterparty should be considered as an investment management delegation arrangement and should comply with the UCITS requirements on delegation. In such case, the Portfolio Details of the relevant Portfolio will describe the details of such agreement.

A Portfolio that enters into a total return swap or invests in other financial derivative instruments with similar characteristics is subject to the risk of counterparty default which may affect the return of the shareholders of this Portfolio. For more information on this risk and other risks applicable to such type of transactions, investors should refer to "Risk Factors" below and more specifically to the "Derivatives Risk" provisions thereof.

Synthetic Equity Securities. The Portfolios may invest in synthetic equity securities, referred to as "local access products" or "participation notes" or "low exercise price warrants". These instruments are typically issued by banks or other financial institutions, and may or may not be traded on an exchange. These instruments are a form of derivative security that may give holders the right to buy or sell an underlying security or a basket of securities representing an index, in accordance with Article 41 (1) of the UCITS Law, from or to the issuer for a particular price or may entitle holders to receive a cash payment relating to the value of the underlying security or index. These instruments are similar to options in that they are exercisable by the holder for an underlying security or the value of that security, but are generally exercisable over a longer term than typical options. These instruments typically have an exercise price, which is fixed at the time of issuance.

These instruments entitle the holder to purchase from the issuer common stock of a company or receive a cash payment. The cash payment is calculated according to a predetermined formula. The instruments typically have an exercise price that is very low relative to the market price of the underlying instrument at the time of issue (e.g., one U.S. cent). The buyer of a low exercise price warrant effectively pays the full value of the underlying common stock at the outset. In the case of any exercise of warrants, there may be a time delay between the time a holder of warrants gives instructions to exercise and the time the price of the related common stock relating to exercise or settlement date is determined, during which time the price of the underlying security could change significantly. In addition, the exercise or settlement date of the warrants may be affected by certain market disruption events, such as the imposition of capital controls by a local jurisdiction or changes in the laws relating to foreign investors. These events could lead to a change in the exercise date or settlement currency of the warrants, or postponement of the settlement date. In some cases, if the market disruption events continue for a certain period of time, the warrants may become worthless resulting in a total loss of the purchase price of the warrants.

The Portfolios will acquire such instruments issued by entities deemed to be creditworthy by the Investment Manager, who will monitor the creditworthiness of the issuers on an on-going basis. Investments in these instruments involve the risk that the issuer of the instrument may default on its obligation to deliver the underlying security or cash in lieu thereof. These instruments may also be subject to liquidity risk because there may be a limited secondary market for trading the warrants.

The Portfolios may also invest in long-term options of, or relating to, certain issuers. Long-term options are call options created by an issuer, typically a financial institution, entitling the holder to purchase from the issuer outstanding securities of another issuer. Long-term options have an initial period of one year or more, but generally have terms between three and five years. Long-term options do not settle through a clearing corporation that guarantees the performance of the counterparty. Instead, they are traded on an exchange and are subject to the exchange's trading regulations.

Commodity Related Instruments. Investing in commodity-linked derivative instruments may subject a Portfolio to greater volatility than investments in traditional securities. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments.

Financial Techniques and Instruments

The following provisions apply individually to each Portfolio of the Fund that enters into the financial techniques and instruments as described below.

Efficient Portfolio Management Techniques. Subject to the conditions and within the limits laid down in the UCITS Law as well as any circulars issued by the CSSF from time to time, and in particular the CSSF Circular 13/559 transposing the ESMA/2012/832 Guidelines for competent authorities and UCITS management companies - Guidelines on ETFs and other UCITS issues (the "ESMA Guidelines"), a Portfolio may employ techniques and instruments relating to transferable securities and money market instruments, such as securities lending and repurchase agreement

transactions, provided that such techniques and instruments are used for the purpose of efficient portfolio management.

Under no circumstances shall these operations cause the Portfolio to diverge from its investment objectives or incur substantial supplementary risks.

All the revenues arising from efficient portfolio management techniques, net of direct and indirect operational costs and fees, will be returned to the Portfolio. These costs and fees should not include hidden revenue.

The Management Company will maintain the volume of these transactions at a level such that it is able, at all times, to meet redemption requests.

Securities Lending Transactions. A Portfolio may enter into securities lending transactions provided that it complies with the following rules:

- (i) the Portfolio may lend securities to a borrower either directly or through a standardised system organised by a recognised clearing institution or through a lending system organised by a financial institution subject to prudential supervision rules considered by the CSSF as equivalent to those provided by Community law and specialising in this type of transaction;
- (ii) the counterparty to the securities lending agreement must be subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by Community law;
- (iii) the risk exposure to a single counterparty generated through a securities lending transaction or other efficient portfolio management techniques and OTC financial derivative instruments may not exceed 10% of the Portfolio's assets when the counterparty is a credit institution referred to in article 41(1) (f) of the UCITS Law or 5% of the Portfolio's assets in other cases.

A Portfolio may only enter into securities lending transactions provided that (i) it is entitled at all times to request the return of the securities lent or to terminate any securities lending transactions and (ii) that these transactions do not jeopardise the management of the Portfolio's assets in accordance with its investment policy.

The Management Company, acting on behalf of the Fund, has appointed State Street Bank Luxembourg S.C.A. to carry out these transactions, and notably for the counterparties' selection and the management of the collateral. In consideration for its services, State Street Bank Luxembourg S.C.A. will receive remuneration borne by the respective Portfolio, details of which are provided in the Fund's annual report.

Repurchase and Reverse Repurchase Agreements. A Portfolio may enter into repurchase and reverse repurchase agreements provided it complies with the following rules:

- (i) the counterparties to these transactions are subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by Community law;
- (ii) securities purchased with a repurchase option or through a reverse repurchase agreement transaction must be compliant with the relevant CSSF circulars and the Portfolio's investment policy and must together with the other securities that the Portfolio holds, comply with the Portfolio's investment restrictions;

(iii) the risk exposure to a counterparty generated through such transactions or other efficient portfolio management techniques and OTC financial derivative instruments may not exceed 10% of the Portfolio's assets when the counterparty is a credit institution referred to in article 41(1) (f) of the UCITS Law or 5% of the Portfolio's assets in other cases.

A Portfolio may only enter into (i) a repurchase agreement provided that it shall be able at any time to recall any securities or to terminate the agreement and (ii) a reverse repurchase agreement provided that it shall be able at any time to recall the full amount of cash or to terminate the agreement on either an accrued basis or a mark-to-market basis, it being understood that when the cash is recallable at any time on a mark-to-market basis, the mark-to-market value of the reverse repurchase agreement should be used for the calculation of the net asset value.

Fixed-term repurchase and reverse repurchase agreements that do not exceed seven days are considered as arrangements on terms that allow the assets to be recalled at any time by the Portfolio.

As of the date of this Prospectus, the Management Company has not appointed any agent carrying out these transactions. Should the Management Company decide to appoint any agent, the name and remuneration of such agent(s) will be disclosed in the Fund's annual report.

Management of collateral received with respect to OTC derivative transactions and efficient portfolio management techniques. As per the ESMA Guidelines, the risk exposures to a counterparty arising from OTC derivative transactions and efficient portfolio management techniques should be combined when calculating the counterparty risk limits referred to in Article 43 of the UCITS Law.

All assets received by a Portfolio in the context of OTC derivative transactions or efficient portfolio management techniques should be considered as collateral and should comply with all the criteria laid down below.

Where a Portfolio enters into OTC derivative transactions and efficient portfolio management techniques, all collateral used to reduce counterparty risk exposure of such Portfolio should comply at all times with the following criteria:

- a) *Liquidity* – Any collateral received other than cash should be highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing to ensure that it can be sold quickly at a price that is close to pre-sale valuation. Collateral received should also comply with the provisions of Article 43 of the UCITS Law.
- b) *Valuation* – Collateral received should be valued on at least a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place.
- c) *Issuer credit quality* – Collateral received should be of high quality.
- d) *Correlation* – the collateral received by a Portfolio should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of such counterparty.
- e) *Collateral diversification (asset concentration)* – Collateral received should be sufficiently diversified in terms of country, markets and issuers. As per the ESMA Guidelines, the criterion of sufficient diversification with respect to issuer concentration is

considered to be respected if a Portfolio receives from a counterparty of efficient portfolio management and OTC derivative transactions a basket of collateral with a maximum exposure to a given issuer of 20% of its net asset value. In addition, if a Portfolio is exposed to different counterparties, the different baskets of collateral should be aggregated to calculate the 20% limit of exposure to a single issuer. Notwithstanding the above provisions, a Portfolio may be fully collateralized in transferable securities and money market instruments issued or guaranteed by sovereign or other governmental issuers with a short term credit rating of at least A-1+ or its equivalent by at least one major recognized rating agency, provided that such Portfolio must receive securities from at least six different issues and securities from one issue do not account for more than 30% of the total assets of such Portfolio.

f) *Risks linked to the management of collateral* – Risks linked to the management of collateral such as operational and legal risks, should be identified, managed and mitigated by the risk management process.

g) *Title of transfer of the collateral* – Where there is a title transfer, the collateral received should be held by the depositary of the Portfolio. For other types of collateral arrangement, the collateral can be held by a third party custodian which is subject to prudential supervision, and which is unrelated to the provider of the collateral.

h) *Collateral received* should be capable of being fully enforced by the Portfolio at any time without reference to or approval from the counterparty.

i) *Non-cash collateral received* should not be sold, re-invested or pledged.

j) *Cash collateral* received should only be:

- placed on deposit with entities prescribed in Article 41 (f) of the UCITS Law;
- invested in high-quality government bonds;
- used for the purpose of reverse repo transactions provided the transactions are with credit institutions subject to prudential supervision and the Portfolio is able to recall at any time the full amount of cash on accrued basis; and
- invested in short-term money market funds as defined in the CESR Guidelines 10-049 on a Common Definition of European Money Market Funds .

The Management Company will receive, for each Portfolio that participates in the securities lending programme, collateral that is at least equivalent to 105% of the value of the lent securities. With respect to bilateral OTC financial derivative instruments, the valuation of such instruments has to be marked-to-market daily. As a result of such valuations, the counterparty, subject to minimum transfer amounts, will have to post additional collateral when the market value of its obligation has risen or remove collateral when it has fallen.

Re-invested cash collateral should be diversified in accordance with the diversification requirements applicable to non-cash collateral. As of the date of this Prospectus, the Fund does not re-invest cash collateral. Should the Fund decide in the future to re-invest the cash collateral of a specific Portfolio, the re-investment policy will be reflected in the next update of the Prospectus.

Where a Portfolio receives collateral for at least 30% of its assets, the Management Company will put in place an appropriate stress testing policy to ensure regular stress tests are carried out under normal and exceptional liquidity conditions to enable the Management Company to assess the Portfolio's liquidity risk attached to the collateral.

Finally, the Management Company has applied a haircut policy adapted for each class of assets received as collateral with respect to OTC derivative transactions and efficient portfolio management techniques. A haircut is a percentage, deducted from the market value of the asset received as collateral, meant to reflect the perceived risk associated with holding the asset. The haircut policy takes account of the characteristics of the relevant securities received as collateral such as the maturity and the credit rating of the issuer of such securities, the historical price volatility of the securities as well as the results of any stress tests which may be performed from time to time in accordance with the rules laid down in the ESMA Guidelines.

Risk and potential Conflicts of Interest associated with OTC derivative transactions and efficient portfolio management techniques

There are certain risks involved in OTC derivative transactions, efficient portfolio management techniques and the management of collateral in relation to such activities. For more information on the risks applicable to such type of transactions, investors should refer to the section "Risk Factors" of this Prospectus and more specifically to the "Derivatives Risk" and "Conflicts of Interest" provisions thereof.

Risk Factors - General

General Risks

Each Portfolio is involved in the business of investing in securities, which entails certain risks. The following general risk factors apply to all Portfolios of the Fund.

Temporary Defensive Position. Under extraordinary circumstances and for a limited period, the Investment Manager may take temporary defensive measures, varying the investment policy of any Portfolio during periods in which conditions in securities markets or other economic or political conditions warrant. The Fund may reduce a Portfolio's position in equity securities or long-term debt securities, as appropriate, and increase its position in other debt securities, which may include short-term fixed-income securities issued or guaranteed by the U.S. Government or by a governmental entity of any member state of the OECD, or by European, U.S. or multinational companies or supranational organizations rated AA or better by S&P or Fitch or Aa or better by Moody's, or the equivalent thereof by at least one recognized rating agency, or if not so rated, determined by the Investment Manager to be of equivalent investment quality. Such securities may be denominated in a Portfolio's base currency or in a non-base currency. A Portfolio may also hold ancillary liquid assets comprised of cash and money market instruments issued or guaranteed by such highly rated institutions provided their maturity is less than 120 days. A Portfolio may also at any time temporarily invest funds awaiting reinvestment or held as reserves for dividends and other distributions to Shareholders in money market instruments referred to above. While a Portfolio invests for temporary defensive purposes, it may not meet its investment objective.

Future Developments. On an ancillary basis, each Portfolio may take advantage of other investment practices that are not currently contemplated for use by the Portfolio to the extent such investment practices are consistent with the Portfolio's investment objective and legally permissible. Such investment practices, if they arise, may involve risks that exceed those involved in the practices described herein.

Liquidity Risk. Certain securities in which the Fund may invest may become subject to legal or other restrictions on transfer and there may be no liquid market for such securities. Each Portfolio will maintain no more than 10% of its total net assets in securities which have a lack of liquidity. For this purpose, such securities include, among others (a) direct placements or other securities which are subject to legal or contractual restrictions on resale or for which there is no readily available market (*e.g.*, trading in the security is suspended or, in the case of unlisted securities, market makers do not exist or will not entertain bids or offers), including many currency swaps and any assets used to cover currency swaps, (b) OTC options and assets used to cover written OTC options, and (c) repurchase agreements not terminable within seven days. Securities that have legal or contractual restrictions on resale but have a readily available market are not deemed illiquid. The Investment Manager will monitor the liquidity of the portfolio securities of each Portfolio. If a Portfolio invests in securities having a lack of liquidity, it may not be able to sell such securities and may not be able to realize their full value upon sale.

See paragraph (5) of "Investment Restrictions" in Appendix A for a discussion of securities having a lack of liquidity in which a Portfolio may invest.

Country Risks—General. A Portfolio may invest in securities of issuers located in various countries and geographic regions. The economies of individual countries may differ favorably or unfavorably from each other in such respects as growth of gross domestic product or gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. Issuers in general are subject to varying degrees of regulation with respect to such matters as insider trading rules, restrictions on market manipulation, shareholder proxy requirements and timely disclosure of information. The reporting, accounting and auditing standards of issuers may differ, in some cases significantly, from country to country in important respects and less information from country to country may be available to investors in securities or other assets.

Nationalization, expropriation or confiscatory taxation, currency blockage, political changes, government regulation, political or social instability or diplomatic developments could affect adversely the economy of a country or a Portfolio's investments in such country. In the event of expropriation, nationalization or other confiscation, a Portfolio could lose its entire investment in the country involved. In addition, laws in countries governing business organizations, bankruptcy and insolvency may provide limited protection to security holders such as a Portfolio.

Portfolios which invest essentially in securities whose issuers are domiciled in only one country will have greater exposure to market, political and economic risks of that country than Portfolios that have more geographically diversified investments. Portfolios which invest in securities whose issuers are domiciled in multiple countries will have less exposure to the risks of any one country, but will be exposed to a larger number of countries.

A Portfolio may trade its securities in a variety of markets with many different brokers and dealers. The failure of a broker or dealer may result in the complete loss of a Portfolio's assets on deposit with such broker or dealer depending on the regulatory rules governing such broker or dealer. In addition, brokerage commissions in certain countries may be higher than in others, and securities markets in certain countries may be less liquid, more volatile and less subject to governmental supervision than in others.

The securities markets of many countries are also relatively small, with the majority of market capitalization and trading volume concentrated in a limited number of companies representing a small number of industries. Consequently, a Portfolio invested in equity securities of companies in such countries may experience greater price volatility and significantly lower liquidity than a Portfolio invested solely in equity securities of companies in countries with relatively larger securities markets. These smaller markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of securities. Securities settlements may in some instances be subject to delays and related administrative uncertainties.

Certain countries require governmental approval prior to investments by foreign persons or limit investment by foreign persons to only a specified percentage of an issuer's outstanding securities or a specific class of securities that may have less advantageous terms (including price) than securities of the company available for purchase by nationals. These restrictions or controls may at times limit or

preclude investment in certain securities and may increase the costs and expenses of a Portfolio. In addition, the repatriation of investment income, capital, or the proceeds of sales of securities from certain countries is controlled under regulations, including in some cases the need for certain advance government notification or authority. If deterioration occurs in a country's balance of payments, the country could impose temporary restrictions on foreign capital remittances. A Portfolio also could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation, as well as by the application of other restrictions on investment. Investing in local markets may require a Portfolio to adopt special procedures that may involve additional costs to the Portfolio. These factors may affect the liquidity of the Portfolio's investments in any country and the Investment Manager will monitor the effect of any such factor or factors on the Portfolio's investments.

Management Risk. A Portfolio may be subject to management risk because it is an actively managed investment fund. The Investment Manager will apply its investment techniques and risk analyses in making investment decisions for the Portfolio, but there can be no guarantee that its decisions will produce the desired results. In some cases, derivative and other investment techniques may be unavailable or the Investment Manager may determine not to use them, possibly even under market conditions where their use could benefit the Portfolio.

Allocation Risk. This is the management risk that the allocation of investments, such as between debt and equity or growth and value companies may have a more significant effect on a Portfolio's Net Asset Value when one of these styles or asset categories is performing more poorly than the other. Also, the transaction costs of rebalancing a Portfolio's investments may be, over time, significant.

Efficient Portfolio Management Techniques. Subject to the conditions and within the limits laid down in the UCITS Law as well as any circulars issued by the CSSF from time to time, and in particular the CSSF Circular 13/559 transposing the ESMA/2012/832 Guidelines for competent authorities and UCITS management companies - Guidelines on ETFs and other UCITS issues (the "ESMA Guidelines"), a Portfolio may employ techniques and instruments relating to transferable securities and money market instruments, such as securities lending and repurchase agreement transactions, provided that such techniques and instruments are used for the purpose of efficient portfolio management. For further information about efficient portfolio management techniques employed by the Fund, see "Risk Management, Derivatives and Financial Techniques and Instruments."

Lack of Operating History Risk. Certain Portfolios of the Fund may be recently formed and have no operating history.

Certain Legal and Regulatory Risks. The legal, tax and regulatory environment worldwide for investment funds (such as the Fund) and their managers is evolving, and changes in the regulation of investment funds, their managers, and their trading and investment activities may have an adverse effect on the ability of the Fund to pursue its investment program and on the value of investments held by the Fund. There has been an increase in scrutiny of the investment industry by governmental agencies and self-regulatory organizations in multiple jurisdictions in which the Fund operates.

Cybersecurity Risk. As part of the Fund's business, the Management Company and Investment Manager process, store and transmit large amounts of electronic information, including information relating to the transactions of the Fund and personally identifiable information of the Shareholders. Similarly, service providers of the Fund may process, store and transmit such information. The Management Company and Investment Manager have procedures and systems in place that they believe are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to the Management Company and Investment Manager may be susceptible to compromise, leading to a breach of the Management Company's or Investment Manager's network. Systems, facilities or online services may be susceptible to employee error or malfeasance, government surveillance, or other security threats. Breach of the Management Company's or Investment Manager's information systems may cause information relating to the transactions of the Fund and personally identifiable information of the Shareholders to be lost or improperly accessed, used or disclosed.

The service providers of the Management Company, Investment Manager and the Fund are subject to similar electronic information security threats. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the Fund and personally identifiable information of the Shareholders may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of the Fund's proprietary information may cause the Fund to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Fund and the Shareholders' investments therein.

Liquidity Risk. Certain securities in which the Fund may invest, may become subject to legal or other restrictions on transfer and there may be no liquid market for such securities. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable and the Fund may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

A Portfolio may invest up to 10% of its net assets in securities for which there is no ready market, as more fully described in paragraph (5) of "Investment Restrictions" in Appendix A. In addition, a Portfolio may engage in transactions in futures contracts or options thereon in limited circumstances, and such instruments may also be subject to illiquidity when market activity decreases or when a daily price fluctuation limit has been reached. Most futures exchanges limit fluctuations in futures contract prices during a single day by

regulations referred to as "daily limits." During a single trading day no trades may be executed at prices beyond the daily limit. Once the price of a futures contract has increased or decreased to the limit point, positions can neither be taken nor liquidated. Futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Portfolio from promptly liquidating unfavorable positions and, therefore, result in losses to a Portfolio and corresponding decreases in the Net Asset Value of the relevant Shares.

Certain OTC instruments, for which there will be limited liquidity, will be valued for purposes of calculating Net Asset Value based upon an average of prices taken from at least two major primary dealers. These prices will affect the price at which Shares may be redeemed or purchased. Such valuation may not be realized upon sale by a Portfolio.

Currency Risk. Underlying investments of a Portfolio may be denominated in one or more currencies different than that in which such Portfolio is denominated. This means currency movements in such underlying investments may significantly affect the Net Asset Value in respect of such Portfolio's Shares. Investments by the Portfolios that are denominated in a particular currency are subject to the risk that the value of such currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The Portfolios are not limited in the percentage of its assets that may be denominated in currencies other than the Currency of the Portfolio.

The Investment Manager will take into account, and may hedge to reduce the risk of, such risks by investing in foreign currencies, foreign currency futures contracts and options thereon, forward foreign currency exchange contracts, or any combination thereof. The Investment Manager is not obligated to engage in such currency hedging transactions and may elect to do so in its sole discretion. Such transactions involve a significant degree of risk and the markets in which foreign exchange transactions are effected may be highly volatile. No assurance can be made that such strategies will be effective.

In addition, because the Shares of certain Portfolios are offered in more than one currency, such Portfolio and holders of the Shares are subject to certain additional currency risks. For example, such Portfolio may be subject to the risk of an unfavorable change in the Dollar/Euro rate of exchange in respect of Euro subscriptions accepted on a particular Trade Date but for which actual Euro subscription amounts are not received by the Depositary until a subsequent Trade Date. Also, the Portfolio may be subject to the risk of a decline in the value of the Dollar relative to the Euro subsequent to a Euro redemption and prior to the payment of Euro redemption amounts to the redeeming Shareholder.

Additionally, when a Portfolio quotes its Shares' Net Asset Values in a currency other than the Currency of the Portfolio, such values are derived from the spot foreign exchange rate of the other Offered Currency on each Valuation Point. Accordingly, the total return ultimately realized by a Shareholder upon redemption in respect of an investment in Shares made in such other Offered Currency will be directly affected, either positively or negatively, by changes in the

exchange rate between such other Offered Currency and the Currency of the Portfolio from the date of subscription to the date of redemption. All expenses related to converting subscription and redemption amounts into and out of the Currency of the Portfolio and other Offered Currencies are borne by the Portfolio concerned and attributed to the Shares of such Portfolio.

The Distributor occasionally may arrange for foreign exchange facilities that allow investors to use certain currencies other than the Offered Currencies of a Portfolio for subscription and redemption of Shares. Such transactions are conducted outside of the Fund and at the investor's own risk and expense. Investors utilizing such facilities may be subject to foreign exchange risks related to timing of settlement upon subscription and changes in exchange rates during the period of investment in the Fund.

Borrowing Risk. A Portfolio may borrow from a bank or other entity in a privately arranged transaction for temporary purposes, which includes for purposes of redeeming Shares, in an amount not exceeding 10% of the value of the Portfolio's total assets. Borrowing creates an opportunity for a Portfolio to finance the limited activities described above without the requirement that portfolio securities be liquidated at a time when it would be disadvantageous to do so. Any investment income or gains on, or savings in transaction costs made through the retention of, portfolio securities in excess of the interest paid on and the other costs of the borrowings will cause the net income or Net Asset Value per Share of the Shares to be greater than would otherwise be the case. On the other hand, if the income or gain, if any, on the securities retained fails to cover the interest paid on and the other costs of the borrowing, the net income or Net Asset Value per Share of the Shares will be less than would otherwise be the case.

Securities Lending Risks. A Portfolio may make secured loans of its securities. The risks in lending securities, as with other extensions of credit, consist of possible loss of rights in the collateral should the borrower fail financially. In addition, a Portfolio will be exposed to the risk that the sale of any collateral realized upon the borrower's default will not yield proceeds sufficient to replace the loaned securities. In determining whether to lend securities to a particular borrower, the Investment Manager will consider all relevant facts and circumstances, including the creditworthiness of the borrower. While securities are on loan, the borrower may pay the Portfolio concerned any income from the securities. The Portfolio may invest any cash collateral in money market instruments, thereby earning additional income, or receive an agreed upon amount of income from a borrower who has delivered equivalent collateral. The Portfolio may have the right to regain record ownership of loaned securities or equivalent securities in order to exercise ownership rights such as voting rights, subscription rights and rights to dividends, interest or distributions. A Portfolio may pay reasonable finders', administrative and other fees in connection with a loan. For further information on Securities Lending, see "Financial Techniques and Instruments" above.

Taxation Risk. A Portfolio may be subject to taxation resulting, for example, from income or realized capital gains attributable to certain portfolio securities. In certain cases, a double-taxation treaty may exist and serve to eliminate or ameliorate the effect of such taxation. In other cases, no such double-taxation treaty may exist. For example, a Portfolio may invest in equity securities of U.S. issuers. Dividends on the equity securities of U.S. corporations generally will be subject to a 30% U.S. withholding tax. Interest payments on certain debt obligations of U.S. obligors similarly may be subject to a 30% U.S.

withholding tax. Distributions on the non-U.S. securities in which the Portfolio invests, including ADRs, EDRs and GDRs, may be subject to taxes withheld by the country of residence of the issuer of the underlying securities. In general, these taxes will be neither refundable nor subject to reduction under an income tax treaty between the country of source and the country of residence of the Fund. No assurance can be given that applicable tax laws and interpretations thereof will not be changed or amended in the future in a manner that will adversely affect the Net Asset Value of the Shares.

FATCA and Certain Withholding Risk. . The Foreign Account Tax Compliance Act ("FATCA"), a portion of the 2010 Hiring Incentives to Restore Employment Act, became law in the United States in 2010. It generally requires financial institutions outside the U.S. ("foreign financial institutions" or "FFIs") to pass information about "Financial Accounts" held by "Specified U.S. Persons", directly or indirectly, to the U.S. tax authorities on an annual basis, or else become subject to withholding tax on certain U.S. source income and possibly gross proceeds.

In order to avoid a U.S. withholding tax of 30% on certain payments (including payments of gross proceeds) made with respect to certain actual and deemed U.S. investments, the Fund and/or each Portfolio generally will be required to timely register with the IRS and agree to identify, and report information with respect to, certain of their direct and indirect U.S. account holders (including debtholders and equityholders). Luxembourg has signed a Model 1A (reciprocal) inter-governmental agreement with the United States (the "US IGA") to give effect to the foregoing withholding and reporting rules. So long as the Fund complies with the US IGA and the enabling legislation, the Investment Manager anticipates that the Fund will not be subject to the related U.S. withholding tax.

A non-U.S. investor in the Fund will generally be required to provide to the Fund (or in certain cases, a distributor, intermediary or certain other entities through which such non-U.S. investor invests (each, an "Intermediary")) information which identifies its direct and indirect U.S. ownership. Under the US IGA, any such information provided to the Fund and certain financial information related to such investor's investment in the Fund will be shared with the Luxembourg Minister of Finance or its delegate (the "Luxembourg MOF"). The Luxembourg MOF will provide the information reported to it with the IRS annually on an automatic basis. A non-U.S. investor that is a "foreign financial institution" within the meaning of Section 1471(d)(4) of the IRC will generally be required to timely register with the IRS and agree to identify, and report information with respect to, certain of its own direct and indirect U.S. account holders (including debtholders and equityholders). A non-U.S. investor who fails to provide such information to the Fund (or, if applicable, an Intermediary), or timely register and agree to identify, and report information with respect to, such account holders (as applicable), may be subject to the 30% withholding tax with respect to its share of any such payments attributable to actual and deemed U.S. investments of the Fund, and the Board may take any action in relation to an investor's Shares or redemption proceeds to ensure that such withholding is economically borne by the relevant investor whose failure to provide the necessary information or comply with

such requirements gave rise to the withholding, subject to applicable laws and regulations and provided that the Board acts in good faith and on reasonable grounds. Shareholders should consult their own tax advisors regarding the possible implications of these rules on their investments in the Fund.

Non-U.S. shareholders may also be required to make certain certifications to the Fund as to the beneficial ownership of the Shares and the non-U.S. status of such beneficial owner, in order to be exempt from U.S. information reporting and backup withholding on a redemption of Shares.

It is possible that further inter-governmental agreements ("future IGAs") similar to the US IGA may be entered into with other third countries by the Luxembourg Government to introduce similar regimes for reporting to such third countries' fiscal authorities ("foreign fiscal authorities").

By investing (or continuing to invest) in the Fund, investors shall be deemed to acknowledge that:

- (i) the Fund (or its agent or an Intermediary) may be required to disclose to the Luxembourg MOF certain confidential information in relation to the investor, including, but not limited to, the investor's name, address, tax identification number (if any), social security number (if any) and certain information relating to the investor's investment;
- (ii) the Luxembourg MOF may provide information as outlined above with the IRS, the Luxembourg Minister of Finance and other foreign fiscal authorities;
- (iii) the Fund (or its agent or an Intermediary) may disclose to the IRS, the Luxembourg Minister of Finance and other foreign fiscal authorities certain confidential information when registering with such authorities and if such authorities contact the Fund (or its agent directly) with further enquiries;
- (iv) the Fund or an Intermediary may require the investor to provide additional information and/or documentation which the Fund or an Intermediary may be required to disclose to the Luxembourg MOF;
- (v) in the event an investor does not provide the requested information and/or documentation and/or has not itself complied with the applicable requirements, the Fund reserves the right to take any action and/or pursue all remedies at its disposal, including, without limitation, action to ensure that any withholding imposed in respect of such investor's Shares or redemption proceeds is economically borne by such investor and compulsory redemption of the investor concerned; and
- (vi) no investor affected by any such action or remedy shall have any claim against the Fund (or its agent) for any form of damages or liability as a result of actions taken or remedies pursued by or on behalf of the Fund in order to comply with FATCA, any of the US IGA or any future IGAs, or any of the relevant underlying legislation and regulations.

Risk Factors – Portfolio Risk Factors

Each Portfolio of the Fund is subject to certain risks according to its investment strategy, policies and restrictions, as indicated in the relevant Portfolio Details for such Portfolio. Below is a description of some of the principal strategy risks of the Portfolios, though investors should note that this does not purport to provide a complete explanation of the risks associated with acquiring and holding Shares of a Portfolio of the Fund. For information on the general risks associated with each Portfolio, please see "General Risks" above. Risks not identified for a particular Portfolio may, however, still apply to the extent that such Portfolio's strategy adjusts to changing market conditions over time. Each of these risk factors is described in detail on the following pages.

Investment Strategy Risks

Each Portfolio engages in a business involving special considerations and risks, including some or all of those discussed below. There can be no assurance that the Portfolio's investment objective will be achieved or that there will be any return of capital, and investment results may vary substantially on a monthly, quarterly or annual basis. An investment in a Portfolio does not represent a complete investment program.

Emerging Markets Risk. A Portfolio may be permitted to invest in securities of emerging market issuers. A Portfolio consequently may experience greater price volatility and significantly lower liquidity than a portfolio invested solely in equity securities of issuers located in more developed markets. Investments in securities of emerging market issuers entail significant risks in addition to those customarily associated with investing in securities of issuers in more developed markets, such as (i) low or non-existent trading volume, resulting in a lack of liquidity and increased volatility in prices for such securities, as compared to securities of comparable issuers in more developed capital markets, (ii) uncertain national policies and social, political and economic instability, increasing the potential for expropriation of assets, confiscatory taxation, high rates of inflation or unfavorable diplomatic developments, (iii) possible fluctuations in exchange rates, differing legal systems and the existence or possible imposition of exchange controls, custodial restrictions or other laws or restrictions applicable to such investments, (iv) national policies which may limit a Portfolio's investment opportunities such as restrictions on investment in issuers or industries deemed sensitive to national interests, and (v) the lack or relatively early development of legal structures governing private and foreign investments and private property.

Other risks relating to investments in emerging market issuers include: the availability of less public information on issuers of securities; settlement practices that differ from those in more developed markets and may result in delays or may not fully protect a Portfolio against loss or theft of assets; the possibility of nationalization of a company or industry and expropriation or confiscatory taxation; and the imposition of foreign taxes. Investments in emerging markets securities will also result in generally higher expenses due to: the costs of currency exchange; higher brokerage commissions in certain emerging markets; and the expense of maintaining securities with foreign custodians.

Issuers in emerging markets may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those to which companies in developed markets are

subject. In certain emerging market countries, reporting standards vary widely. As a result, traditional investment measurements used in developed markets, such as price/earnings ratios, may not be applicable in certain emerging markets.

In addition to the above risks generic to all emerging markets, there are specific risks linked to investing in Russia. Investors should be aware that the Russian market presents specific risks in relation to the settlement and safekeeping of securities as well as in the registration of assets, where registrars are not always subject to effective government supervision. Russian securities are not on physical deposit with the Depositary or its local agents in Russia. Therefore, neither the Depositary nor its local agents in Russia can be considered to be performing a physical safekeeping or custody function in the traditional sense. The Depositary's liability only extends to its own negligence and willful default and to negligence and willful misconduct of its local agents in Russia and does not extend to losses due to the liquidation, bankruptcy, negligence and willful default of any registrar. In the event of such losses, the Fund will have to pursue its rights against the issuer and/or its appointed registrar.

Focused Portfolio Risk. Certain Portfolios may invest in a limited number of issuers, industries or sectors or countries and may therefore be subject to greater volatility than a portfolio invested in a larger or more diverse array of securities. Such concentration could expose such investors to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in securities in which the Portfolio is invested. Market or economic factors affecting issuers, industries or sectors in which the Portfolio's investments are concentrated could have a significant effect on the value of the Portfolio's investments.

Turnover Risk. A Portfolio may be actively managed and, in some cases in response to market conditions, the Portfolio's turnover may exceed 100%. A higher rate of portfolio turnover increases brokerage and other expenses, which must be borne by a Portfolio and its Shareholders. High portfolio turnover also may result in the realization of substantial net short term capital gains, which, when distributed, may be taxable to Shareholders.

In addition, a Portfolio may experience relatively higher turnover attributable to investors in a particular country where such Portfolio is available for purchase. This activity may adversely affect such Portfolio's performance and the interests of long-term investors. Volatility resulting from excessive purchases and redemptions or exchanges of Shares, especially involving large dollar amounts, may disrupt efficient portfolio management. In particular, a Portfolio may have difficulty implementing long-term investment strategies if it is unable to anticipate what portion of assets it should retain in cash to provide liquidity to Shareholders. Also, excessive purchases and redemptions or exchanges of Shares may force a Portfolio to maintain a disadvantageously large cash position to accommodate short duration trading activity. Further, excessive purchases and redemptions or exchanges of a Portfolio's Shares may force a Portfolio to sell portfolio securities at inopportune times to raise cash to accommodate short duration trading activity. Additionally, Portfolios may incur increased expenses if one or more Shareholders engage in excessive purchase and redemption or exchange activity. For example, a Portfolio that is forced to liquidate investments due to short duration trading activity may incur increased brokerage and tax

costs without attaining any investment advantage. Similarly, a Portfolio may bear increased administrative costs as a result of the asset level and investment volatility that accompanies patterns of short duration trading activity.

Sub-Investment Manager Risk. Certain Portfolios, as set forth in the Portfolio Details, rely on the investment advice of Sub-Investment Managers. The success of such Portfolios depends upon the ability of the Investment Manager to allocate the Portfolio's assets to various investment strategies and to select the best mix of Sub-Investment Managers. The success of such a Portfolio also depends on the ability of the Sub-Investment Managers to develop and implement investment strategies that achieve a Portfolio's investment objective. For example, a Sub-Investment Manager's inability to effectively hedge an investment strategy that it utilises may cause the assets of a Portfolio invested with such Sub-Investment Manager to significantly decline in value and could result in substantial losses to such Portfolio. Moreover, subjective decisions made by the Investment Manager and/or the Sub-Investment Managers may cause a Portfolio to incur losses or to miss profit opportunities on which it may otherwise have capitalised. Sub-Investment Managers may make conflicting or inconsistent investment decisions. For example, at any particular time, a particular Sub-Investment Manager may be purchasing shares of an issuer whose shares are being sold by another Sub-Investment Manager. Consequently, the Portfolio's investment returns related to a particular Sub-Investment Manager may be offset by the investment decisions of another Sub-Investment Manager, and so the Portfolio could incur transaction costs without achieving a change in its net investment exposure.

China Market Risk. Investing in the Chinese market is subject to the risks of investing in emerging markets generally and the risks specific to China.

Since 1978, the government of the People's Republic of China ("PRC") has implemented economic reform measures which emphasise decentralisation and the utilisation of market forces in the development of the Chinese economy, moving from the previous planned economy system. However, many of the economic measures are experimental or unprecedented and may be subject to adjustment and modification. Any significant change in PRC's political, social or economic policies may have a negative impact on investments in the Chinese market.

The regulatory and legal framework for capital markets and joint stock companies in the PRC may not be as well developed as those of developed countries. In addition, the PRC's disclosure and regulatory standards are in many respects less stringent than and/or may deviate significantly from standards in many OECD countries. There may be less publicly available information about PRC companies than is regularly published by or about companies based in OECD countries and such information as is available may be less reliable than that published by or about companies in OECD countries. PRC companies are subject to accounting standards and requirements that differ in significant respects from those applicable to companies established or listed in OECD countries. As a result, the lower levels of disclosure and transparency of certain material information may impact on the value of investments made by the Fund and may lead to the Fund or its service providers coming to an inaccurate conclusion about the value of its investments. This, if combined with a weak regulatory environment, could result in lower standards of corporate governance and less protection of minority shareholder rights of the companies in

which the Fund will invest.

Investors should also be aware that changes in the PRC taxation legislation could affect the amount of income which may be derived, and the amount of capital returned, from the investments of a Portfolio. Laws governing taxation will continue to change and may contain conflicts and ambiguities. In addition, the Fund's operations and financial results could be adversely affected by adjustments in the PRC's state plans, political, economic and social conditions, changes in the policies of the PRC government such as changes in laws and regulations (or the interpretation thereof), measures which may be introduced to control inflation, changes in the rate or method of taxation, imposition of additional restrictions on currency conversion and the imposition of additional import restrictions. Furthermore, a portion of the economic activity in the PRC is export-driven and, therefore, is affected by developments in the economies of the PRC's principal trading partners.

The Chinese government's macro-economic policies and controls (including its monetary and fiscal policies) also have significant influence over the capital markets in China. Changes in fiscal policies, such as interest rates policies, may have an adverse impact on the pricing of debt securities held by a Portfolio. The return of a Portfolio will be adversely affected as a result.

Renminbi exchange risk. Starting from 2005, the exchange rate of the Renminbi is no longer pegged to the US dollar. The Renminbi has now moved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the Renminbi against other major currencies in the inter-bank foreign exchange market would be allowed to float within a narrow band around the central parity published by the People's Bank of China. As the exchange rates are based primarily on market forces, the exchange rates for Renminbi against other currencies, including US dollars and Hong Kong dollars, are susceptible to movements based on external factors. It should be noted that the Renminbi is currently not a freely convertible currency as it is subject to foreign exchange control policies of the Chinese government. The possibility that the appreciation of Renminbi will be accelerated cannot be excluded. On the other hand, there can be no assurance that the Renminbi will not be subject to devaluation. Any devaluation of the Renminbi could adversely affect the value of investors' investments in a Portfolio. Investors whose base currency is not the Renminbi may be adversely affected by changes in the exchange rates of the Renminbi. Further, the PRC government's imposition of restrictions on the repatriation of Renminbi out of China may limit the depth of the Renminbi market in Hong Kong and reduce the liquidity of the relevant Sub-Fund. The Chinese government's policies on exchange control and repatriation restrictions are subject to change, and a Portfolio's or the investors' position may be adversely affected.

Currency conversion risk. Currently, the Renminbi is traded in two markets: one in mainland China, and one outside mainland China (primarily in Hong Kong). The RMB traded in mainland China is not freely convertible and is subject to exchange controls and certain requirements by the government of mainland China. The Renminbi traded outside mainland China, on the other hand, although freely tradable, is still subject to controls, limits and availability. Whilst the Renminbi is traded freely outside mainland China, the Renminbi spot, forward foreign exchange contracts and related instruments reflect the structural complexities of this evolving

market. Accordingly, a Portfolio may be exposed to greater foreign exchange risks.

Investments acquired by a Portfolio will primarily be denominated in Renminbi whereas the Classes of Shares of a Portfolio may be denominated in other currencies. All or part of the subscription monies of investors in a non-Renminbi denominated Class of Units will be converted into Renminbi for investment in underlying securities, while realisation proceeds in Renminbi will be converted to the relevant Class Currency for payment of redemption proceeds. As a result, investors will be exposed to foreign exchange fluctuations between Renminbi and the relevant Class Currency and may suffer losses arising from such fluctuations.

Investors whose assets and liabilities are predominantly in a currency other than the Renminbi should take into account the potential risk of loss arising from fluctuations in value between such currency and the Renminbi. There is no guarantee that Renminbi will appreciate in value against the relevant Class Currency, or that the strength of the Renminbi may not weaken. In such case an investor may enjoy a gain in Renminbi terms but suffer a loss when converting its monies between Renminbi and their own currency.

Investors should note that Renminbi is the only official currency of the PRC. While both onshore Renminbi (CNY) and offshore Renminbi (CNH) are the same currency, they are traded in different and separated markets. Since the two Renminbi markets operate independently where the flow between them is highly restricted, CNY and CNH are traded at different rates and their movement may not be in the same direction. The CNH rate may be at a premium or discount to the exchange rate for CNY rate. There may be significant bid and offer spreads, which may affect the value of a Portfolio. In calculating the value of non-Renminbi denominated assets and the prices of Shares of non-Renminbi Classes, the Investment Manager will normally apply the CNH exchange rate for the offshore Renminbi market in Hong Kong. The fluctuation in the CNH/CNY exchange rate could therefore have an impact on investors for such Classes of Shares. In particular, where the CNH rate is at a premium, an investor in a non-Renminbi Class of Shares may incur additional costs when investing in such Shares (since the currency conversion into Renminbi will be made at the prevailing CNH rate).

It is the Investment Manager's intention to maintain a substantial portion of investments of a Portfolio in Renminbi denominated and settled instruments. Where an investor subscribes for Shares denominated in a non-Renminbi currency, the Investment Manager may convert part or all of such subscriptions into Renminbi prior to investment at the applicable exchange rate. As Renminbi is not freely convertible, currency conversion is subject to availability of Renminbi at the relevant time (*i.e.* it is possible there is not sufficient Renminbi for currency conversion in case of sizeable subscriptions). As such, the Investment Manager has the absolute discretion to reject any application made in non-Renminbi currency subscription monies (whether such application is in relation to a Class of Shares denominated in Renminbi) where it determines that there is not sufficient Renminbi for currency conversion.

The Investment Manager may sell a Portfolio's investments denominated in Renminbi and/or convert Renminbi into non-Renminbi currency at the applicable exchange rate for payment of redemption proceeds and/or dividends to investors of non-Renminbi Class of Shares. Investors may therefore incur currency conversion costs and may suffer losses depending on the

exchange rate movements of Renminbi relative to such non-Renminbi currency. Currency conversion is also subject to a Portfolio's ability to convert the proceeds denominated in Renminbi into non-Renminbi currency which, in turn, might delay the payment of redemption proceeds and/or dividends or affect a Portfolio's ability to meet redemption requests from and/or to pay dividends to the Shareholders until such time the conversion into non-Renminbi currency is available.

RQFII risk. A Portfolio is not a RQFII but it may obtain access to Renminbi denominated debt securities or other permissible investments directly using RQFII quotas of a RQFII. A Portfolio may invest directly in RQFII eligible securities investment via the RQFII status of the RQFII Holder. The following risks are relevant to the RQFII regime:

- *Risks regarding RQFII status.* Investors should note that RQFII status could be suspended or revoked, which may have an adverse effect on a Portfolio's performance as a Portfolio may be required to dispose of its securities holdings.

Investors should also note that there can be no assurance that the RQFII Holder will continue to maintain its RQFII status or to make available its RQFII quota, or a Portfolio will be allocated a sufficient portion of RQFII quotas from the RQFII Holder to meet all applications for subscription to a Portfolio, or that redemption requests can be processed in a timely manner due to adverse changes in relevant laws or regulations. Such restrictions may respectively result in a rejection of applications or a suspension of dealings of a Portfolio. In extreme circumstances, a Portfolio may incur significant losses due to limited investment capabilities, or may not be able to fully implement or pursue its investment objective or strategy, due to insufficiency of RQFII quota, RQFII investment restrictions, illiquidity of the Chinese domestic securities market, and/or delay or disruption in execution of trades or in settlement of trades.

- *Risks regarding RQFII quota.* RQFII quotas are generally granted to a RQFII. The rules and restrictions under RQFII regulations, generally apply to the RQFII as a whole and not simply to the investments made by a Portfolio. It is provided in the RQFII Measures (see "*Renminbi Qualified Foreign Institutional Investor*" under "*General Information*") that the size of the quota may be reduced or cancelled by the SAFE if the RQFII is unable to use its RQFII quota effectively within one year since the quota is granted. If the SAFE reduces the RQFII's quota, it may affect the Investment Manager's ability to effectively pursue the investment strategy of a Portfolio. On the other hand, the SAFE is vested with the power to impose regulatory sanctions if the RQFII or the RQFII custodian violates any provision of the RQFII Measures. Any violations could result in the revocation of the RQFII's quota or other regulatory sanctions and may adversely impact on the portion of the RQFII's quota made available for investment by a Portfolio.

Repatriation and liquidity risks. Certain restrictions imposed by the Chinese government on RQFIIs may have an adverse effect on a Portfolio's liquidity and performance. The SAFE regulates and monitors the repatriation of funds out of the PRC by the RQFII pursuant to the RQFII Measures. Repatriations in RMB conducted by RQFIIs in respect of an open-ended RQFII fund (such as a Portfolio) are currently not subject to any lock-up periods, prior approval or other repatriation restrictions, although authenticity and compliance

reviews will be conducted, and monthly reports on remittances and repatriations will be submitted to SAFE by the RQFII Custodian. There is no assurance, however, that PRC rules and regulations will not change or that lock-up periods or repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact on a Portfolio's ability to meet redemption requests from the Shareholders. Furthermore, as the RQFII Custodian's review on authenticity and compliance is conducted on each repatriation, the repatriation may be delayed or even rejected by the RQFII Custodian in case of non-compliance with the RQFII regulations. In such case, it is expected that redemption proceeds will be paid to the redeeming Shareholder as soon as practicable after completion of the repatriation of funds concerned. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the Investment Manager's control.

Application of RQFII rules. The RQFII rules described under "Renminbi Qualified Foreign Institutional Investor" above enable Renminbi to be remitted into and repatriated out of the PRC. The rules are novel in nature and their application may depend on the interpretation given by the relevant Chinese authorities. Investment products (such as a Portfolio) which make investments pursuant such RQFII rules are among the first of its kind. Any changes to the relevant rules may have an adverse impact on investors' investment in a Portfolio. In the worst scenario, the Investment Manager may determine that a Portfolio shall be terminated if it is not legal or viable to operate the Portfolio because of changes to the application of the relevant rules.

The current RQFII laws, rules and regulations are subject to change, which may take retrospective effect. In addition, there can be no assurance that the RQFII laws, rules and regulations will not be abolished. A Portfolio investing in the PRC markets through a RQFII may be adversely affected as a result of such changes.

Chinese credit rating agencies. A Portfolio may invest in securities the credit ratings of which are assigned by the Chinese local credit rating agencies. However, the rating criteria and methodology used by such agencies may be different from those adopted by most of the established international credit rating agencies. Therefore, such rating system may not provide an equivalent standard for comparison with securities rated by international credit rating agencies. A Portfolio may invest in securities which are rated at or above the Investment Grade by local credit rating agencies although the same rating may not be given using the standard rated by international credit rating agencies. As a result, if such debt securities are rated below investment grade based on the standard of international credit rating agencies, a Portfolio may be exposed to higher risks associated with below investment grade securities.

China municipal bond risk. The State Council has approved municipal debt issuance on a pilot basis covering a number of local governments. However, local governments have also taken on debt in other forms, including through the urban development investment vehicles. Recent events have highlighted the risk of possible defaults by such urban development investment vehicles. Investors should note that RMB debt instruments may not be guaranteed by the Chinese government. If there is a default by the issuers of such RMB debt instruments, a Portfolio may suffer losses.

Risk of investing in Urban Investment Bonds. In view of limitations on directly raising funds, local governments in the PRC

have set up numerous entities known as "Local Government Financing Vehicles" ("LGFVs") to borrow and fund local development, public welfare investment and infrastructure projects. Urban Investment Bonds are issued by LGFVs. Local governments may be seen to be closely connected to Urban Investment Bonds, as they are shareholders of the LGFVs issuing such bonds. However, Urban Investment Bonds are typically not guaranteed by the relevant local governments or the central government of the PRC. As such, local governments or the central government of the PRC are not obliged to support any LGFVs in default. The LGFVs' ability to repay debts depends on various factors, including the nature of the business of such LGFVs, the financial strength of such LGFVs and the extent to which the relevant local governments are prepared to support such LGFVs. Slower revenue growth at some local governments may constrain their capacity to provide support, while regulatory constraints may also limit local governments' ability to inject land reserves into LGFVs. Further, local governments have taken on debt in various other forms, and recent analyses show that increased financing activities have posed a risk to local government finances. If a LGFV encounters financial difficulties, without the local government's support, there is a risk of possible defaults by the LGFV. This could result in substantial losses in a Portfolio's investments in debts issued by such LGFV, and as a result, a Portfolio's Net Asset Value will be adversely affected.

China liquidity risk. The RMB denominated debt securities market is at a developing stage and the market capitalisation and trading volume may be lower than those of the more developed markets. Market volatility and potential lack of liquidity due to low trading volume in the RMB denominated debt securities market may result in prices of debt securities traded on such markets fluctuating significantly and may adversely affect the volatility of a Portfolio's Net Asset Value.

Short swing profit rule. A shareholder holding (on an aggregate basis, *i.e.*, across both domestically and overseas issued shares of a PRC incorporated company which is listed on a stock exchange in China (a "PRC Listco"), whether the relevant holdings are through the Connect Scheme (as defined below), Qualified Foreign Institutional Investor ("QFII") or RQFII regimes or other investment channels and together with the persons acting in concert with such shareholder including, for example, all group companies, all funds managed by the same fund manager and funds managed by different managers within the same group) 5% or more of the total issued shares (a "major shareholder") of a PRC Listco has to return any profits obtained from the purchase and sale of shares of such PRC Listco if both transactions occur within a six-month period. In the event that the Fund becomes a major shareholder of a PRC Listco, the profits that the Fund may derive from such investments may be reduced.

Disclosure of interests. If an investor holds or controls shares (on an aggregate basis, *i.e.*, across both domestically and overseas issued shares of the same PRC Listco, whether the relevant holdings are through the Connect Scheme, QFII or RQFII regimes or other investment channels and together with the persons acting in concert with such investor including, for example, all group companies, all funds managed by the same fund manager and funds managed by different managers within the same group) in a PRC Listco up to a certain threshold as may be specified from time to time by the relevant PRC authority, the investor must disclose such interest within a period specified by the relevant PRC authority, and the

investor may not buy or sell any such shares within such period. Currently, where an investor holds (on an aggregate basis as detailed above) 5% or more equity interest in a PRC Listco, it must make a disclosure within 3 days of the occurrence of such fact and such investor must not buy or sell any such shares within the 3-day period.

Foreign Ownership Limits. There is a limit on how many shares a single foreign investor is permitted to hold in a PRC Listco, and also a limit on the maximum combined holdings of all foreign investors in a single PRC Listco. Such foreign ownership limits are applied on an aggregate basis (*i.e.* across both domestically and overseas issued shares of the same listed company, whether the relevant holdings are through the Connect Scheme, QFII or RQFII regimes or other investment channels and, in respect of the single foreign investor limit, together with the persons acting in concert with such investor including, for example, all group companies, all funds managed by the same fund manager and funds managed by different managers within the same group). Such legal and regulatory restrictions or limitations may have adverse effects on the liquidity and performance of the shares of PRC Listco due to factors such as limitations on fund repatriation, dealing restrictions, adverse tax treatments, higher commission costs, regulatory reporting requirements and reliance on services of local custodians and service providers. As of the date of this Prospectus, the single foreign investor limit (on an aggregate basis as detailed above) is set at 10% of the shares of a PRC Listco and the aggregate foreign investor limit is set at 30% of the shares of a PRC Listco. Such limits and levels are subject to change from time to time.

China Equities Risks: the Shanghai-Hong Kong Stock Connect Scheme. A Portfolio of the Fund may invest directly or indirectly in eligible China A shares (“China Connect Securities”) through the Shanghai-Hong Kong Stock Connect scheme (the “Connect Scheme”), including investment in financial instruments and other market access products linked to China Connect Securities. The Connect Scheme is a securities trading and clearing linked program developed by, amongst others, The Stock Exchange of Hong Kong Limited (“SEHK”), Shanghai Stock Exchange (“SSE”), Hong Kong Securities Clearing Company Limited (“HKSCC”) and China Securities Depository and Clearing Corporation Limited (“ChinaClear”), with an aim to achieve mutual stock market access between mainland China and Hong Kong. Additional stock markets may be added to the Connect Scheme in the future, including the Shenzhen Stock Exchange (“SZSE”).

The Connect Scheme will enable Hong Kong and overseas investors including one of more Portfolios of the Fund to trade China Connect Securities listed on the SSE (or, if applicable, the SZSE or other market) through local securities firms or brokers. For investment in China Connect Securities, the Connect Scheme provides the “Northbound Trading Link”. Under the Northbound Trading Link, investors, through their Hong Kong brokers and a securities trading service company established by SEHK, may be able to place orders to trade China Connect Securities listed on the SSE (or, if applicable, the SZSE or other market) by routing orders to the SSE (or such other market).

Under the Connect Scheme, HKSCC, also a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited (“HKEx”), will be responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by Hong Kong market participants and investors.

The relevant Funds may be allowed to trade China Connect Securities through the Northbound Trading Link under the Connect Scheme, subject to applicable rules and regulations issued from time to time.

China Connect Securities Eligible for Northbound Trading Link. China Connect Securities eligible for trading on the Northbound Trading Link, as of the date of the Prospectus, include shares listed on the SSE that are (a) constituent stocks of SSE 180 Index; (b) constituent stocks of SSE 380 Index; (c) China A shares listed on the SSE that are not constituent stocks of the SSE 180 Index or SSE 380 Index but which have corresponding China H shares accepted for listing and trading on SEHK, provided that: (i) they are not traded on the SSE in currencies other than Renminbi; and (ii) they are not included in the risk alert board. SEHK may include or exclude securities as China Connect Securities and may change the eligibility of shares for trading on the Northbound Trading Link.

There can be no assurance that an active trading market for such China Connect Securities will develop or be maintained. If spreads on China Connect Securities are wide, this may adversely affect a Fund's ability to dispose of China Connect Securities at the desired price. If a Fund needs to sell China Connect Securities at a time when no active market for them exists, the price it receives for its China Connect Securities - assuming it is able to sell them - is likely to be lower than the price received if an active market did exist.

Foreign Exchange. All transactions in China Connect Securities will be made in RMB and may not be in the base currency of a Portfolio or the relevant currency of the share class held by a Shareholder, and accordingly the Portfolio will be exposed to RMB currency risks. The ability to hedge RMB currency risks may be limited. In addition, given RMB is subject to exchange control restrictions, a Portfolio of the Fund could be adversely affected by delays in converting other currencies into RMB and vice versa and at times when there are unfavourable market conditions.

Ownership of China Connect Securities. China Connect Securities are held in ChinaClear. HKSCC will become a direct participant in ChinaClear and China Connect Securities acquired by investors through Northbound Trading will be:

- a) recorded in the name of HKSCC in the nominee securities account opened by HKSCC with ChinaClear and HKSCC will be nominee holder of such China Connect Securities; and
- b) held under the depository of ChinaClear and registered in the shareholders' register of the listed companies on the SSE.

HKSCC will record interests in such China Connect Securities in the the Central Clearing and Settlement System (“CCASS”) stock account of the relevant CCASS clearing participant.

Under Hong Kong law, HKSCC will be regarded as the legal owner of such China Connect Securities and will be regarded as holding its beneficial entitlement to the China Connect Securities on behalf of the relevant clearing participant. Depending on the custody arrangements between such clearing participant and its Hong Kong or overseas clients, such clearing participant will in turn generally be regarded as holding its beneficial entitlement for such Hong Kong or overseas clients.

Under current PRC regulations, China Connect Securities will be recorded in a nominee account opened by HKSCC with ChinaClear

and Northbound investors have rights and interests in China Connect Securities acquired through the Connect Scheme according to the applicable laws. The CSRC Securities Registration and Settlement Measures, ChinaClear's Securities Registration Rules and Administrative Rules on Securities Accounts, the relevant rules of ChinaClear and SSE in relation to the Connect Scheme generally provide for the concept of a “nominee holder” and recognise the Northbound investors as the “ultimate owners” of the China Connect Securities.

Northbound investors shall exercise their rights in relation to the China Connect Securities through HKSCC as the nominee holder. As Northbound investors will have actual control over voting rights in respect of such China Connect Securities (either individually or acting in concert with others), Northbound investors are responsible for complying with disclosure obligations under PRC laws and regulations in relation to the China Connect Securities acquired through Northbound trading.

However, the precise nature and rights of a Northbound investor as the beneficial owner of China Connect Securities through HKSCC as nominee is less well defined under PRC law. There is lack of a clear definition of, and distinction between, “legal ownership” and “beneficial ownership” under PRC law and there have been few cases involving a nominee account structure in the PRC courts. Therefore the exact nature and methods of enforcement of the rights and interests of Northbound investors under PRC law are not free from doubt.

Investors should note that, under the CCASS rules, HKSCC as nominee holder does not guarantee the title to Connect Scheme securities held through it and shall have no obligation to take any legal action or court proceeding to enforce any rights on behalf of the investors in respect of the SSE securities in the PRC or elsewhere

Although the Fund's ownership may be ultimately recognised, it may suffer difficulties or delays in enforcing its rights in China Connect Securities in the event any of the providers along the chain choose not to take any legal action or court proceeding to enforce any rights on behalf of the investor. To the extent that HKSCC is deemed to be performing safekeeping functions with respect to assets held through it, it should be noted that the Depository and the Fund will have no legal relationship with HKSCC and no direct legal recourse against HKSCC in the event that the Fund suffers losses resulting from the performance or insolvency of HKSCC.

Quota limitations. Trading under the Connect Scheme will be subject to a maximum cross-border investment quota (“Aggregate Quota”), together with a daily quota (“Daily Quota”). The Northbound Trading Link will be subject to a separate set of Aggregate and Daily Quota, which is monitored by SEHK. The Aggregate Quota limits the maximum net value of all buy trades via the Northbound Trading Link that can be executed by SEHK's registered exchange participants (“Exchange Participants”) while the Connect Scheme is in operation. The Daily Quota limits the maximum net buy value of cross-border trades via the Northbound Trading Link under the Connect Scheme each day. These quotas may change and consequently affect the buy trades on the Northbound Trading Link.

In particular, once the remaining balance of the Daily Quota applicable to the Northbound Trading Link drops to zero or such Daily Quota is exceeded, new buy orders will be rejected (though investors will be allowed to sell their China Connect Securities

regardless of the quota balance). Therefore, quota limitations may restrict the Fund's ability to invest in China Connect Securities through the Connect Scheme on a timely basis, and a Portfolio of the Fund may not be able to effectively pursue its investment strategies depending on the relevant Fund's size of investment in China Connect Securities through the Connect Scheme.

Restriction on Day Trading. Day (turnaround) trading is not permitted on the China A Share market. If an investor including a relevant Fund buys China Connect Securities on T day, the investor may be able to sell the China Connect Securities only on or after T+1 day. Due to Pre-Trade Checking requirements, the sell orders of China Connect Securities that were bought on T day may only be processed on or after the applicable cut-off time on T+1 day subject to any China Connect Rules. This will limit the Fund's investment options, in particular where it wishes to sell any China Connect Securities on a particular trading day.

Foreign shareholding restrictions. The China Securities Regulatory Commission (“CRSC”) stipulates that existing market shareholding restrictions also apply to shareholders holding China Connect Securities through the Connect Scheme, and additionally, shareholdings by a Hong Kong or overseas investor must not exceed 10% of the total issued China Connect Securities shares for such single foreign investor, and 30% of the total issued China Connect Securities shares for aggregate foreign shareholders.

Suspension risk. It is contemplated that both SEHK and SSE would reserve the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently.

No Manual Trade or Block Trade. There will be no manual trade facility or block trade facility for China Connect Securities transactions on the Northbound Trading Link. The Fund's investment options will be limited.

Order Priority. Where a broker provides the Connect Scheme trading services to its clients, proprietary trades of the broker or its affiliates may be submitted to the trading system independently and without the traders having information on the status of orders received from clients. Due to quota restrictions or other market intervention events, there can be no guarantee that trades of the Fund through broker will be completed.

In addition, brokers as issuers of financial instruments and other market access products linked to China Connect Securities may be restricted from issuing such instruments or products to a Portfolio of the Fund if they are unable to obtain order priority or are subject to the Daily Quota or Aggregate Quota in seeking to hedge their positions under such instruments or products.

Best Execution Risk. China Connect Securities trades may, pursuant to the applicable rules in relation to the Connect Scheme, be executed through one or multiple brokers that may be appointed by the relevant Fund for trading via the Northbound Trading Link. In effecting China Connect Securities transactions, the Investment Manager will seek to obtain the best execution of orders. If a broker offers standards of execution which it reasonably believes to be amongst best practice in the relevant marketplace, the Investment Manager may determine that it should consistently execute transactions with that broker (including where it is an affiliate). In order to satisfy the Pre-Trade Checking requirements, the pre-trade delivery of China Connect Securities to an Exchange Participant will

result in that Exchange Participant becoming responsible for holding and safekeeping such securities for the Fund. Accordingly, Investment Manager on behalf of the Fund may determine that it can only execute China Connect Securities trades through one broker or Exchange Participant and accordingly such trades may not be executed on a best execution basis. Notwithstanding that the Fund's China Connect Securities trades may not be executed at the best price, neither the brokers nor the Investment Manager shall have any liability to account to the Fund in respect of the difference between the price at which the Fund executes transactions and any other price that may have been available in the market at that relevant time.

In addition, the broker may aggregate investment orders with its and its affiliates' own orders and those of its other clients, including the Fund. In some cases, aggregation may operate to the Fund's disadvantage and in other cases aggregation will operate to the Fund's advantage. By using broker's Connect Scheme trading services where it requires to aggregate the Fund's order in this way, in some cases this may result in the Fund obtaining a less favourable result than would otherwise be the case.

Limited off-exchange trading and transfers. China Connect Securities will be traded only through the system used for the trading of China Connect Securities on the SSE (or, if applicable, the SZSE or other market), as operated by the SSE (or such other market) ("China Stock Connect System"). Market participants must match, execute or arrange the execution of any sale and buy orders or any transfer instructions from investors in respect of any China Connect Securities through China Stock Connect System in accordance with the Connect Scheme rules. "Non-trade" transfers are permitted in limited circumstances such as post-trade allocation of China Connect Securities to different funds/sub-funds by fund managers or correction of trade errors.

While "non-trade" transfers of China Connect Securities are permitted in limited circumstances, there are also uncertainties surrounding whether the issuance of market access products (in the form of derivatives, structured products or participatory notes) to provide long positions to clients, securities lending and internal cash settled hedging arrangements in respect of China Connect Securities will trigger this foregoing rule against off-exchange trading. However, the risk may be remote to the extent that the relevant market access products and transactions are cash settled.

Clearing, settlement and custody risks. HKSCC and ChinaClear will establish the clearing links between SEHK and SSE and each will become a participant of each other to facilitate clearing and settlement of cross-border trades. For cross-border trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house.

China Connect Securities traded through the Connect Scheme are issued in scripless form, so investors including the relevant Funds will not hold any physical China Connect Securities. Under the Connect Scheme, Hong Kong and overseas investors including the relevant Funds which have acquired China Connect Securities through the Northbound Trading Link should maintain such China Connect Securities with their brokers' or custodians' stock accounts with CCASS operated by HKSCC.

There are risks involved in dealing with the custodians or brokers who hold the Fund's investments or settle the Fund's trades. It is possible

that, in the event of the insolvency or bankruptcy of a custodian or broker, the Fund would be delayed or prevented from recovering its assets from the custodian or broker, or its estate, and may have only a general unsecured claim against the custodian or broker for those assets. In recent insolvencies of brokers or other financial institutions, the ability of the Fund to recover their assets from the insolvent's estate has been delayed, limited, or prevented, often unpredictably, and there is no assurance that any assets held by the Fund with a custodian or broker will be readily recoverable by the Fund.

The Fund's rights and interests in China Connect Securities will be exercised through HKSCC exercising its rights as the nominee holder of the China Connect Securities credited to HKSCC's RMB common stock omnibus account with ChinaClear.

Risk of CCASS Default and ChinaClear Default. Investors should note that China Connect Securities held with relevant brokers' or custodians' accounts with CCASS may be vulnerable in the event of a default, bankruptcy or liquidation of CCASS. In such case, there is a risk that the relevant Fund may not have any proprietary rights to the assets deposited in the account with CCASS, and/or the Fund may become an unsecured creditor, ranking pari passu with all other unsecured creditors, of CCASS. The Fund may face difficulty and/or encounter delays in recovering such assets, or may not be able to recover it in full or at all, in which case the affected Portfolios of the Fund would suffer losses.

Further, the Fund's assets held with relevant brokers' or custodians' accounts with CCASS may not be as well protected as they would be if it were possible for them to be registered and held solely in the name of the Fund. In particular, there is a risk that creditors of CCASS may assert that the securities are owned by CCASS and not the Fund, and that a court would uphold such an assertion, in which case creditors of CCASS could seize assets of the Fund. Also, it may give rise to the risk that regulatory actions taken against CCASS by PRC government authorities may affect the Fund.

In the event of any settlement default by HKSCC, and a failure by HKSCC to designate securities or sufficient securities in an amount equal to the default such that there is a shortfall of securities to settle any China Connect Securities trades, ChinaClear will deduct the amount of that shortfall from HKSCC's RMB common stock omnibus account with ChinaClear, such that the Fund may share in any such shortfall.

ChinaClear has established a risk management framework and measures that are approved and supervised by the China Securities Regulatory Commission. Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC has stated that it will in good faith, seek recovery of the outstanding China Connect Securities and monies from ChinaClear through available legal channels or through ChinaClear's liquidation process, if applicable. HKSCC will in turn distribute the China Connect Securities and/or monies recovered to clearing participants on a pro-rata basis as prescribed by the applicable regulator, agency or authority with jurisdiction, authority or responsibility in respect of the Connect Scheme. Investors in turn will only be distributed the China Connect Securities and/or monies to the extent recovered directly or indirectly from HKSCC. In that event, the Fund may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

However, the above risks in the event of CCASS or HKSCC default and/or ChinaClear default are regarded as remote.

Participation in corporate actions and shareholders' meetings. Following existing market practice in China, investors engaged in trading of China Connect Securities on the Northbound Trading Link will not be able to attend meetings by proxy or in person of the relevant SSE-listed company. Accordingly, the Fund will not be able to attend meetings by proxy or in person of any SSE-listed company. Instead, investors may exercise their voting rights by giving their voting instructions to HKSCC through CCASS participants. All voting instructions from CCASS participants will be consolidated by HKSCC and it will submit a combined single voting instruction to the relevant SSE-listed company. Therefore, the Fund will not be able to exercise the voting rights of the invested company in the same manner as provided in some developed markets.

In addition, any corporate action in respect of China Connect Securities will be announced by the relevant issuer through the SSE (or, if applicable, the SZSE's or other market's) website and certain officially appointed newspapers. Investors engaged in trading of China Connect Securities may refer to the SSE (or such other market's) website and the relevant newspapers for the latest listed company announcements or, alternatively, the website of HKEx for corporate actions in respect of China Connect Securities issued on the previous trading day. However, SSE-listed issuers, as well as SZSE-listed issuers, publish corporate documents in Chinese only, and English translations will not be available.

HKSCC will keep CCASS participants informed of corporate actions of China Connect Securities. Hong Kong and overseas investors (including the Fund) will need to comply with the arrangement and deadline specified by their respective brokers or custodians (*i.e.* CCASS participants). The time for them to take actions for some types of corporate actions of China Connect Securities may be as short as one business day only. Therefore, the Fund may not be able to participate in some corporate actions in a timely manner. Further, as multiple proxies are not available in the PRC, the Fund may not be able to appoint proxies to attend or participate in shareholders' meetings in respect of China Connect Securities. There is no assurance that CCASS participants who participate in the Connect Scheme will provide or arrange for the provision of any voting or other related services.

Regulatory risk. The Connect Scheme is a new program to the market and will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Connect Scheme.

China Debt Securities Risk: China Interbank Bond Market.

A Portfolio of the Fund may invest directly or indirectly in debt instruments through the China Interbank Bond Market ("CIBM"). The CIBM is an OTC market outside the two main stock exchanges in China. The CIBM is regulated and supervised by the People's Bank of China ("PBOC"). On the CIBM, investors trade bonds on a bilateral quote-driven basis. The CIBM accounts for more than 90% of total trading volume by bond value in China. The main debt instruments traded on the CIBM include government bonds, corporate bonds, bond repurchase transactions, bond loans, PBOC bills, asset-backed securities and other financial debt instruments. The China interbank bond market is in an early stage of development, and the market capitalisation and trading volume may be lower than those of more

developed markets. The PBOC is responsible *inter alia* for establishing listing, trading, functioning rules applying to the CIBM and supervising the market operators of the CIBM.

The CIBM facilitates two trading models: (i) bilateral negotiation; and (ii) click-and-deal. Under the China Foreign Exchange Trading System, which is the unified trading platform for the CIBM, negotiation is applied to all inter-bank products while one-click trading is only applied to cash-bonds and interest rate derivatives. A market-maker mechanism, whereby a third-party entity ensures bilateral quotations for bonds, was officially introduced in 2001 to improve market liquidity and enhance efficiency. Commercial banks and securities companies generally serve as market makers for the CIBM. Deals through market making can enjoy benefits such as lower trading and settlement costs. Bond transactions must be conducted by way of bilateral trading through independent negotiations and be concluded on a transaction by transaction basis. Bid and ask prices for primary bond transactions and repurchase interest rates shall be determined at the discretion of the parties to the transaction. Both parties to a transaction typically send instructions for delivery of bonds and funds, and provide for delivery on the agreed date. Depending on the type of bonds traded on the CIBM, the clearing and settlement institution will be the China Central Depository & Clearing Co., Ltd. ("CCDC") or the Shanghai Clearing House Co., Ltd. ("SCH").

The Fund may directly invest in permissible bond products (which include cash bonds) traded on the CIBM in compliance with the relevant rules including the Announcement [2016] No.3 and its implementing rules ("CIBM Rules") issued by PBOC ("CIBM Program"). Although there is no quota restriction under the CIBM Rules, relevant information about the Fund's investment such as the anticipated investment volume and investment term must be filed with PBOC at the time of registration and again upon any significant change to the filed information. The Investment Manager on behalf of the Fund has engaged an onshore trading and settlement agent as the agent to make the PBOC filing on behalf of the relevant Fund and to conduct settlement agency services for the Fund. PBOC will exercise on-going supervision of the onshore settlement agent and the Fund's trading under the CIBM Rules and may take relevant administrative actions such as suspension of trading and mandatory exit against the Fund and/or the Investment Manager in the event of non-compliance with the CIBM Rules.

Foreign Exchange. All transactions in CIBM must be made in RMB and so may not be in the base currency of a Portfolio or the relevant currency of the share class held by a Shareholder, and accordingly the Portfolio will be exposed to RMB currency risks.

Liquidity risk. RMB denominated debt instruments may not be regularly traded and may have lower trading volumes than instruments on more developed markets. An active secondary market for these instruments is yet to be developed. The bid and offer spread of the price of RMB denominated debt instruments may be large and the Portfolio may incur significant trading and realisation costs and may even suffer losses when selling such investments.

Interest rate risk. Changes in macroeconomic policies of the PRC (*i.e.* monetary policy and fiscal policy) will have an influence over capital markets affecting the pricing of debt instruments and thus, the return of the Portfolio. The value of RMB denominated debt instruments held by the Portfolio generally will vary inversely with changes in interest rates and such variation may affect the value of the Portfolio's

assets accordingly.

Valuation risk. RMB denominated debt instruments are subject to the risk of mispricing or improper valuation, i.e. operational risk that the debt instruments are not priced properly. Valuations are primarily based on valuations from independent third party sources where prices are available, accordingly valuations may sometimes involve uncertainty and judgemental determinations and independent pricing information may not be available at all times.

Regulatory and PRC tax risk. The CIBM is subject to regulatory risks. The CIBM Program is relatively new and has a short operating history. Because these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement involve significant uncertainty. In addition, the PRC laws governing business organisations, bankruptcy and insolvency may provide substantially less protection to security holders than that provided by the laws of more developed countries. These factors (individually or combined) could have an adverse effect on a Portfolio.

There also exists a risk that changes to existing tax laws, regulations and practices in the PRC specifically relating to the CIBM Program and transactions in other Chinese securities may be promulgated in the future, which may disadvantage the Portfolio and its shareholders. It is also possible that the current tax laws, regulations and practices in the PRC will be changed with retroactive effect. Moreover, there is no assurance that tax incentives currently offered to Chinese companies, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. Any changes in tax policies may reduce the after-tax profits of the companies in the PRC in which the Portfolio invests, thereby adversely affecting the Portfolio and its shareholders.

Limits on Redemptions. While there are no quota restrictions under the current CIBM Program, the repatriation of funds from the PRC may be subject to the relevant PRC regulations in effect from time to time.

Settlement risk. Although delivery-versus-payment (DVP) settlement (e.g. simultaneous delivery of security and payment) is the dominant settlement method adopted by CCDC and SCH for all bond transactions in the CIBM, there is no assurance that settlement risks can be eliminated. Where the counterparty does not perform its obligations under a transaction or there is otherwise a failure due to CCDC or SCH (as applicable), a Portfolio may sustain losses.

A Portfolio may also invest in the Chinese bond market via the exchange market and all bond trades will be settled through the China Securities Depository and Clearing Corporation ("CSDCC"). CSDCC is China's only exchange-traded securities depository and clearing agency which operates under the supervision of the relevant Chinese authorities. CSDCC has established a designated escrow account to retain securities to be delivered to a receiving participant or funds payable to a delivering participant before settlement. Although it is the intention of CSDCC that it will deliver payment and securities to delivering participant and receiving participants, respectively, a delay may occur if either party fails to fulfil its payment or delivery obligation.

Investment Types Risks

Portfolios of the Fund may invest in the following types of instruments, subject to the restrictions in the Portfolio Details relating to such Portfolios as stated in their respective investment objectives and policies.

Equity Securities Risk. The equity securities in which a Portfolio may invest include common stock, preferred stock, securities convertible into common stock or preferred stock and equity interests in partnerships, trusts or other types of equity securities that qualify as transferable securities.

Generally. The value of underlying equity investments of a Portfolio may fluctuate, sometimes dramatically, in response to the activities and results of individual companies or because of general market and economic conditions and changes in currency exchange rates. The value of a Portfolio's investments may decline over short- or long-term periods.

Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities and, thus, for the value of the Fund's shares.

In addition to directly purchasing securities of corporate issuers in various securities markets, a Portfolio may invest in ADRs, EDRs, GDRs or other securities representing securities of companies based in countries other than the United States. Depository receipts may not necessarily be denominated in the same currency as the underlying securities for which they may be exchanged. In addition, the issuers of the stock of unsponsored depository receipts are not obligated to disclose material information in the United States and, therefore, there may not be a correlation between such information and the market value of the depository receipts. ADRs are depository receipts typically issued by a U.S. bank or trust company that evidence ownership of underlying securities issued by a non-U.S. corporation. EDRs, GDRs and other types of depository receipts are typically issued by non-U.S. banks or trust companies and evidence ownership of underlying securities issued by either a non-U.S. or an U.S. company. Generally, ADRs, in registered form, are designed for use in the U.S. securities markets, and EDRs, in bearer form, are designed for use in non-U.S. securities markets. For purposes of determining the country of issuance, investments in depository receipts of either type are deemed to be investments in the underlying securities.

Options, Rights and Warrants. An option gives the purchaser of the option, upon payment of a premium, the right to deliver to (in the case of a put) or receive from (in the case of a call) the writer of such option a specified amount of a security (or, in the case of an option on an index, cash), on or before a fixed date at a predetermined price. A call option written by a portfolio is "covered" if the portfolio owns the underlying security, has an absolute and immediate right to acquire that security upon conversion or exchange of another security it holds, or holds a call option on the underlying security with an exercise price equal to or less than that of the call option it has written. A put option written by a portfolio is covered if the portfolio holds a put option on the underlying securities with an

exercise price equal to or greater than that of the put option it has written.

A call option is for cross-hedging purposes if a portfolio does not own the underlying security but seeks to provide a hedge against a decline in value of another security that the portfolio owns or has the right to acquire. A portfolio may write a call option for cross-hedging purposes, instead of writing a covered call option, when the premium to be received from the cross-hedge transaction would exceed that which would be received from writing a covered call option, while at the same time achieving the desired hedge.

Rights and warrants entitle the holder to buy equity securities at a specific price for a specific period of time. A Portfolio may invest in rights or warrants only if the underlying equity securities themselves are deemed appropriate by the Investment Manager for inclusion in the relevant Portfolio. Rights are generally issued to existing Shareholders of an issuer and in some countries are referred to as "preferential subscription rights." Rights are similar to warrants except that they have a substantially shorter duration. Rights and warrants may be considered more speculative than certain other types of investments in that they do not entitle a holder to dividends or voting rights with respect to the underlying securities nor do they represent any rights in the assets of the issuing company. The value of a right or warrant does not necessarily change with the value of the underlying security, although the value of a right or warrant may decline because of a decrease in the value of the underlying security, the passage of time or a change in perception as to the potential of the underlying security, or any combination of these factors. If the market price of the underlying security is below the exercise price set out in the warrant on the expiration date, the warrant will expire worthless. Moreover, a right or warrant ceases to have value if it is not exercised prior to the expiration date.

REITs. A Portfolio may invest in global real estate investment trusts ("REITs") and other global real estate industry companies which do not qualify as open-ended investment companies within the meaning of Luxembourg law and which are listed and publicly traded on stock exchanges in the United States or elsewhere. A "real estate industry company" is a company that derives at least 50% of its gross revenues or net profits from the ownership, development, construction, financing, management or sale of commercial, industrial or residential real estate or interests therein or from ownership and servicing of real estate related loans or interests. The equity securities in which a Portfolio will invest for this purpose consist of common stock, Shares of beneficial interest of REITs and securities with common stock characteristics, such as preferred stock or convertible securities. REITs are pooled investment vehicles which invest primarily in income producing real estate or real estate related loans or interests. REITs are generally classified as equity REITs, mortgage REITs that invest in commercial mortgages or residential mortgages, or a combination of equity and mortgage REITs. Equity REITs invest the majority of their assets directly in real property and derive income primarily from the collection of rents. Equity REITs can also realize capital gains by selling properties that have appreciated in value.

Investing in REITs involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. Equity REITs may be affected by changes in the value of the underlying property owned by the REITs, while mortgage REITs may be affected by the quality of any credit extended. REITs are

dependent upon management skills, are not diversified, are subject to heavy cash flow dependency, default by borrowers and self-liquidation. REITs are also subject to the possibilities of failing to qualify for tax free pass-through of income under the IRC and failing to maintain their exemptions from registration under the Investment Company Act.

REITs (especially mortgage REITs) are also subject to interest rate risks. When interest rates decline, the value of a REIT's investment in fixed rate obligations can be expected to rise. Conversely, when interest rates rise, the value of a REIT's investment in fixed rate obligations can be expected to decline. In contrast, as interest rates on adjustable rate mortgage loans are reset periodically, yields on a REIT's investments in such loans will gradually align themselves to reflect changes in market interest rates, causing the value of such investments to fluctuate less dramatically in response to interest rate fluctuations than would investments in fixed rate obligations.

Investing in REITs may involve risks similar to those associated with investing in small capitalization companies. REITs may have limited financial resources, may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than larger company securities. Historically, small capitalization stocks, such as REITs, have been more volatile in price than the larger capitalization stocks included in the S&P Index of 500 Common Stocks.

Smaller Capitalization Companies. A Portfolio may invest in securities of companies with relatively small market capitalizations. Securities of these smaller capitalization companies may be subject to more abrupt or erratic market movements than the securities of larger, more established companies, both because the securities are typically traded in lower volume and because the companies are subject to greater business risk. Also, in certain emerging market countries, volatility may be heightened by actions of a few major investors. For example, substantial increases or decreases in cash flows of mutual funds investing in these markets could significantly affect local stock prices and, therefore, Share prices of a Portfolio.

Fixed Income Securities Risk

The fixed-income obligations in which a Portfolio will invest include fixed-income securities issued by governmental entities, supranational entities, companies and other entities.

Convertible Securities. Convertible securities include bonds, debentures, corporate notes and preferred stocks that are convertible at a stated exchange rate into common stock. Prior to conversion, convertible securities have the same general characteristics as nonconvertible debt securities, which provide a stable stream of income with generally higher yields than those of equity securities of the same or similar issuers. The price of a convertible security will normally vary with changes in the price of the underlying stock, although the higher yield tends to make the convertible security less volatile than the underlying common stock. As with debt securities, the market value of convertible securities tends to decline as interest rates increase and increase as interest rates decline. While convertible securities generally offer lower interest or dividend yields than nonconvertible debt securities of similar quality, they enable investors to benefit from increases in the market price of the underlying common stock.

Municipal Securities. Municipal securities include debt obligations of U.S. municipalities and other subdivisions of the relevant U.S. states issued to obtain funds for various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, schools, streets and water and sewer works. Other purposes for which municipal securities may be issued include the obtaining of funds to lend to public or private institutions for the construction of facilities such as educational, hospital, housing, and solid waste disposal facilities.

"Zero Coupon" Treasury Securities. A Portfolio may invest in "zero coupon" Treasury securities, which are U.S. Treasury bills issued without interest coupons, U.S. Treasury notes and bonds which have been stripped of their unmatured interest coupons, and receipts or certificates representing interests in such stripped debt obligations and coupons. A zero coupon security pays no interest to its holder during its life. Its value to an investor consists of the difference between its face value at the time of maturity and the price for which it was acquired, which is generally an amount significantly less than its face value (sometimes referred to as a "deep discount" price). Such securities usually trade at a deep discount from their face or par value and will be subject to greater fluctuations of market value in response to changing interest rates than debt obligations of comparable maturities which make current distributions of interest. On the other hand, because there are no periodic interest payments to be reinvested prior to maturity, zero coupon securities eliminate reinvestment risk and lock in a rate of return to maturity.

Currently the only U.S. Treasury security issued without coupons is the Treasury bill. Although the U.S. Treasury does not itself issue Treasury notes and bonds without coupons, under the U.S. Treasury Separate Trading of Registered Interest and Principal of Securities, or STRIPS, program interest and principal payments on certain long-term Treasury securities may be maintained separately in the Federal Reserve book entry system and may be separately traded and owned. In addition, in the last few years a number of banks and brokerage firms have separated ("stripped") the principal portions ("corpus") from the coupon portions of U.S. Treasury bonds and notes and sold them separately in the form of receipts or certificates representing interests in these instruments (which instruments are generally held by a bank in a custodial or trust account).

Variable, Floating and Inverse Floating Rate Securities. Fixed-income securities may have fixed, variable or floating rates of interest. Variable and floating rate securities pay interest at rates that are adjusted periodically, according to a specified formula. A "variable" interest rate adjusts at predetermined intervals (*e.g.*, daily, weekly or monthly), while a "floating" interest rate adjusts whenever a specified benchmark rate (such as the bank prime lending rate) changes.

A Portfolio may invest in fixed-income securities that pay interest at a coupon rate equal to a base rate, plus additional interest for a certain period of time if short-term interest rates rise above a predetermined level or "cap." The amount of such an additional interest payment typically is calculated under a formula based on a short-term interest rate index multiple by a designated factor.

Leveraged inverse floating rate fixed-income securities are sometimes known as inverse floaters. The interest rate on an inverse floater resets in the opposite direction from the market rate of interest to which the inverse floater is indexed. An inverse floater may be

considered to be leveraged to the extent that its interest rate varies by a magnitude that exceeds the magnitude of the change in the index rate of interest. The higher degree of leverage inherent in inverse floaters is associated with greater volatility in market value, such that, during periods of rising interest rates, the market values of inverse floaters will tend to decrease more rapidly than those of fixed rate securities.

Inflation-Protected Securities. A Portfolio may invest in certain types of government-issued inflation-protected securities, including U.S. Treasury Inflation Protected Securities ("U.S. TIPS") and inflation-protected securities issued by the governments of other nations. U.S. TIPS are fixed-income securities issued by the U.S. Department of the Treasury, the principal amounts of which are adjusted daily based upon changes in the rate of inflation (currently represented by the non-seasonally adjusted Consumer Price Index for All Urban Consumers, calculated with a three-month lag). The U.S. Treasury currently issues U.S. TIPS in only ten-year maturities, although it is possible that U.S. TIPS with other maturities will be issued in the future. U.S. TIPS have previously been issued with maturities of five, ten or thirty years. U.S. TIPS pay interest on a semi-annual basis, equal to a fixed percentage of the inflation-adjusted principal amount. The interest rate on these bonds is fixed at issuance, but over the life of the bond, this interest may be paid on an increasing or decreasing principal value that has been adjusted for inflation. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed even during a period of deflation. However, if a Portfolio purchases U.S. TIPS in the secondary market whose principal values have been adjusted upward due to inflation since issuance, the Portfolio may experience a loss if there is a subsequent period of deflation. In addition, the current market value of the bonds is not guaranteed, and will fluctuate. If inflation is lower than expected during the period a Portfolio holds a U.S. TIPS, the Portfolio may earn less on this type of security than on a conventional bond. Inflation-protected securities of other governments may be subject to additional or different issues and risks depending on their structure and local markets.

General Risks. The Net Asset Value of a Portfolio invested in fixed-income securities will change in response to fluctuations in interest rates and currency exchange rates, as well as changes in credit quality of the issuer. Some Portfolios may invest in high yielding fixed-income securities where the risk of depreciation and realization of capital losses on some of the fixed-income securities held will be unavoidable. In addition, medium- and lower-rated and unrated fixed-income securities of comparable quality may be subject to wider fluctuations in yield and market values than higher-rated fixed-income securities.

Interest Rates. The value of a Portfolio's Shares will fluctuate with the value of its investments. The value of a Portfolio's investments in fixed-income securities will change as the general level of interest rates fluctuates. During periods of falling interest rates, the values of fixed-income securities generally rise, although if falling interest rates are viewed as a precursor to a recession, the values of a Portfolio's securities may fall along with interest rates. Conversely, during periods of rising interest rates, the values of fixed-income securities generally decline. Changes in interest rates have a greater effect on fixed-income securities with longer maturities and durations than those with shorter maturities and durations.

Prepayment. Many fixed-income securities, especially those issued at high interest rates, provide that the issuer may repay them early. Issuers often exercise this right when interest rates decline. Accordingly, holders of securities that may be called or prepaid may not benefit fully from the increase in value that other fixed-income securities experience when rates decline. Furthermore, in such a scenario a Portfolio may reinvest the proceeds of the payoff at then-current yields, which would be lower than those paid by the security that was paid off. Prepayments may cause losses on securities purchased at a premium, and unscheduled prepayments, which will be made at par, will cause a Portfolio to experience a loss equal to any unamortized premium.

Rating Agencies. Future actions of any rating agency can adversely affect the market value or liquidity of fixed-income securities, and a rating agency may, at any time and without any change in its published ratings criteria or methodology, lower or withdraw any rating assigned by it to any class of securities. Any such revision or withdrawal of a rating as a result of such a failure might adversely affect the liquidity and value of a fixed-income security.

Credit Risk. By investing in debt obligations issued by companies and other entities, a Portfolio will be subject to the risk that a particular issuer may not fulfill its payment or other obligations in respect of such debt obligations. Additionally, an issuer may experience an adverse change in its financial condition which may in turn result in a decrease in the credit rating assigned by a rating agency to such issuer and its debt obligations, possibly below Investment Grade. Such adverse change in financial condition or decrease in credit rating(s) may result in increased volatility in the price of an issuer's debt obligations and negatively affect liquidity, making any such debt obligation more difficult to sell.

Repurchase and Reverse Repurchase Agreements. A reverse repurchase agreement arises when the Fund "buys" a security from a counterparty and simultaneously agrees to sell it back to the counterparty at an agreed-upon future date and price. In a repurchase transaction, the Fund "sells" a security to a counterparty and simultaneously agrees to repurchase it back from the counterparty at an agreed-upon future date and price. The repurchase price is the sum of repurchase agreement principal plus an agreed interest rate for the period the buyer's money is invested in the security. Such agreements provide the Investment Manager with additional flexibility to pursue the Portfolio's investment objective.

The use of repurchase and reverse repurchase agreements by the Fund involves certain risks. If a counterparty in a reverse repurchase transaction defaults on its obligation, the Portfolio concerned would suffer a loss to the extent that the proceeds from the sale of securities are insufficient to replace the amount of funds owed by the counterparty. If a counterparty in a repurchase transaction defaults on its obligation, the Fund concerned could suffer a loss to the extent that cash received by the Fund in the transaction is insufficient to replace the securities to be returned by the counterparty. The Investment Manager monitors the creditworthiness of the counterparty with which a Portfolio enters into repurchase agreements.

Lower-Rated Fixed-Income Securities Risk.

Generally. A Portfolio's assets may be invested, in whole or in part, in high yield, high risk debt securities that are rated in the lower rating categories (*i.e.*, below Investment Grade) or which are

unrated but are of comparable quality as determined by the Investment Manager. Debt securities rated below Investment Grade are commonly referred to as "junk bonds" and are considered to be subject to greater risk of loss of principal and interest than higher-rated securities and are considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal, which may in any case decline during sustained periods of deteriorating economic conditions or rising interest rates. Lower-rated securities generally are considered to be subject to greater market risk than higher-rated securities in times of deteriorating economic conditions. In addition, lower-rated securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than Investment Grade securities, although the market values of lower-rated securities tend to react less to fluctuations in interest rate levels than do those of higher-rated securities. The market for lower-rated securities may be thinner and less active than that for higher-quality securities, which can adversely affect the prices at which these securities can be sold. To the extent that there is no regular secondary market trading for certain lower-rated securities, the Investment Manager may experience difficulty in valuing such securities and, in turn, a Portfolio's assets. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may tend to decrease the market value and liquidity of such lower-rated securities. Transaction costs with respect to lower-rated securities may be higher, and in some cases information may be less available, than is the case with Investment Grade securities.

Since the risk of default is higher for lower-rated securities, the Investment Manager's research and credit analysis are a correspondingly important aspect of its program for managing a Portfolio's investment in these securities. In considering investments for a Portfolio, the Investment Manager will attempt to identify those high-yielding securities the financial condition of which is adequate to meet future obligations or has improved, or is expected to improve in the future. The Investment Manager's analysis focuses on relative values based on such factors as interest or dividend coverage, asset coverage, earnings prospects, and the experience and managerial strength of the issuer.

Unrated securities will be considered for investment by a Portfolio when the Investment Manager believes that the financial condition of the issuers of such securities, or the protection afforded by the terms of the securities themselves, limits the risk to the Portfolio to a degree comparable to that of rated securities which are consistent with the Portfolio's objectives and policies.

In seeking to achieve a Portfolio's primary objective, there will be times, such as during periods of rising interest rates, when depreciation and realization of capital losses on securities in the Portfolio will be unavoidable. Moreover, medium- and lower-rated securities and unrated securities of comparable quality may be subject to wider fluctuations in yield and market values than higher-rated securities under certain market conditions. Such fluctuations after a security is acquired do not affect the cash income received from that security but are reflected in the Net Asset Value of a Portfolio.

Distressed Securities. Certain securities may become distressed when the issuer of such securities enters into default or is in high risk of default. Such securities often have a credit rating of CC or below. An issuer of securities may experience a risk of default for a number of reasons, including weak financial condition, poor

operating results, substantial capital needs, negative cash flow or net worth, and changes in market or competitive conditions which adversely affect the issuer's business, among other factors. A Portfolio may invest in distressed securities where the Investment Manager believes that the market valuation of such securities is below their fair value. While higher in risk, distressed securities generally offer a correspondingly greater potential for higher returns. Distressed securities may be difficult to value due to legal and market uncertainties, and the level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial distress is high. Accordingly, there can be no assurance that investments in such securities will generate returns to compensate Shareholders adequately for the risks assumed and without experiencing a loss. Distressed securities may also be affected by laws concerning issuer reorganization, bankruptcy, and creditor and shareholder rights, and such laws may vary considerably in various jurisdictions, leading to uncertainty as to the enforceability of claims by investors and lenders and delay in the recoupment of an investment.

Sovereign Debt Obligations Risk. By investing in debt obligations of governmental entities, a Portfolio will be exposed to the direct or indirect consequences of political, social and economic changes in various countries. Political changes in a particular country may affect the willingness of a particular government to make or provide for timely payments of its debt obligations. The country's economic status, as reflected, among other things, in its inflation rate, the amount of its external debt and its gross domestic product, will also affect the government's ability to honor its obligations.

The ability of governments to make timely payments on their debt obligations is likely to be influenced strongly by the issuer's balance of payments, including export performance, and its access to international credits and investments. To the extent that a particular country receives payment for its exports in currencies other than the Currency of the Portfolio, such country's ability to make debt payments denominated in the Currency of the Portfolio could be adversely affected. To the extent that a particular country develops a trade deficit, such country will need to depend on continuing loans from foreign governments, supranational entities or private commercial banks, aid payments from foreign governments and on inflows of foreign investment. The access of a particular country to these forms of external funding may not be certain, and a withdrawal of external funding could adversely affect the capacity of such country to make payments on its debt obligations. In addition, the cost of servicing debt obligations can be affected by a change in global interest rates since the majority of these debt obligations carry interest rates that are adjusted periodically based upon global rates.

A Portfolio may invest in debt obligations of governmental entities and supranational entities, for which a limited or no established secondary markets may exist. Reduced secondary market liquidity may have an adverse effect on the market price and a Portfolio's ability to dispose of particular instruments when necessary to meet its liquidity requirements or in response to specific economic events such as deterioration in the creditworthiness of the issuer. Reduced secondary market liquidity for such debt obligations may also make it more difficult for a Portfolio to obtain accurate market quotations for the purpose of valuing its Portfolio. Market quotations are generally available on many sovereign debt obligations only from a limited

number of dealers and may not necessarily represent firm bids of those dealers or prices for actual sales.

A Portfolio may have limited legal recourse in the event of a default with respect to certain sovereign debt obligations it holds. For example, remedies from defaults on certain debt obligations of governmental entities, unlike those on private debt, must, in some cases, be pursued in the courts of the defaulting party itself. Legal recourse therefore may be significantly diminished. Bankruptcy, moratorium and other similar laws applicable to issuers of sovereign debt obligations may be substantially different from those applicable to issuers of private debt obligations. The political context, expressed as the willingness of an issuer of sovereign debt obligations to meet the terms of the debt obligation, for example, is of considerable importance. In addition, no assurance can be given that the holders of commercial bank debt will not contest payments to the holders of securities issued by foreign governments in the event of default under commercial bank loan agreements.

In addition, a Portfolio's investment in debt obligations of supranational entities is subject to the additional risk that one or more member governments may fail to make required capital contributions to a particular supranational entity and, as a result, such supranational entity may be unable to meet its obligations with respect to its debt obligations held by the Portfolio.

By investing in municipal securities, a Portfolio will be exposed to certain additional risks including with respect to the economic conditions of the particular state or municipality, political or legislative changes, uncertainties related to the tax status of municipal securities, or the rights of investors in these securities. To the extent that a Portfolio invests more of its assets in a particular state's municipal securities, the Portfolio may be vulnerable to events adversely affecting that state, including economic, political and regulatory occurrences, court decisions, terrorism and catastrophic natural disasters, such as hurricanes or earthquakes. A Portfolio's investments in certain municipal securities with principal and interest payments that are made from the revenues of a specific project or facility, and not general tax revenues, may have increased risks. Factors affecting the project or facility, such as local business or economic conditions, could have a significant effect on the project's ability to make payments of principal and interest on these securities.

Asset-Backed Securities Risk

A Portfolio may have the ability to invest in mortgage-backed and mortgage-related securities, including RMBS, CMBS CDOs and related instruments, as further described below.

Residential Mortgage-Backed Securities ("RMBS") Risk.

Holders of residential mortgage-backed securities ("RMBS") bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by one to four family residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized by government agencies and the securities issued guaranteed. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the geographic area where the mortgaged property is located, the terms of the mortgage loan, the

borrower's "equity" in the mortgaged property and the financial circumstances of the borrower.

Pass-Through Mortgage-Related Securities. The mortgage-related securities in which a Portfolio may invest provide funds for mortgage loans made to U.S. residential home buyers. These include securities which represent interests in pools of mortgage loans made by lenders such as savings and loan institutions, mortgage bankers and commercial banks. Pools of mortgage loans are assembled for sale to investors (such as a Portfolio) by various U.S. governmental, government-related and private organizations.

Interests in pools of mortgage-related securities differ from other forms of traditional debt securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or specified call dates. Instead, mortgage-related securities provide a monthly payment which consists of both interest and principal. In effect, these payments are a "pass-through" of the monthly interest and principal payments made by the individual borrowers on their residential mortgage loans, net of any fees paid to the issuer, servicer or guarantor of such securities. Additional payments result from repayments of principal resulting from the sale of the underlying residential property, refinancing or foreclosure, net of fees or costs which may be incurred. Some mortgage-related securities, such as securities issued by the Government National Mortgage Association ("GNMA"), are described as "modified pass-through." These securities entitle the holder to receive all interest and principal payments owed on the mortgage pool, net of certain fees, regardless of whether or not the mortgagors actually make mortgage payments when due.

The investment characteristics of pass-through mortgage-related securities differ from those of traditional fixed-income securities. The major differences include the payment of interest and principal on the mortgage-related securities on a more frequent schedule, as described above, and the possibility that principal may be prepaid at any time due to prepayments on the underlying mortgage loans or other assets.

The occurrence of mortgage prepayments is affected by factors including the level of interest rates, general economic conditions, the location and age of the mortgage and other social and demographic conditions. Generally, prepayments on pass-through mortgage-related securities increase during periods of falling mortgage interest rates and decrease during periods of rising mortgage interest rates. Reinvestment of prepayments may occur at higher or lower interest rates than the original investment, thus affecting the yield of the Portfolios.

The principal U.S. governmental (*i.e.*, backed by the full faith and credit of the U.S. Government) guarantor of mortgage-related securities is GNMA. GNMA is a wholly-owned U.S. Government corporation within the Department of Housing and Urban Development. GNMA is authorized to guarantee, with the full faith and credit of the U.S. Government, the timely payment of principal and interest on securities issued by institutions approved by GNMA (such as savings and loan institutions, commercial banks and mortgage bankers) and backed by pools of Federal Housing Administration-insured or Veterans Administration-guaranteed mortgages.

U.S. Government-related (*i.e.*, not backed by the full faith and credit of the U.S. Government) guarantors include the Federal National

Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). FNMA is a government-sponsored corporation owned entirely by private stockholders. Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA but are not backed by the full faith and credit of the U.S. Government. FHLMC is a corporate instrumentality of the U.S. Government. Participation certificates issued by FHLMC are guaranteed as to the timely payment of interest and ultimate (or, in some cases, timely) collection of principal but are not backed by the full faith and credit of the U.S. Government.

Commercial banks, savings and loan institutions, private mortgage insurance companies, mortgage bankers and other secondary market issuers also create pass-through pools of conventional residential mortgage loans. Such issuers may also be the originators of the underlying mortgage loans as well as the guarantors of the mortgage-related securities. Pools created by such non-governmental issuers generally offer a higher rate of interest than government and government-related pools because there are no direct or indirect government guarantees of payments in the former pools. However, timely payment of interest and principal of these pools is generally supported by various forms of insurance or guarantees, including individual loan, title, pool and hazard insurance. The insurance and guarantees are issued by government entities, private insurers and the mortgage poolers. Such insurance and guarantees and the creditworthiness of the issuers thereof will be considered in determining whether a mortgage-related security meets a Portfolio's investment quality standards. There can be no assurance that the private insurers can meet their obligations under the policies. A Portfolio may buy mortgage-related securities without insurance or guarantees if through an examination of the loan experience and practices of the poolers the Investment Manager determines that the securities meet the Portfolio's quality standards. Although the market for such securities is becoming increasingly liquid, securities issued by certain private organizations may not be readily marketable.

Collateralized Mortgage Obligations and Multi-Class Pass-Through Securities. Mortgage-related securities in which a Portfolio may invest may also include collateralized mortgage obligations ("CMOs") and multi-class pass-through securities. CMOs are debt obligations issued by special purpose entities that are secured by mortgage-backed certificates, including, in many cases, certificates issued by governmental or government-related guarantors, including GNMA, FNMA and FHLMC, together with certain funds and other collateral. Multi-class pass-through securities are equity interests in a trust composed of mortgage loans or other mortgage-related securities. Payments of principal and interest on underlying collateral provide the funds to pay debt service on the CMO or make scheduled distributions on the multi-class pass-through security. CMOs and multi-class pass-through securities (collectively CMOs unless the context indicates otherwise) may be issued by agencies or instrumentalities of the U.S. Government or by private organizations. The issuer of a CMO may elect to be treated as a Real Estate Mortgage Investment Conduit ("REMIC").

In a CMO, a series of bonds or certificates is issued in multiple classes. Each class of CMOs, often referred to as a "tranche," is issued at a specific coupon rate and has a stated maturity or final distribution date. Principal prepayments on collateral underlying a CMO may cause it to be retired substantially earlier than the stated maturities or final distribution dates. The principal and interest on the underlying

mortgages may be allocated among the several classes of a series of a CMO in many ways. In a common structure, payments of principal, including any principal prepayments, on the underlying mortgages are applied to the classes of the series of a CMO in a specified order, so that no payment of principal will be made on certain classes of a CMO until certain other classes have been paid in full.

One or more tranches of a CMO may have coupon rates which reset periodically at a specified increment over an index such as LIBOR (as defined below). These adjustable rate tranches known as "floating rate CMOs" will be considered as ARMS (as defined below) by a Portfolio. Floating rate CMOs are typically issued with lifetime caps on the coupon rate thereon. These caps, similar to the caps on adjustable rate mortgages described in "Adjustable Rate Mortgage Securities" below represent a ceiling beyond which the coupon rate on a floating rate CMO may not be increased regardless of increases in the interest rate index to which the floating rate CMO is tied.

Adjustable Rate Mortgage Securities. Adjustable rate mortgage securities ("ARMS") in which a Portfolio may invest include (i) pass-through securities backed by adjustable rate mortgages and issued by GNMA, FNMA, FHLMC and by private organizations and (ii) floating rate CMOs. The coupon rates on ARMS are reset at periodic intervals to an increment over some predetermined interest rate index. There are three main categories of indices: (i) those based on U.S. Treasury securities, (ii) those derived from a calculated measure such as a cost of funds index or a moving average of mortgage rates and (iii) those based on short-term rates such as the London Interbank Offered Rate ("LIBOR"), Certificates of Deposit ("CDs") or the prime rate. Many issuers have selected as indices the yields of one-, three- and five-year U.S. Treasury notes, the discount rate of six-month U.S. Treasury bills as reported in two Federal Reserve statistical releases, the monthly G.13 (415) and the weekly H.15 (519), the CD composite, the prime rate, LIBOR and other indices. Additional indices may be developed in the future. In selecting a type of ARMS for investment, the Investment Manager will also consider the liquidity of the market for such ARMS.

The underlying adjustable rate mortgages which back ARMS in which a Portfolio may invest will frequently have caps and floors which limit the maximum amount by which the loan rate to the residential borrower may change up or down (i) per reset or adjustment interval and (ii) over the life of the loan. Some residential adjustable rate mortgage loans limit periodic adjustments by limiting changes in the borrower's monthly principal and interest payments rather than limiting interest rate changes. These payment caps may result in negative amortization (*i.e.*, an increase in the balance of the mortgage loan). ARMS in which a Portfolio may invest may also be backed by fixed-rate mortgages. Such ARMS, known as floating rate CMOs (as described above), generally have lifetime caps on the coupon rate thereon.

The ARMS in which a Portfolio may invest include pass-through mortgage-related securities backed by adjustable rate mortgages and floating rate CMOs. As described above, adjustable rate mortgages typically have caps, which limit the maximum amount by which the coupon rate may be increased or decreased at periodic intervals or over the life of the loan. Floating rate CMOs have similar lifetime caps. To the extent that interest rates rise faster than the allowable caps on ARMS, such ARMS will behave more like securities backed by fixed-rate mortgages than by adjustable rate mortgage loans. Consequently, interest rate increases in excess of caps can be

expected to cause ARMS to behave more like traditional debt securities than adjustable rate securities and, accordingly, to decline in value to a greater extent than would be the case in the absence of such caps.

As noted above, because the coupon rates on ARMS are adjusted in response to changing interest rates, fluctuations in prices of ARMS due to changes in interest rates will be less than in the case of traditional debt securities. The adjustable rate feature of ARMS will not, however, eliminate such price fluctuations, particularly during periods of extreme fluctuations in interest rates. Also, since many adjustable rate mortgages only reset on an annual basis, it can be expected that the prices of ARMS will fluctuate to the extent that changes in prevailing interest rates are not immediately reflected in the coupon rates payable on the underlying adjustable rate mortgages.

Stripped Mortgage-Related Securities. Stripped mortgage-related securities ("SMRS") are derivative multi-class mortgage-related securities. SMRS may be issued by the U.S. Government, its agencies or instrumentalities, or by private originators of, or investors in, mortgage loans, including savings and loan associations, mortgage banks, commercial banks, investment banks and special purpose subsidiaries of the foregoing.

SMRS are usually structured with two classes that receive different proportions of the interest and principal distributions on a pool of GNMA, FNMA or FHLMC certificates, whole loans or private pass-through mortgage-related securities ("Mortgage Assets"). A common type of SMRS will have one class receiving some of the interest and most of the principal from the Mortgage Assets, while the other class will receive most of the interest and the remainder of the principal. In the most extreme case, one class will receive all of the interest (the interest-only or "IO" class), while the other class will receive all of the principal (the principal-only or "PO" class). The yield to maturity on an IO class is extremely sensitive to the rate of principal payments (including prepayments) on the related underlying Mortgage Assets, and a rapid rate of principal prepayments may have a material adverse effect on the yield to maturity of the IO class. The rate of principal prepayment will change as the general level of interest rates fluctuates. If the underlying Mortgage Assets experience greater than anticipated principal prepayments, the Portfolio may fail to fully recoup its initial investment in these securities, even if the securities are rated AAA by S&P or Fitch or Aaa by Moody's or the equivalent thereof by another NRSRO. Due to their structure and underlying cash flows, SMRS may be more volatile than mortgage-related securities that are not stripped.

Types of Credit Support. To lessen the effect of failures by obligors on underlying assets to make payments, non-GNMA, -FNMA or -FHLMC mortgage-related securities are likely to contain cash flow support. Such cash flow support falls into two categories: (i) liquidity protection and (ii) credit protection against losses resulting from ultimate default by an obligor on underlying assets. Liquidity protection refers to the provision of advances to cover delinquent (*e.g.*, 30-60 days late) payments, generally by the entity administering the pool of assets, to ensure that the pass-through of payments due on the underlying pool occurs in a timely fashion. Credit protection against losses resulting from ultimate default enhances the likelihood of ultimate payment of the obligations on at least a portion of the assets in the pool. These protections may be provided through guarantees, insurance policies or letters of credit obtained by the issuer or sponsor from third parties, through various

means of structuring the transaction, as described below, or through a combination of these approaches.

The ratings of securities for which third-party credit enhancement provides liquidity protection or protection against losses from default are generally dependent upon the continued creditworthiness of the enhancement provider. The ratings of such securities could be subject to reduction in the event of deterioration in the creditworthiness of the enhancement provider even in cases where the delinquency and loss experience on the underlying pool of assets is better than expected.

Examples of credit support arising out of the structure of the transaction include "senior-subordinated securities" (multiple class securities with one or more classes subordinate to other classes as to the payment of principal thereof and interest thereon, with the result that defaults on the underlying assets are borne first by the holders of the subordinated class), creation of "reserve funds" (where cash or investments, sometimes funded from a portion of the payments on the underlying assets, are held in reserve against future losses) and "over collateralization" (where the scheduled payments on, or the principal amount of, the underlying assets exceed those expected to be required to make payment on the securities and pay any servicing or other fees). The degree of credit support provided for each issue is generally based on historical information with respect to the level of credit risk associated with the underlying assets. Other information which may be considered includes demographic factors, loan underwriting practices and general market and economic conditions. Delinquency or loss in excess of that which is anticipated could adversely affect the return on an investment in such a security.

Commercial Mortgage-Backed Securities ("CMBS").

Commercial mortgage-backed securities are securities that represent an interest in, or are secured by, mortgage loans secured by multifamily or commercial properties, such as industrial and warehouse properties, office buildings, retail space and shopping malls, and cooperative apartments, hotels and motels, nursing homes, hospitals and senior living centers. Commercial mortgage-backed securities have been issued in public and private transactions by a variety of public and private issuers using a variety of structures, some of which were developed in the residential mortgage context, including multi-class structures featuring senior and subordinated classes. Commercial mortgage-backed securities may pay fixed or floating-rates of interest. The commercial mortgage loans that underlie commercial mortgage-backed securities have certain distinct risk characteristics. Commercial mortgage loans generally lack standardized terms, which may complicate their structure, tend to have shorter maturities than residential mortgage loans and may not be fully amortizing. Commercial properties themselves tend to be unique and are more difficult to value than single-family residential properties. In addition, commercial properties, particularly industrial and warehouse properties, are subject to environmental risks and the burdens and costs of compliance with environmental laws and regulations.

Commercial mortgage-backed securities, like all fixed-income securities, generally decline in value as interest rates rise. Moreover, although generally the value of fixed-income securities increases during periods of falling interest rates, this inverse relationship may not be as marked in the case of single-family residential mortgage-backed securities due to the increased likelihood of prepayments during periods of falling interest rates in the case of commercial mortgage-backed securities. The process used to rate

commercial mortgage-backed securities may focus on, among other factors, the structure of the security, the quality and adequacy of collateral and insurance, and the creditworthiness of the originators, servicing companies and providers of credit support.

Other Asset-Backed Securities Risk. A Portfolio may invest in certain high quality asset-backed securities. Through the use of trusts, special purpose corporations and other vehicles, various types of assets, including automobile and credit card receivables, home equity loans and equipment leases, may be securitized in pass-through structures similar to the mortgage pass-through structures described above or in a pay-through structure similar to the CMO structure. The collateral behind asset-backed securities tends to have a controlled or limited prepayment rate. In addition, the short-term nature of asset-backed loans reduces the impact of any change in prepayment level. Due to amortization, the average life for asset-backed securities is also the conventional proxy for maturity.

Because of the possibility that prepayments (on mortgage loans, automobile loans or other collateral) will alter the cash flow on asset-backed securities, it is not possible to determine in advance the actual final maturity date or average life. Faster prepayment will shorten the average life and slower prepayments will lengthen it. However, it is possible to determine what the range of the movement could be and to calculate the effect that it will have on the price of the security.

Structured Securities Risk.

Certain investment products may combine the traditional characteristics of asset-backed investment with additional structural features, such as a tranching investment structure or embedded derivatives. Such structure investments may be more complex than traditional investment types and may entail additional risks.

Collateralized Debt Obligations Risk. Collateralized Debt Obligations ("CDOs") are instruments representing interests, generally divided into tranches, in pools, the underlying asset classes of which may include certain fixed income securities, such as asset-backed securities, corporate leveraged loans, other CDOs, credit default swaps and other derivatives. There are a variety of different types of CDOs, including CDOs collateralized by trust preferred securities and asset-backed securities and CDOs collateralized by corporate loans and debt securities called collateralized loan obligations ("CLOs"). CDOs may issue several types of securities or tranches, including, without limitation, CDO and CLO equity, multi-sector CDO equity, trust preferred CDO equity and CLO debt. CDO equity tranches may be unrated or non-investment grade. CDOs are subject to credit, liquidity and interest rate risks, which are each discussed in greater detail below.

The value of any CDOs owned by a Portfolio generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CDO ("CDO Collateral"), general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Consequently, holders of CDOs must rely solely on distributions on the CDO Collateral or proceeds thereof for payment in respect thereof. CDO Collateral may consist of high yield debt securities, loans, ABS and other instruments, which often are rated below investment grade (or of equivalent credit quality). The lower ratings of high yield

securities and below investment grade loans reflect a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest. In addition, the lack of an established, liquid secondary market for some CDOs (CDO equity securities in particular) may have an adverse effect on the market value of those CDOs and will in most cases make it difficult to dispose of such CDOs at market or near-market prices.

Rating Agencies. Future actions of any rating agency can adversely affect the market value or liquidity of CDOs, and a rating agency may, at any time and without any change in its published ratings criteria or methodology, lower or withdraw any rating assigned by it to any class of CDO security. Any such revision or withdrawal of a rating as a result of such a failure might adversely affect the liquidity and value of the CDO security.

Effects of Regulation on CDO Market. Legislative or regulatory action taken by the U.S. federal government or any U.S. regulatory body (or other non-U.S. authority or regulatory body) in response to economic conditions or otherwise may negatively impact the liquidity and value of CDOs.

Structured Securities and Basket Securities. A Portfolio may invest in various types of structured securities and basket securities. Structured securities in which a Portfolio invests may represent, for example, interests in entities organized and operated solely for the purpose of restructuring the investment characteristics of particular fixed-income obligations. This type of restructuring involves the deposit with or purchase by an entity, such as a corporation or trust, of specified instruments and the issuance by that entity of one or more classes of structured securities backed by, or representing interests in, the underlying instruments. The cash flow on the underlying instruments may be apportioned among the newly issued structured securities to create securities with different investment characteristics such as varying maturities, payment priorities and interest rate provisions, and the extent of the payments made with respect to structured securities is dependent on the extent of the cash flow on the underlying instruments. Structured securities of a given class may be either subordinated or unsubordinated to the right of payment of another class. Subordinated structured securities typically have higher yields and present greater risks than unsubordinated structured securities.

Basket securities in which a Portfolio invests may consist of entities organized and operated for the purpose of holding a basket of fixed-income obligations of various issuers or a basket of other transferable securities. Baskets involving fixed-income obligations may be designed to represent the characteristics of some portion of the fixed-income securities market or the entire fixed-income securities market.

Structured instruments are potentially more volatile and carry greater market risks than traditional debt instruments. Depending on the structure of the particular structured instrument, changes in a Benchmark may be magnified by the terms of the structured instrument and have an even more dramatic and substantial effect upon the value of the structured instrument. The prices of the structured instrument and the Benchmark or Underlying Asset may not move in the same direction or at the same time. Structured instruments may be less liquid and more difficult to price than less

complex securities or instruments or more traditional debt securities. The risk of these investments can be substantial; possibly all of the principal is at risk.

Derivatives Risk.

A Portfolio may use derivatives, which are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate, or index. The Investment Manager may use derivatives as part of a strategy designed to reduce other risks or as an alternative to investing directly in the underlying instrument. A Portfolio may also use derivatives as a direct investment to earn income, enhance yield and broaden portfolio diversification. In addition to other risks such as the credit risk of the counterparty, derivatives involve the risk of difficulties in pricing and valuation and the risk that changes in the value of the derivative may not correlate perfectly with relevant underlying assets, rates, or indices.

For detailed information about the types of derivatives a Portfolio may use, please see "Risk Management, Derivatives and Financial Techniques and Instruments" below.

While the judicious use of derivatives by experienced investment advisers such as the Investment Manager can be beneficial, derivatives also involve risks different from, and, in certain cases, greater than, the risks presented by more traditional investments. The following is a general discussion of important risk factors and issues concerning the use of derivatives that investors should understand before investing in a Portfolio.

- *Market Risk.* This is the general risk attendant to all investments that the value of a particular investment will change in a way detrimental to the Portfolio's interest.
- *Management Risk.* Derivative products are highly specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The successful use of derivatives draws upon the Investment Manager's special skills and experience and usually depends on the Investment Manager's ability to forecast price movements, interest rates, or currency exchange rate movements correctly. Should prices, interest rates, or exchange rates move unexpectedly, a Portfolio may not achieve the anticipated benefits of the transactions or may realize losses and thus be in a worse position than if such strategies had not been used. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions. In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to a Portfolio and the ability to forecast price, interest rate or currency exchange rate movements correctly.
- *Credit Risk.* This is the risk that a loss may be sustained by a Portfolio as a result of the failure of another party to a derivative (usually referred to as a "counterparty") to comply with the payment terms of the derivative contract. The credit risk for exchange-traded derivatives is different than for privately negotiated derivatives, since the clearing house, which is the issuer or counterparty to each exchange-traded derivative,

provides a guarantee of performance. This guarantee is supported by a daily payment system (*i.e.*, margin requirements) operated by the clearing house in order to reduce overall credit risk, although the Portfolio is subject to the risk of the clearing house which may be more significant than privately negotiated derivative transactions.

- **Liquidity Risk.** Liquidity risk exists when a particular instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with some privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous price.
- **Leverage Risk.** Since warrants, options and many derivatives (to the extent utilized) have a leverage component, adverse changes in the value or level of the underlying asset, rate or index can result in a loss substantially greater than the amount invested in the warrant, option or derivative itself. In the case of swaps, the risk of loss generally is related to a notional principal amount, even if the parties have not made any initial investment. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment.
- **Other Risks.** Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. Many derivatives, in particular privately negotiated derivatives, are complex and often valued subjectively. Improper valuations can result in increased cash payment requirements to counterparties or a loss of value to the Portfolio concerned. Derivatives do not always perfectly or even highly correlate or track the value of the assets, rates or indices they are designed to track. Consequently, a Portfolio's use of derivatives may not always be an effective means of, and sometimes could be counterproductive to, furthering the Portfolio's investment objective.
- **Regulatory uncertainty of in derivatives markets.** In general, there are significant changes in the regulatory environment for derivatives since the "group of twenty" or G-20 met in 2009. The G-20 agreed in 2009 that standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties. They also agreed that OTC derivative contracts should be reported to trade repositories and that non-centrally cleared contracts should be subject to higher capital requirements. Further, they agreed to improve transparency in the derivatives markets, mitigate systemic risk, and protect against market abuse. Consequently, since 2009, many countries have implemented regulatory obligations that impact a Portfolio's use of derivatives, such as recordkeeping, reporting, portfolio reconciliation, documentation standards and certain margin requirements. Requirements such as these will raise the costs of entering into derivative transactions for a Portfolio, and these increased costs will likely be passed on to a Portfolio. The new regulatory requirements rules also add additional operational and technological burdens on the Portfolio and the Investment Manager. These compliance obligations require certain training of employees and technology, and there are operational and legal risks as a Portfolio and the Investment Manager implements

procedures to comply with many of these additional obligations. Certain swap transactions have become (or will become) subject to mandatory trading on exchanges or electronic trading platforms and through central counterparties, which will require a Portfolio to be subject itself to regulation by these venues and subject a Portfolio to the jurisdiction of such venues. It is not clear whether these trading venues will benefit or impede liquidity, or how they will fare in times of market stress. Trading on these trading venues may increase the pricing discrepancy between assets and their hedges as products may not be able to be executed simultaneously, therefore increasing basis risk. It may also become relatively expensive to obtain tailored derivative products to hedge particular risks in its portfolio due to higher collateral requirements on bilateral transactions as a result of the new regulations. Overall, new regulations may also render certain strategies in which a Portfolio might otherwise engage impossible or so costly that they will no longer be economical to implement. The impact of new regulations is uncertain, and it is unclear how the derivatives markets will adapt to this new regulatory regime or any additional regulation in the future.

- **Liquidity; requirement to perform.** From time to time, the counterparties with which the Fund effects transactions might cease making markets or quoting prices in certain of the instruments. In such instances, the Fund might be unable to enter into a desired transaction in currencies, credit default swaps or total return swaps or to enter into an offsetting transaction with respect to an open position, which might adversely affect its performance. Further, in contrast to exchange-traded instruments, forward, spot and option contracts on currencies do not provide the Investment Manager with the possibility to offset the Fund's obligations through an equal and opposite transaction. For this reason, in entering into forward, spot or options contracts, the Fund may be required, and must be able, to perform its obligations under the contracts.
- **Necessity for counterparty trading relationships.** As noted above, participants in the OTC market typically enter into transactions only with those counterparties which they believe to be sufficiently creditworthy, unless the counterparty provides margin, collateral, letters of credit or other credit enhancements. While the Fund and the Investment Manager believe that the Fund will be able to establish multiple counterparty business relationships to permit the Fund to effect transactions in the OTC market and other counterparty markets (including credit default swaps, total return swaps and other swaps market as applicable), there can be no assurance that it will be able to do so. An inability to establish or maintain such relationships would potentially increase the Fund's counterparty credit risk, limit its operations and could require the Fund to cease investment operations or conduct a substantial portion of such operations in the futures markets. Moreover, the counterparties with which the Fund expects to establish such relationships will not be obligated to maintain the credit lines extended to the Fund, and such counterparties could decide to reduce or terminate such credit lines at their discretion.

Currency Transactions Risk

Transactions in currencies may include options, forwards, futures and swaps and are subject to a number of risks, in particular, the risk posed by fluctuations in the market price of currency contracts.

Options on Currencies. As in the case of other kinds of options, the writing of an option on a currency constitutes only a partial hedge, up to the amount of the premium received, and the Portfolio concerned could be required to purchase or sell currencies at disadvantageous exchange rates, thereby incurring losses. The purchase of an option on a currency may constitute an effective hedge against fluctuations in exchange rates although, in the event of rate movements adverse to the Portfolio's position, it may forfeit the entire amount of the premium plus related transaction costs.

Forward Foreign Currency Exchange Contracts. A Portfolio may purchase or sell forward foreign currency exchange contracts to reduce or obtain exposure to the Currency of the Portfolio, the currency of an underlying investment and/or other currencies. A forward foreign currency exchange contract is an obligation to purchase or sell a specific currency for an agreed price at a future date, and is individually negotiated and privately traded.

A Portfolio may enter into a forward foreign currency exchange contract, for example, when it enters into a contract for the purchase or sale of a security denominated in a foreign currency in order to "lock in" the price, in the Currency of the Portfolio, of the security ("transaction hedge"). A Portfolio may engage in transaction hedges with respect to the currency of a particular country to an amount equal to the aggregate amount of the Portfolio's transactions in that currency, or such greater or lesser amount as may be required to accommodate for unrealized gains or losses in a Portfolio or to adjust for subscription and redemption activity giving rise to the purchase or sale of underlying portfolio securities. Such outstanding currency positions opened for the purpose of a transaction hedge are not required to be adjusted unless any excess of the amount of such a transaction hedge over the aggregate market value from time-to-time of portfolio securities denominated or quoted in such currency exceeds 0.50% of the Portfolio's net assets. When a Portfolio believes that a currency in which its investments are denominated may suffer a substantial decline against the Currency of the Portfolio,

it may enter into a forward sale contract to sell an amount of that other currency approximating the value of some or all of its investments denominated in such foreign currency, or when a Portfolio believes that the Currency of the Portfolio may suffer a substantial decline against another currency it may enter into a forward purchase contract to buy that other currency for a fixed amount in the Currency of the Portfolio ("position hedge"). A Portfolio generally may position hedge with respect to a particular currency to an amount equal to the aggregate market value (at the time of making such sale) of the securities held in its portfolio denominated or quoted in that currency, or such greater or lesser amount as may be required to accommodate for unrealized gains or losses in a Portfolio or to adjust for subscription and redemption activity giving rise to the purchase or sale of underlying portfolio securities. Such outstanding currency positions opened for the purpose of a position hedge are not required to be adjusted unless any excess of the amount of such a position hedge over the aggregate market value from time-to-time of portfolio securities denominated or quoted in such currency exceeds 0.50% of the Portfolio's net assets. As an alternative to a position hedge, a Portfolio may enter into a forward contract to sell a different foreign currency for a fixed amount, in the Currency of the Portfolio, where such Portfolio believes that the value in the Currency of the Portfolio of the currency to be sold pursuant to the forward contract will fall whenever there is a decline in the value, in the Currency of the Portfolio, of the currency in which portfolio securities of such Portfolio are denominated ("cross-hedge"). Unanticipated changes in currency prices may result in poorer overall performance for a Portfolio than if had not entered into such forward foreign currency exchange contracts. Hedging against a decline in the value of a currency does not eliminate fluctuations in the prices of portfolio securities or prevent losses if the prices of such securities decline. Such transactions also preclude the opportunity for gain if the value of the hedged currency should rise. Moreover, it may not be possible for a Portfolio to hedge against a devaluation that is so generally anticipated that the Portfolio is not able to contract to sell the currency at a price above the devaluation level it anticipates.

Conflicts of Interest

The Management Company, the Investment Manager, the Depository, the Administrator, distributors and other service providers and their respective affiliates, directors, officers and unitholders are or may be involved in other financial, investment and professional activities that may create conflicts of interest with the management and administration of the Fund. These include the management of other funds, purchases and sales of securities, brokerage services, custodian and safekeeping services, and serving as directors, officers, advisors or agents for other funds or other companies, including companies that a Portfolio may invest in. Each of the parties will ensure that the performance of their respective duties will not be impaired by any such other involvement that they might have. In the event that a conflict of interest does arise, the managers of the Management Company and the relevant parties involved shall endeavour to resolve it fairly, within a reasonable time and in the interest of the Fund.

Potential investors should also be aware that the Fund is subject to a number of actual and potential conflicts of interest involving the AB Group. While conflicts of interest are inherent to the relationships among the AB Group, merely because an actual or potential conflict of interest exists does not mean that it will be acted upon to the detriment of the Fund. The Investment Manager will, in such event, have regard to its obligations under the Investment Management Agreement and, in particular, to its obligations to act in the best interests of the Fund, so far as practicable having regard to its obligations to other clients, when undertaking any investments where potential conflicts of interest may arise. Should a conflict of interest arise, the Investment Manager will endeavor to ensure that it is resolved fairly. Without limitation, these conflicts may include the following:

Other Funds Managed by the Investment Manager. An Interested Party may make investments for other clients without making the same available to the Fund. In the event any investment is made in funds already managed or advised directly or indirectly by the Investment Manager itself or a company with which it is linked by way of common management or control or by way of a direct or indirect stake of more than 10% of the capital or votes, such investment will be effected only on terms which either avoid, or make appropriate provision to effectively eliminate, double charging of investment management or advisory fees. Furthermore, the Management Company or other company will not charge subscription or redemption fees in connection with an acquisition or disposal of such investments.

Allocation Among Clients. An Interested Party may make investments for other clients without making the same available to the Fund. In addition, to the extent that the Investment Manager deems it advisable to seek investments for the Fund and for its other client accounts in the same security at the same time, the Fund may not be able to acquire as large an allocation of such security as it desires, or it may have to pay a higher price or obtain a lower yield for such security. Allocation will be made in a manner deemed equitable by the Investment Manager, taking into account size of account, amount purchased or sold and any other factor it may deem relevant.

The Management Company Agreement does not impose any specific obligations or requirements concerning the allocation of investment opportunities, time, or effort to the Fund, or any restrictions on the nature or timing of investments for the account of the Fund or for

other accounts which AllianceBernstein or its affiliates may manage (other than any restrictions and requirements discussed herein). Accordingly, the Investment Manager is not obligated to devote any specific amount of time to the affairs of the Fund and is not required to accord exclusivity or priority to the Fund in the event of limited investment opportunities, provided that the Investment Manager will act in a manner that it considers fair and reasonable in allocating investment opportunities.

Services to Other Clients. An Interested Party may enter into financial, banking, currency, advisory (including corporate finance advice) or other transactions on an arm's-length basis with the Fund or any company in the investment portfolio of the Fund for which it may receive and retain fees.

Board of Directors. The Directors of the Fund spend substantial time and attention on other business activities for other clients and management of other investment vehicles and may act for or manage other clients with overlapping investment objectives with those of the Fund.

Cross Trades. To the extent permitted by applicable law, an Interested Party may engage in cross trades of securities between its clients as well cross trades between its clients and brokerage clients of its affiliates for whom the Investment Manager does not provide asset management services. In the event that the Investment Manager effects a cross trade to which the Fund is a party, the Investment Manager will act on behalf of both the Fund and the other party to the cross trade, and thus may have a potentially conflicting division of loyalty to such parties. In order to address such potentially conflicting divisions of loyalty, the Investment Manager has established policies and procedures with respect to cross trades so that neither party to a cross trade is unfairly advantaged or disadvantaged relative to the other party. All cross trades will be executed on an agency basis at the current fair market value and otherwise consistent with the Investment Manager's fiduciary obligations. None of the foregoing activities should interfere substantially with the commitment of time necessary for the Investment Manager or its principals to perform their responsibilities to the Fund.

Sales to and from the Fund. An Interested Party may sell or purchase investments to or from the Fund, provided that (i) the sale or purchase is effected on an official stock exchange or other organized market where the purchaser or vendor is undisclosed at the time of the sale or purchase or in other circumstances where the vendor and purchaser are not identified to each other; or (ii) the terms and conditions of any such sale or purchase are effected on an arm's-length basis and approved by the Board before such sale or purchase is effected.

Transactions with Affiliated Broker/Dealers. The Investment Manager may, in the normal course of business, utilize the brokerage services of affiliated broker/dealers including, but not limited to, Sanford C. Bernstein & Co., LLC and Sanford C. Bernstein Limited subject to the Investment Manager's obligation to execute transactions on behalf of the Fund consistent with best execution standards.

Soft-Dollar Arrangements. Although currently the Management Company does not receive or enter into soft-dollar commissions/arrangements, the Investment Manager does receive

and has entered into soft-dollar commissions/arrangements with brokers relating to Portfolios of the Fund that invest in equity securities, in respect of which certain goods and services used to support the investment decision making process were received. The soft commission arrangements were entered into on the basis that the execution of transactions on behalf of the Fund will be consistent with best execution standards and brokerage rates will not be in excess of customary institutional full-service brokerage rates. The nature of the goods and services received is such that the benefits provided under the arrangement must be those which assist directly or indirectly in the provision of investment services to the Fund and may contribute to an improvement in the Fund's performance. For the avoidance of doubt, such goods and services do not include travel, accommodations, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employees' salaries or direct money payments. Disclosure of soft commission arrangements will be made in the periodic reports of the Fund.

Research. The principal portfolio themes for the Fund may take into account forecast information provided by equity, credit, quantitative, economic, and structured asset fixed-income research analysts employed by an Interested Party and other research firms.

Accordingly, estimates of earnings and dividends related to investments of the Fund may differ from estimates of the Interested Party's institutional research analysts. Further, the Investment Manager's buy-sell actions for the Fund may differ from those recommended by the Interested Party's institutional research analysts.

No Independent Legal Counsel. The Fund is represented by Schulte Roth & Zabel LLP with respect to U.S. law. The Fund is represented by Elvinger Hoss Prussen with respect to Luxembourg law. Schulte Roth & Zabel LLP and Elvinger Hoss Prussen have been selected to act as independent legal counsel to the Interested Parties and the Fund, as applicable, by the AB Group. Schulte Roth & Zabel LLP and Elvinger Hoss Prussen each also acts as legal counsel to certain other investment funds, accounts, and vehicles managed by the AB Group. Conflicts could arise due to these multiple legal representations. Prospective and existing investors in the Fund have not been, and will not be, represented by Schulte Roth & Zabel LLP or Elvinger Hoss Prussen, and are encouraged to seek the advice of their own legal counsel in evaluating the merits and risks of this offering and the operations of the Fund.

Taxation

The following summaries do not purport to be complete in all respects and do not constitute investment or tax advice and investors should consult their own professional advisers as to the tax implications under the laws of the countries of their nationality, residence, domicile or incorporation of an investment in the Portfolios.

The taxation of income and capital gains of the Fund and Shareholders is subject to the fiscal law and practice of Luxembourg, any jurisdiction in which the Fund makes investments and of the jurisdictions in which Shareholders are resident or otherwise subject to tax. The following general summary of the anticipated tax treatment in Luxembourg and the United States does not constitute legal or tax advice and applies only to Shareholders holding Shares as an investment.

Prospective Shareholders should inform themselves of, and where appropriate take advice on, the laws and regulations (such as taxation and exchange controls) applicable to the subscription, purchase, redemption, exchange, conversion, holding and realization of Shares and the receipt of distributions (whether or not on redemption) in the place of their citizenship, residence, domicile or incorporation.

The information below is based on current law and interpretations thereof on the date of this document. No assurance can be given that applicable tax law and interpretations thereof will not be changed in the future. The following tax summary is not a guarantee to any Shareholder of the tax results of investing in the Fund.

No Payment of Additional Taxes or Assessments. Each Shareholder will assume and be responsible to the proper governmental or regulatory authority for any and all taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes or other like assessments or charges that may be applicable to any payment in respect of the Shares made by the Fund, the Management Company or the Administrator. None of the Fund, the Management Company or the Administrator will pay any additional amounts to Shareholders to reimburse them for any tax, assessment or charge required to be withheld or deducted from payments on the Shares by the Fund, the Management Company or the Administrator. None of the Fund, the Management Company or the Administrator will be responsible for the payment of any additional amount of withholding tax which may become payable due to an increase in any applicable withholding tax rates.

Luxembourg Taxation. The following is a general summary of the anticipated tax treatment in Luxembourg.

The Fund. The Fund is subject to Luxembourg law in respect of its tax status. Under legislation and regulations currently prevailing in Luxembourg, each Portfolio is subject to an annual tax on their Net Asset Value attributable to the Shares at the annual rate of 0.01% for Institutional Share Classes (see “Share Class Features” above) and 0.05% for all other Share Classes unless otherwise provided in the Portfolio Details of the relevant Portfolio, accrued daily and calculated and payable quarterly. No such tax is applicable in respect of assets invested in Luxembourg undertakings for collective investment which are themselves subject to such tax. Under present law the Fund is not subject to any Luxembourg tax on income or capital gains nor to any estate tax. The Fund may however be subject

to taxation, including withholding tax, on income and/or gains in countries where the assets are located (including Luxembourg).

Shareholders. Under current legislation Shareholders holding Shares of the Fund are not subject to any capital gains, income, withholding, estate, inheritance or other taxes in Luxembourg except for those resident or having permanent establishment in Luxembourg.

European Union Savings Directive. Individuals resident in the EU or in certain third countries or dependent or associated Territories should consider the following information.

The Council of the EU has adopted on 3 June 2003 Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the “Directive”). Under the Directive, Member States of the EU will be required to provide the tax authorities of another EU Member State with information on payments of interest or other similar income paid by a paying agent (as defined by the Directive) within its jurisdiction to an individual resident or a residual entity established in that other EU Member State or in certain dependent or associated territories of an EU Member State. Austria has opted instead for a tax withholding system for a transitional period in relation to such payments. Switzerland, Monaco, Liechtenstein, Andorra and San Marino and the Channel Islands, the Isle of Man and the dependent or associated territories in the Caribbean, have also introduced measures equivalent to information reporting or, during the above transitional period, withholding tax.

Under the Luxembourg laws dated June 21, 2005 (the “Laws”), implementing the Directive, as amended by the Luxembourg Law of 25 November 2014, and several agreements concluded between Luxembourg and certain dependent or associated territories of the EU (“Territories”), a Luxembourg-based paying agent is required as from 1 January 2015 to report to the Luxembourg tax authorities the payment of interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual or certain residual entities resident or established in another EU Member State or in the Territories, and certain personal detail on the beneficial owner. Such details will be provided by the Luxembourg tax authorities to the competent foreign tax authorities of the state of residence of the beneficial owner (within the meaning of the Directive).

Dividends distributed by a portfolio of the Fund will be subject to the Directive and the Laws if more than 15% of such portfolio’s assets are invested in debt claims (as defined in the Laws) and proceeds realized by Shareholders on the redemption or sale of Shares in a portfolio will be subject to the Directive and the Laws if more than 25% of such portfolio’s assets are invested in debt claims.

Council Directive 2014/48/EU enlarges inter alia the scope of the Directive.

Under the directive 2015/2060/EU repealing the Directive, the Directive has been repealed and will no longer apply once all the reporting obligation concerning year 2015 will have been complied with.

Automatic Exchange of Information. The Organisation for Economic Co-operation and Development (“OECD”) has developed a Common Reporting Standard (“CRS”) to achieve a comprehensive and multilateral Automatic Exchange Of Information (“AEOI”) on a global basis. On 9 December 2014, Council Directive 2014/107/EU

amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (the "Euro-CRS Directive") was adopted in order to implement the CRS among the Member States. For Austria, the Euro-CRS Directive applies the first time by 30 September 2018 for the calendar year 2017, i.e. the Savings Directive will apply one year longer.

The Euro-CRS Directive was implemented into Luxembourg law by the law of 18 December 2015 on the automatic exchange of financial account information in the field of taxation ("CRS Law"). The CRS Law requires Luxembourg financial institutions to identify financial assets holders and establish if they are fiscally resident in countries with which Luxembourg has a tax information sharing agreement. Luxembourg financial institutions will then report financial account information of the asset holder to the Luxembourg tax authorities, which will thereafter automatically transfer this information to the competent foreign tax authorities on a yearly basis.

Accordingly, the Fund may require its investors to provide information in relation to the identity and fiscal residence of financial account holders (including certain entities and their controlling persons) in order to ascertain their CRS status and report information regarding an investor and his/her/its account to the Luxembourg tax authorities (Administration des Contributions Directes), if such account is deemed a CRS reportable account under the CRS Law. The Fund shall communicate any information to the investor according to which (i) the Fund is responsible for the treatment of the personal data provided for in the CRS Law; (ii) the personal data will only be used for the purposes of the CRS Law; (iii) the personal data may be communicated to the Luxembourg tax authorities (Administration des Contributions Directes); (iv) responding to CRS-related questions is mandatory and accordingly the potential consequences in case of no response; and (v) the investor has a right of access to and rectification of the data communicated to the Luxembourg tax authorities (Administration des Contributions Directes).

Under the CRS Law, the first exchange of information will be applied by 30 September 2017 for information related to the calendar year 2016. Under the Euro-CRS Directive, the first AEOI must be applied by 30 September 2017 to the local tax authorities of the Member States for the data relating to the calendar year 2016.

In addition, Luxembourg signed the OECD's multilateral competent authority agreement ("Multilateral Agreement") to automatically exchange information under the CRS Law. The Multilateral Agreement aims to implement the CRS among non-Member States; it requires agreements on a country-by-country basis.

The Fund reserves the right to refuse any application for Shares if the information provided or not provided does not satisfy the requirements under the CRS Law.

Investors in the Fund may therefore be reported to the Luxembourg and other relevant tax authorities in accordance with applicable rules and regulations.

Investors should consult their professional advisors on the possible tax and other consequences with respect to the implementation of the CRS Law.

United States Taxation.

THE DISCUSSION HEREIN IS FOR INFORMATIONAL PURPOSES ONLY AND IS A DISCUSSION PRIMARILY OF THE U.S. TAX CONSEQUENCES TO PROSPECTIVE

SHAREHOLDERS. EACH PROSPECTIVE SHAREHOLDER SHOULD CONSULT ITS PROFESSIONAL TAX ADVISOR WITH RESPECT TO THE TAX ASPECTS OF AN INVESTMENT IN THE FUND. TAX CONSEQUENCES MAY VARY DEPENDING UPON THE PARTICULAR STATUS OF A PROSPECTIVE SHAREHOLDER. IN ADDITION, SPECIAL CONSIDERATIONS (NOT DISCUSSED HEREIN) MAY APPLY TO PERSONS WHO ARE NOT DIRECT SHAREHOLDERS IN THE FUND BUT WHO ARE DEEMED TO OWN SHARES AS A RESULT OF THE APPLICATION OF CERTAIN ATTRIBUTION RULES.

The Fund has not sought a ruling from the IRS or any other U.S. federal, state or local agency with respect to any of the tax issues affecting the Fund, nor has it obtained an opinion of counsel with respect to any tax issues.

The following is a summary of certain potential U.S. federal tax consequences which may be relevant to prospective shareholders. The discussion contained herein is not a full description of the complex tax rules involved and is based upon existing laws, judicial decisions and administrative regulations, rulings and practices, all of which are subject to change, retroactively as well as prospectively. A decision to invest in the Fund should be based upon an evaluation of the merits of the trading program, and not upon any anticipated U.S. tax benefits.

U.S. Tax Status. The U.S. federal tax classification of segregated portfolios of a non-U.S. entity such as the Fund is not entirely clear. The Fund intends to take the position that each Portfolio of the Fund is a separate entity for U.S. federal tax purposes due to the segregation of a Portfolio's assets and liabilities under the laws of Luxembourg. The remainder of the U.S. tax discussion herein assumes that the each Portfolio will be treated as a separate corporation for U.S. federal tax purposes. The references to "the Fund" below shall be read to apply to each Portfolio, unless otherwise indicated.

U.S. Trade or Business. Section 864(b)(2) of the IRC, provides a safe harbor (the "Safe Harbor") applicable to a non-U.S. corporation (other than a dealer in securities) that engages in the U.S. in trading securities (including contracts or options to buy or sell securities) for its own account pursuant to which such non-U.S. corporation will not be deemed to be engaged in a U.S. trade or business. The Safe Harbor also provides that a non-U.S. corporation (other than a dealer in commodities) that engages in the U.S. in trading commodities for its own account is not deemed to be engaged in a U.S. trade or business if "the commodities are of a kind customarily dealt in on an organized commodity exchange and if the transaction is of a kind customarily consummated at such place." Pursuant to proposed regulations, a non-U.S. taxpayer (other than a dealer in stocks, securities, commodities or derivatives) that effects transactions in the United States in derivatives (including (i) derivatives based upon stocks, securities, and certain commodities and currencies, and (ii) certain notional principal contracts based upon an interest rate, equity, or certain commodities and currencies) for its own account is not deemed to be engaged in a United States trade or business. Although the proposed regulations are not final, the IRS has indicated in the preamble to the proposed regulations that for periods prior to the effective date of the proposed regulations, taxpayers may take any reasonable position with respect to the application of Section 864(b)(2) of the IRC to derivatives, and that a position consistent with the proposed regulations will be considered a reasonable position.

The Fund intends to conduct its business in a manner so as to meet the requirements of the Safe Harbor. Thus, based on the foregoing, the Fund's securities and commodities trading activities are not expected to constitute a U.S. trade or business and, except in the limited circumstances discussed below, the Fund does not expect to be subject to the regular U.S. income tax on any of its trading profits. However, if certain of the Fund's activities were determined not to be of the type described in the Safe Harbor, the Fund's activities may constitute a U.S. trade or business, in which case the Fund would be subject to U.S. income and branch profits tax on the income and gain from those activities.

Even if the Fund's securities trading activity does not constitute a U.S. trade or business, gains realized from the sale or disposition of stock or securities (other than debt instruments with no equity component) of U.S. Real Property Holding Corporations (as defined in Section 897 of the IRC) ("USRPHCs"), including stock or securities of certain Real Estate Investment Trusts ("REITs"), will be generally subject to U.S. income tax on a net basis. However, a principal exception to this rule of taxation may apply if such USRPHC has a class of stock which is regularly traded on an established securities market and the Fund generally did not hold (and was not deemed to hold under certain attribution rules) more than 5% of the value of a regularly traded class of stock or securities of such USRPHC at any time during the five year period ending on the date of disposition.¹ Moreover, if the Fund were deemed to be engaged in a U.S. trade or business as a result of owning a limited partnership interest in a U.S. business partnership or a similar ownership interest, income and gain realized from that investment would be subject to U.S. income and branch profits tax.

U.S. Withholding Tax. In general, under Section 881 of the IRC, a non-U.S. corporation which does not conduct a U.S. trade or business is nonetheless subject to tax at a flat rate of 30% (or lower tax treaty rate) on the gross amount of certain U.S. source income which is not effectively connected with a U.S. trade or business, generally payable through withholding. Income subject to such a flat tax rate is of a fixed or determinable annual or periodic nature, including dividends, certain "dividend equivalent payments" and certain interest income. In some cases, dividend income subject to the 30% (or lower tax treaty rate), can be imputed to holders of certain equity interests or equity derivative instruments, such as options or convertible debt, as a result of an adjustment by the issuing corporation to the exercise or conversion ratio, or as a result of other corporate action which has the effect of increasing a holder's interest in the earnings and profits, or assets of the issuing corporation.

¹ The Fund will also be exempt from tax on dispositions of REIT shares, whether or not those shares are regularly traded, if less than 50% of the value of such shares is held, directly or indirectly, by non-U.S. persons at all times during the five-year period ending on the date of disposition. However, even if the disposition of REIT shares would be exempt from tax on a net basis, distributions from a REIT (whether or not such REIT is a USRPHC), to the extent attributable to the REIT's disposition of interests in U.S. real property, are subject to tax on a net basis when received by the Fund and may be subject to the branch profits tax. Distributions from certain publicly traded REITs to non-U.S. shareholders owning 5% or less of the shares are subject to a 30% gross withholding tax on those distributions and are not subject to tax on a net basis.

Certain types of income are specifically exempted from the 30% tax and thus withholding is not required on payments of such income to a non-U.S. corporation. The 30% tax does not apply to U.S. source capital gains (whether long or short-term) or to interest paid to a non-U.S. corporation on its deposits with U.S. banks. The 30% tax also does not apply to interest which qualifies as portfolio interest. The term "portfolio interest" generally includes interest (including original issue discount) on an obligation in registered form which has been issued after July 18, 1984 and with respect to which the person who would otherwise be required to deduct and withhold the 30% tax receives the required statement that the beneficial owner of the obligation is not a U.S. person within the meaning of the IRC. In addition, if any credit default swap is characterized as a contract of insurance or a guarantee, payments received under such credit default swap may be subject to an excise tax or a withholding tax.

Special U.S. Withholding Tax Considerations Relating to Investment in REITs. Certain Portfolios may invest in REIT securities. A non-U.S. person that receives a distribution from a REIT that is not attributable to gain from the sale or exchange of U.S. real property interests and that is not designated as a capital gain dividend amount will recognize ordinary income to the extent that the distribution is made out of current or accumulated earnings and profits and will be subject to a 30% U.S. withholding tax.

In general, short-term capital gain and interest income (to the extent it qualifies as "portfolio interest") would not be subject to U.S. withholding tax if earned directly by a non-U.S. person. However, earning that same income through a REIT may have the effect of converting income that could have been earned free of U.S. tax into income that is subject to a 30% U.S. withholding tax. Thus, investments in a REIT may result in U.S. withholding taxes that would not have been incurred with a direct investment in the underlying assets.

Redemption of Shares. Gain realized by shareholders who are not U.S. persons within the meaning of the IRC ("non-U.S. shareholders") upon the sale, exchange or redemption of Shares held as a capital asset should generally not be subject to U.S. federal income tax provided that the gain is not effectively connected with the conduct of a trade or business in the U.S. However, in the case of nonresident alien individuals, such gain will be subject to the 30% (or lower tax treaty rate) U.S. tax if (i) such person is present in the U.S. for 183 days or more during the taxable year (on a calendar year basis unless the nonresident alien individual has previously established a different taxable year) and (ii) such gain is derived from U.S. sources.

Generally, the source of gain upon the sale, exchange or redemption of Shares is determined by the place of residence of the shareholder. For purposes of determining the source of gain, the IRC defines residency in a manner that may result in an individual who is otherwise a nonresident alien with respect to the U.S. being treated as a U.S. resident only for purposes of determining the source of income. Each potential individual shareholder who anticipates being present in the U.S. for 183 days or more (in any taxable year) should consult his tax advisor with respect to the possible application of this rule.

Gain realized by a non-U.S. shareholder engaged in the conduct of a U.S. trade or business will be subject to U.S. federal income tax upon the sale, exchange or redemption of Shares if such gain is effectively connected with its U.S. trade or business.

Estate and Gift Taxes. Individual holders of Shares who are neither present nor former U.S. citizens or U.S. residents (as determined for

U.S. estate and gift tax purposes) are not subject to U.S. estate and gift taxes with respect to their ownership of such Shares.

Identity and Reporting of Beneficial Ownership; Withholding on Certain Payments.

United States. In order to avoid a U.S. withholding tax of 30% on certain payments (including payments of gross proceeds) made with respect to certain actual and deemed U.S. investments, each Portfolio and/or the Fund generally will be required to timely register with the IRS, and agree to identify, and report information with respect to, certain direct and indirect U.S. account holders (including debtholders and equityholders). Luxembourg has signed a Model 1A (reciprocal) inter-governmental agreement with the United States (the "US IGA") to give effect to the foregoing withholding and reporting rules. So long as the Fund complies with the US IGA and the enabling legislation, the Investment Manager anticipates that the Fund will not be subject to the related U.S. withholding tax.

A non-U.S. investor in the Fund will generally be required to provide to the Fund (or in certain cases, a distributor, intermediary or certain other entities through which a non-U.S. investor invests (each, an "Intermediary")) information which identifies its direct and indirect U.S. ownership. Under the US IGA, any such information provided to the Fund and certain financial information related to such investor's investment in the Fund will be shared with the Luxembourg Minister of Finance or its delegate (the "Luxembourg MOF"). The Luxembourg MOF will provide the information reported to it with the IRS annually on an automatic basis. A non-U.S. investor that is a "foreign financial institution" within the meaning of Section 1471(d)(4) of the IRC will generally be required to timely register with the IRS, and agree to identify, and report information with respect to, certain of its own direct and indirect U.S. account holders (including debtholders and equityholders). A non-U.S. investor who fails to provide such information to the Fund (or, if applicable, an Intermediary) or timely register and agree to identify, and report information with respect to, such account holders (as applicable) may be subject to the 30% withholding tax with respect to its share of any such payments attributable to actual and deemed U.S. investments of the Fund, and the Board may take any action in relation to an investor's Shares or redemption proceeds to ensure that such withholding is economically borne by the relevant investor whose failure to provide the necessary information or comply with such requirements gave rise to the withholding, subject to applicable laws and regulations and provided that the Management Company acts in good faith and on reasonable grounds. Shareholders should consult their own tax advisors regarding the possible implications of these rules on their investments in the Fund.

Non-U.S. shareholders may also be required to make certain certifications to the Fund as to the beneficial ownership of the Shares and the non-U.S. status of such beneficial owner, in order to be exempt from U.S. information reporting and backup withholding on a redemption of Shares.

In General. It is possible that further inter-governmental agreements ("future IGAs") similar to the US IGA may be entered into with other third countries by the Luxembourg Government to introduce similar regimes for reporting to such third countries' fiscal authorities ("foreign fiscal authorities").

By investing (or continuing to invest) in the Fund, investors shall be deemed to acknowledge that:

- (i) the Fund (or its agent or an Intermediary) may be required to

disclose to the Luxembourg MOF certain confidential information in relation to the investor, including, but not limited to, the investor's name, address, tax identification number (if any), social security number (if any) and certain information relating to the investor's investment;

- (ii) the Luxembourg MOF may provide information as outlined above with the IRS, the Luxembourg Minister of Finance and other foreign fiscal authorities;

- (iii) the Fund (or its agent or an Intermediary) may disclose to the IRS, the Luxembourg Minister of Finance and other foreign fiscal authorities certain confidential information when registering with such authorities and if such authorities contact the Fund (or its agent directly) with further enquiries;

- (iv) the Fund or an Intermediary may require the investor to provide additional information and/or documentation which the Fund or an Intermediary may be required to disclose to the Luxembourg MOF;

- (v) in the event an investor does not provide the requested information and/or documentation and/or has not itself complied with the applicable requirements, the Fund reserves the right to take any action and/or pursue all remedies at its disposal, including, without limitation, action to ensure that any withholding imposed in respect of such investor's Shares or redemption proceeds is economically borne by such investor and compulsory redemption of the investor concerned; and

- (vi) no investor affected by any such action or remedy shall have any claim against the Fund (or its agent) for any form of damages or liability as a result of actions taken or remedies pursued by or on behalf of the Fund in order to comply with FATCA, any of the US IGA or any future IGAs, or any of the relevant underlying legislation and regulations.

Other Jurisdictions. Interest, dividend and other income realized by the Fund from other sources, and capital gains realized, or gross sale or disposition proceeds received, on the sale of securities of issuers not specifically discussed herein, may be subject to withholding and other taxes levied by the jurisdiction in which the income is sourced. It is difficult to predict the rate of foreign tax the Fund will pay since the amount of the assets to be invested in various countries and the ability of the Fund to reduce such taxes, are not known.

Future Changes in Applicable Law. The foregoing description of U.S. and Luxembourg income tax consequences of an investment in and the operations of the Fund is based on laws and regulations which are subject to change through legislative, judicial or administrative action. Other legislation could be enacted that would subject the Fund to income taxes or subject shareholders to increased income taxes.

Other Taxes. Prospective shareholders should consult their own counsel regarding tax laws and regulations of any other jurisdiction which may be applicable to them.

THE TAX AND OTHER MATTERS DESCRIBED IN THIS OFFERING DOCUMENT DO NOT CONSTITUTE, AND SHOULD NOT BE CONSIDERED AS, LEGAL OR TAX ADVICE TO PROSPECTIVE SHAREHOLDERS.

People's Republic of China ("PRC") Taxation.

By investing in shares of PRC resident enterprises (including China A-, B- and H-Shares), RMB denominated corporate and government

bonds, securities investment funds and warrants listed on the PRC stock exchanges or PRC inter-bank bond markets, a Portfolio may be subject to withholding income tax (“WIT”) and other taxes imposed in the PRC.

(a) PRC Corporate Income Tax (“CIT”):

Lacking specific guidance, it is uncertain whether the RQFII or the relevant investing Portfolios would be considered the taxpayer with respect to the PRC-sourced income derived from the investment in bonds, shares and other securities in the PRC. In the event the RQFII were considered to be the taxpayer, any PRC taxes levied against the RQFII would be reimbursed and ultimately borne by the relevant Portfolios of the Fund.

If the relevant Portfolios are deemed to be the taxpayer, then such Portfolios will be subject to PRC CIT at 25% on its worldwide taxable income if it is considered to be a tax resident enterprise of the PRC. If the Sub-Fund is considered to be a non-tax resident enterprise with an establishment or place of business (“PE”) in the PRC, the PRC sourced profits attributable to that PE would be subject to CIT at 25%.

Under the PRC CIT Law effective from 1 January 2008, a foreign enterprise without a PE in the PRC will generally be subject to a WIT at the current rate of 10% on its PRC sourced income, including but not limited to passive income (*e.g.* dividends, interest, gains arising from transfer of assets, etc.), subject to the application of treaty relief.

The Investment Manager intends to manage and operate the Sub-Fund in such a manner that the Portfolios and the Fund not be treated as a tax resident enterprise of the PRC or a non-tax resident enterprise with a PE in the PRC for CIT purposes, although this cannot be guaranteed. As such, it is expected that the Portfolios should only be subject to WIT at 10% to the extent the Sub-Fund directly derives PRC sourced income in respect of its investment in bonds, shares and other securities in the PRC.

(i) *Interest*

Unless a specific exemption is applicable, non-PRC tax residents, including the Fund is subject to PRC WIT on interest received on debt instruments issued by PRC tax residents, including bonds issued by enterprises established within mainland China. The general WIT rate applicable is 10%, subject to reduction under an applicable double tax treaty.

Interest derived from government bonds issued by the PRC Ministry of Finance and local governments is exempt from PRC CIT under the PRC CIT Law. Local government bonds refer to bonds issued by a government of a province, autonomous region, municipality directly under the Central Government, or municipality separately listed on the PRC’s state plan.

Under the “Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income” (the “**PRC-HK Arrangement**”), if a Hong Kong tax resident derives interest income from the PRC, the WIT rate can be reduced to 7% provided that the Hong Kong tax resident is the beneficial owner of the interest income under the PRC-HK Arrangement. Pre-approval from the PRC tax authorities is required before the reduced 7% rate can apply. Under the PRC-Luxembourg Double Taxation Agreement (the “**PRC-Luxembourg DTA**”), no treaty relief is available to the Fund with respect to PRC-sourced interest income, and thus a 10% WIT rate will apply. There are still

uncertainties as to how the PRC tax authorities will assess the beneficial ownership issue for investment funds and whether the RQFII or the Fund would be considered the taxpayer in respect of interest income on bonds. If the relevant approval is not obtained or the Sub-Fund is considered to be the taxpayer, the general rate of 10% will be applicable to the Fund’s Portfolios that invest in the PRC.

(ii) *Dividends*

The Fund will be subject to 10% WIT on PRC-sourced dividends (including dividends on A-Shares, B-Shares and H-Shares), which may be reduced by the relevant double tax treaty. The Fund may not be eligible for treaty relief on PRC-sourced dividends pursuant to the PRC-HK Arrangement or PRC-Luxembourg DTA as it is unlikely that the Fund would own a 25% or greater equity interest in a PRC enterprise due to regulatory restriction.

(iii) *Capital gain*

Debt investments

There are no specific rules or regulations governing the CIT treatment of gains derived from the disposal of debt instruments in the PRC by the Fund, and thus the general principles of the CIT law should be followed.

The tax treatment for a Fund investing in debt instruments in the PRC is governed by the general taxation provisions of the CIT Law. Under such general principles, a Fund may not be subject to 10% PRC WIT on gains derived from the disposal of bonds in the PRC as such gains may not be considered to be PRC-source income.

In the event gains derived from the disposal of bonds in the PRC are considered to be PRC-sourced income, the Fund may be eligible for treaty relief under the Capital Gains Article of the PRC-HK Arrangement or PRC-Luxembourg DTA with respect to such gains.

For tax residents in Hong Kong or Luxembourg that have no PE in the PRC, capital gains arising from the disposal of bonds in the PRC, pursuant to the PRC-HK Arrangement or PRC-Luxembourg DTA, may be exempted from the PRC WIT, subject to the approval of the PRC tax authorities.

The Investment Manager or RQFII Holder will further assess and seek to apply with PRC tax authorities to enjoy the above capital gain tax exemption under the PRC-HK Arrangement or PRC-Luxembourg DTA (as applicable), although this cannot be guaranteed. Without the relevant approval, the general rate of 10% may be applicable to the capital gains derived by the Fund on bonds in the PRC.

Equity investments

With the approval from the PRC State Council, the PRC State Administration of Taxation, the PRC Ministry of Finance and the China Securities Regulatory Commission have jointly issued Caishui [2014] 79 (“Circular 79”) to clarify the WIT treatment with respect to gains derived by QFIIs and RQFIIs from the disposal of equity investments, including shares in PRC enterprises. According to Circular 79, QFIIs and RQFIIs are temporarily exempt from WIT with respect to gains derived from the disposal of equity investments, including shares in PRC enterprises (*e.g.* A-Shares and B-Shares), via the QFII or RQFII investment quota, effective from 17 November 2014. With respect to gains derived prior to 17 November 2014, QFIIs and RQFIIs are subject to WIT in accordance with the relevant laws.

(b) Business Tax (“BT”) and surtaxes

The revised PRC Provisional Regulations of Business Tax (“BT law”) which came into effect on 1 January 2009 stipulates that gains derived by taxpayers from the trading of marketable securities would be subject to BT at 5%.

Caishui [2005] 155 states that gains derived by RQFIIs from the trading of onshore PRC Securities (generally considered to include A-Shares and other PRC bonds) are exempt from BT. It is unclear whether gains derived by RQFIIs from the trading of onshore PRC securities other than equities and bonds (*e.g.* index futures) would be eligible for the BT exemption, though in practice BT is not enforced on gains derived by RQFIIs from the trading of onshore PRC securities. The new PRC BT law which came into effect on 1 January 2009 has not changed this exemption treatment at the time of this Explanatory Memorandum. However, it is not clear whether a similar exemption would be extended to RQFIIs.

It is anticipated that the Value-Added Tax reform may be expanded to the financial services industry by the end of 2015. It is unclear whether the BT exemption prescribed in Caishui [2005] 155 would be grandfathered under the forthcoming VAT regime.

(c) Stamp Duty (“SD”)

SD under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC’s Provisional Rules on SD. SD is generally imposed on the seller of shares of Chinese companies listed on the PRC stock exchanges at a rate of 0.1% of the sales consideration. The Fund will be subject to this tax on each disposal of such PRC listed shares.

Unitholders should seek their own tax advice on their tax position with regard to their investment in the Fund and a particular Portfolio.

Various tax reform policies have been implemented by the PRC government in recent years, and existing tax laws and regulations may be revised or amended in the future. There is a possibility that the current tax laws, regulations and practice in the PRC will be changed with retrospective effect in the future and any such change may have an adverse effect on the net asset value of the Fund. Moreover, there is no assurance that tax incentives currently offered to companies, if any, will not be abolished and that existing tax laws and regulations will not be revised or amended in the future. Any changes in tax policies may reduce the after-tax profits of the companies in the PRC in which the Fund invests, thereby reducing the income from, and/or value of such investments.

In light of the uncertainty on the income tax treatment on capital gains arising from the disposal of PRC bonds, and in order to meet this potential tax liability for capital gains, the Investment Manager currently intends to make provisions from the relevant Portfolios of the Fund for any PRC WIT that is potentially payable by the such Portfolios at a rate of 10% on the gross

realised and unrealised capital gains derived from the disposal of PRC bonds since the launch of the relevant Portfolio of the Fund.

Upon the availability of a definitive tax assessment by the competent authorities, any sums withheld in excess of the tax liability incurred or is expected to be incurred by the relevant Portfolios of the Fund shall be released and transferred to such Portfolio’s accounts. The amount of any such tax provision will be disclosed in the accounts of the Fund.

It should be noted that the actual applicable tax rates imposed by the State Administration of Taxation of The People’s Republic of China (“SAT”) may be different from the WIT provision. There is a possibility of taxes being applied retrospectively. As such, any provision for taxation made by the Investment Manager may be inadequate to meet actual PRC tax liabilities on gains derived from PRC securities held by the Fund. In such event, the Fund may experience a drop in NAV which may cause losses to investors.

PRC tax disclosure regarding the Connect Scheme

In addition to investing in A-Shares via the RQFII quota of the RQFII Holder, the Fund may gain exposure to A-Shares through the Connect Scheme, which has commenced trading as of 17 November 2014.

With the approval from the PRC State Council, the PRC State Administration of Taxation, the PRC Ministry of Finance and the China Securities Regulatory Commission have jointly issued Caishui [2014] 81 (“Circular 81”) to clarify the PRC tax treatment regarding China Connect Securities. Circular 81 is effective on 17 November 2014.

According to Circular 81, the Fund is subject to the following PRC income tax treatment with respect to the Northbound Trading under the Connect Scheme (*i.e.* trading of certain A-Shares on the Shanghai Stock Exchange):

- Temporarily exempt from PRC WIT with respect to gains derived from the disposal of A-Shares.
- Subject to PRC WIT at 10% with respect to dividends received from A-Shares.
- Temporarily exempt from PRC BT with respect to gains derived from the disposal of A-Shares.
- Subject to PRC SD at 0.1% with respect to the sale of A-Shares (*i.e.* the purchase of A-Shares is not subject to PRC SD).

Investors should note that the Connect Scheme has limited or no history, and, accordingly, the taxation rules applicable to China Connect Securities traded on Stock Connect are not long established and subject to change in the future. Investors should seek advice from their professional tax advisors with any questions regarding China Connect Securities.

Local Information

To the extent a Portfolio is registered in any of the indicated jurisdictions, the following additional disclosure shall apply.

Austria

UniCredit Bank Austria AG, Schottengasse 6-8, 1010 Vienna, is the paying and information agent in Austria ("Austrian Paying and Information Agent").

Applications for redemptions or conversions of shares may also be submitted to the Austrian Paying and Information Agent. Upon request redemption payments, dividend payments or other payments to Austrian shareholders may also be effected through the Austrian Paying and Information Agent.

The Prospectus, the KIIDs relating to the Portfolios, the Articles, the audited annual accounts, the semi-annual accounts as well as the issuance and redemption prices are available in Austria free of charge at the Austrian Paying and Information Agent.

The following Portfolios are not offered for public distribution in Austria:

- **China Bond Portfolio;**
- **China Equity Portfolio;**
- **AB Kynikos Portfolio.**

Belgium

BNP Paribas Securities Services, Brussels branch, with offices at Boulevard Louis Schmidt, 2 – 1040, Brussels, is the paying agent for the Fund in Belgium. The Prospectus, the KIIDs relating to the Portfolios, the Articles and annual and semi-annual reports may be obtained at the paying agent's office.

France

BNP Paribas Securities Services, 3, rue d'Antin – 75002, Paris, France, is the local financial and centralizing correspondent. The Fund's Prospectus, the KIIDs relating to the Portfolios of the Fund, the Articles and annual and semi-annual reports may be obtained at the correspondent's office.

Germany

No notification pursuant to Sect. 310 of the German Capital Investment Code (*Kapitalanlagegesetz*) has been filed for the following Portfolios and the shares in these Portfolios may not be marketed to investors in the Federal Republic of Germany:

- **China Bond Portfolio;**
- **China Equity Portfolio;**
- **AB Kynikos Portfolio.**

BHF-BANK Aktiengesellschaft, Bockenheimer Landstraße 10, 60323 Frankfurt am Main, Germany, acts as Paying and Information Agent (the "German Paying and Information Agent") of the Fund in the Federal Republic of Germany.

Requests for the redemption and conversion of the shares of the Fund which may be distributed in Germany, may be submitted to the German Paying and Information Agent. Any payments to Shareholders, including redemption proceeds, distributions (if any) and other payments, may, upon the Shareholder's request, be paid through the German Paying and Information Agent.

The Prospectus, KIIDs, the Articles and the most recent annual and semi-annual reports - each in paper form - may be obtained free of charge at the office of the German Paying and Information Agent. The net asset value per share, the issue and redemption prices and any conversion prices as well as any notices to the Shareholders are available free of charge at the office of the German Paying and Information Agent.

In addition, the following documents are available to the Shareholders for inspection at the office of the German Paying and Information Agent free of any charge during the customary business hours: the Management Company Agreement, the Depositary Agreement, the Administration Agreement, the Investment Management Agreement and the articles of the Management Company.

In the Federal Republic of Germany, the issue and redemption prices will be published on www.abglobal.com. Any notices will be sent to the registered shareholders by letter mail. If bearer shares are issued for the Fund, notice of such fact will be published in the *Börsen-Zeitung*, Frankfurt am Main. In the following events, an additional notice will be published on www.abglobal.com: suspension of redemptions, termination of the management or liquidation of the Fund or a Portfolio, changes of the Articles which change the investment policy, fundamentally affect investor rights or change the fees and costs charged to the Fund, merger of a Portfolio or transformation of a Portfolio into a feeder fund.

Special risks resulting from tax documentation requirements in Germany: The Fund publishes the taxation basis for Germany in accordance with the German Investment Tax Act (Investmentsteuergesetz, "InvStG") in the *Bundesanzeiger* (Federal Gazette) www.bundesanzeiger.de. The Fund is required to provide documentation to the German fiscal authorities upon request in order to verify the accuracy of the information on the taxation basis published. The basis upon which such figures are calculated is subject to interpretation and it cannot be guaranteed that the German fiscal authorities will accept the Fund's calculation methodology in every material aspect. If mistakes made in the past are identified, correction of such mistakes will generally not be effected retroactively but will only be taken into account in the publication for the current financial year. The correction may positively or negatively affect the shareholders who receive a distribution or an attribution of deemed income distributions in the current financial year.

Hong Kong

The Hong Kong representative of the Fund is AllianceBernstein Hong Kong Limited of Suite 3401, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong (the "Hong Kong Representative"). The Hong Kong Representative is authorized to receive requests from Hong Kong investors (including Shareholders) for subscription for Shares and receive requests from Shareholders in Hong Kong for redemption of Shares. The Hong Kong Representative will forward such requests to the Transfer Agent upon receipt. The Hong Kong Representative has, however, no authority to agree, on behalf of the Fund, that requests will be accepted. The Hong Kong Representative and the Fund cannot, in absence of negligence, accept responsibility for any failure by the Hong Kong Representative to forward any application, exchange or redemption instruction of the Fund or for any delay in doing so.

Italy

BNP Paribas Securities Services SA, Milan Branch, with offices at Via Ansperto 5, Milan, Allfunds Bank, S.A., Milan branch, with offices at Via Santa Margherita 7, Milan and Société Générale Securities Services S.p.A., with offices at Via Santa Chiara 19, Turin, are the paying agents for the Fund in Italy. The Prospectus, the KIIDs, and the documents indicated therein may be obtained at the paying agents' and the placement agents' premises.

The paying agents in Italy may charge a commission in respect of each request for subscription, exchange or redemption of shares.

Netherlands

CACEIS Bank Luxembourg Amsterdam Branch (formerly Fastnet Netherlands N.V.), De Ruyterkade 6-i, 1013 AA Amsterdam, P.O. Box 192, 1000 AD Amsterdam, is the local representative, or information agent, in the Netherlands. The Prospectus, the KIIDs, and the Articles of the Fund may be obtained free of charge at the office of the information agent. Further shareholder information, if any, is available for inspection at the information agent's office. Changes in the conditions of the Fund and the Portfolio will be notified to Dutch investors through a publication in a Dutch national newspaper. The Fund has been registered by the Authority for the Financial Markets in the Netherlands.

Singapore

Copies of the Fund's Prospectus, Articles and the latest annual and semi-annual reports are available for inspection, free of charge, at 30 Cecil Street, #28-01 Prudential Tower, Singapore 049712, the registered office of the Singapore representative, AllianceBernstein (Singapore) Ltd., during normal Singapore business hours.

Spain

The Fund's Prospectus, the Articles, the KIIDs, the marketing memorandum, the annual report and semi-annual report may be obtained free of charge from Allfunds Bank, S.A. at calle Nuria no. 57, Colonia Mirasierra, 28034 Madrid or the relevant sub-distributor at its registered office, a list of which may be obtained at the CNMV website. Changes in the conditions of the Fund and the Portfolios will be notified to Spanish investors.

Sweden

The Fund has been notified to the Swedish Financial Supervisory Authority of its intention to distribute its shares in Sweden.

Skandinaviska Enskilda Banken AB (publ), with its principal offices at Kungsträdgårdsgatan 8, SE-106 40 Stockholm, Sweden, is the paying agent for the Fund in Sweden (the "Swedish Paying Agent"). The Fund's Prospectus, the KIIDs relating to the portfolios of the Fund, the Articles and annual and semi-annual reports may be obtained either from our website www.abglobal.com or from the Swedish Paying Agent.

Applications for redemptions or conversions of shares may be submitted to the Swedish Paying Agent. Upon request redemption payments, dividend payments or other payments to Swedish shareholders may also be effected through the Swedish Paying Agent.

Switzerland

1. Representative and Paying Agent

The Representative and Paying Agent of the Fund in Switzerland is BNP Paribas Securities Services, Paris, S.C.A. succursale de Zurich, Selnaustrasse 16, 8002 Zurich, Switzerland (the "Swiss Representative").

2. Location where the relevant documents may be obtained

The Prospectus, KIIDs relating to the portfolios of the Fund, the Articles and the annual and semi-annual reports of the Fund may be requested without cost at the offices of the Swiss Representative.

3. Publications

The Fund's publications in Switzerland are made on www.fundinfo.com. Each time Shares are issued or redeemed, the issue and redemption prices of the Shares of all of the portfolios of the Fund, respectively the Net Asset Value per Share (with the mention "excluding commissions"), are published jointly and on a daily basis on www.fundinfo.com.

4. Payment of retrocessions and rebates

The Management Company and its agents on behalf of the Fund may pay retrocessions as remuneration for distribution activity in respect of Shares of the Fund distributed in or from Switzerland. This remuneration may be deemed payment for the following services in particular:

- Client relations and management of investor accounts and activity;
- Assistance in marketing Shares of the Fund and assessment of suitability of Shares for investors; and
- Cooperation in respect of regulatory compliance, AML and other laws applicable to investor accounts.

Retrocessions are not deemed to be rebates even if they are ultimately passed on, in full or in part, to the investors.

The recipients of the retrocessions must ensure transparent disclosure and inform investors, unsolicited and free of charge, about the amount of remuneration they may receive for distribution.

On request, the recipients of retrocessions must disclose the amounts they actually receive for distributing the collective investment schemes of the investors.

In the case of distribution activity in or from Switzerland, the Management Company and its agents may, upon request, pay rebates directly to investors. The purpose of rebates is to reduce the fees or costs incurred by the investor in question. Rebates are permitted provided that

- they are paid from fees received by the Management Company and therefore do not represent an additional charge on the Fund assets;
- they are granted on the basis of objective criteria; and
- all investors who meet these objective criteria and demand rebates are also granted these within the same timeframe and to the same extent.

The objective criteria for the granting of rebates by the Management Company are as follows:

- the volume subscribed by the investor or the total volume they hold in the collective investment scheme or, where applicable, in the product range of the promoter;

- support provided in the launch phase of the Fund;
- strategic market of the investor; and
- legal and regulatory considerations applicable to an investor.

At the request of the investor, the Management Company must disclose the amounts of such rebates free of charge.

5. Place of performance and jurisdiction

In respect of the Shares distributed in and from Switzerland, the place of performance and the place of jurisdiction is the registered office of the Swiss Representative.

United Kingdom

General

This Supplement should be read in conjunction with the Fund's Prospectus, of which it forms part. References to the "Prospectus" are to be taken as references to that document as supplemented or amended hereby.

Potential investors should note that the investments of the Fund are subject to risks inherent in investing in shares and other securities. The risks associated with an investment in the Fund are set out in "Risk Factors" above.

The value of investments and the income from them, and therefore the value of, and income from, the Shares of each class can go down as well as up and an investor may not get back the amount he invests. Changes in exchange rates between currencies may also cause the value of the investment to diminish or increase.

UK Taxation

The summary below is intended to be a general outline of the anticipated United Kingdom tax treatment applicable to Shareholders who are resident and domiciled (in the case of individuals) in the UK and are the beneficial owners of their Shares.

The Fund. The Board of Directors intends that the affairs of the Fund will be managed and conducted so that it should not be regarded as resident in the UK for taxation purposes. Provided that the Fund does not carry on a trade through a permanent establishment in the UK it will not be subject to UK tax on income and capital gains, save that interest and certain other income that has a UK source may be subject to withholding taxes in the UK.

If payments made by a Luxembourg paying agent have been subject to Luxembourg withholding tax, certain Shareholders may be able to obtain credit for or repayment of such withholding tax.

Shareholders. Under the UK offshore funds rules, the Shares will constitute interests in an offshore fund and each class of Shares will be treated as a separate offshore fund. If a Shareholder holds an interest in a class that is not a "reporting fund" continuously throughout the period during which the Shareholder holds their interest, any gain accruing to the Shareholder upon the sale, redemption or other disposal of that interest (such as an exchange between classes of Shares) will be taxed as an "offshore income gain" subject to tax as income, rather than as a capital gain. There is an exception to this rule for any class that does not qualify as a reporting fund but is broadly invested almost entirely (at least 90%) in unlisted trading companies.

Subject to their personal circumstances, Shareholders will be liable to UK income tax or corporation tax in respect of dividends or other distributions of income paid or treated as paid by the Fund, whether or

not such distributions are reinvested. This may result in tax being payable on amounts which are treated as distributed for the purposes of UK taxation but are not in fact paid to Shareholders by the Fund.

Distributions are usually taxable for individuals at the rates applicable to dividends, or benefit from exemption for companies (depending on the circumstances). An offshore fund making an actual or deemed distribution will however be treated as making an interest distribution (taxed at the rates applicable to interest income), if at any point during the relevant period the market value of the Fund's qualifying investments (broadly speaking interest bearing assets including, for example, money placed at interest, debt securities, certain interests in entities invested in such assets and particular types of derivative contract) exceeds 60% of the market value of all the assets of the Fund (excluding cash awaiting investment). The existing Portfolios are unlikely to cross this 60% threshold.

Certification as a reporting fund will only be sought in respect of the classes of shares listed in the table below, and accordingly any gain arising on a disposal of Shares of non-reporting classes will normally constitute income. In computing such gains, amounts reinvested which have been subject to United Kingdom tax as income can be added to the cost of the Shares disposed of and, as a result, reduce any liability to taxation on disposal. Losses on disposals will be eligible for capital gains loss relief.

UK Shareholders with an interest in a class that does not have reporting fund status will, prior to disposal, only be chargeable to tax on distributions received (or reinvested on their behalf).

The Board has obtained UK reporting fund status in respect of the following classes of Shares of the Fund at the date of this prospectus ("Relevant Shares") and intend to comply with the regime going forward (although there can be no guarantee that this status will continue to be available):

Portfolio	Share Class	Currency
N/A	N/A	N/A

If the Relevant Shares have been certified as having reporting fund status continuously throughout the period of investment of a holder of such shares (a "Relevant Shareholder"), and provided the Relevant Shares are not held as trading stock, the gain on disposal (by sale, transfer or redemption including exchange between classes) of Relevant Shares by Relevant Shareholders should be subject to capital gains tax for individuals (reduced by annual exemption) or corporation tax on chargeable gains for corporate bodies (reduced by indexation allowance). Losses on disposals of shares will be eligible for capital gains loss relief.

For such time as the Relevant Shares remain certified as having reporting fund status, the Fund will be required to calculate on an annual basis the income (excluding capital gains) directly attributable to the individual classes of Relevant Shares as set out in the Regulations and "report" that income to the Relevant Shareholders. Income reported to Relevant Shareholders in this way will be treated as though it were in fact distributed, such that Relevant Shareholders on the register on the last day of the period will be subject to tax on this deemed distribution as at the "fund distribution date" (*i.e.* the date six months after the last day of the reporting period) or such earlier

date as the reported income is recognised in the Shareholder's accounts.

Relief will be available for these reported but undistributed amounts when the Relevant Shareholder ultimately calculates their capital gain on disposal of Relevant Shares, such that these amounts will not be subject to UK taxation a second time.

The Fund will operate full equalisation arrangements and, therefore, in the first period in which subscription for Relevant Shares takes place any equalisation amount (which represents income accrued and reflected in the subscription price at the time of subscription) will be offset for UK tax purposes, first, against any excess of reported income over distributions actually made to the Relevant Shareholder (reducing the amount of such excess treated as additional distributions subject to tax in their hands); and second, against the amount of any actual distributions made to the Relevant Shareholder (reducing the amount of those distributions subject to tax in their hands). If and to the extent that the equalisation amount reduces the taxable amount of any actual distributions, that amount should be treated as a return of capital to the Relevant Shareholder and deducted from the acquisition cost of the Relevant Shares. The Fund will provide information as to the equalisation amount to be used by Shareholders for the purposes of computing their UK tax liabilities.

Where a UK resident Shareholder holds Shares in the Fund at the date on which those Shares become Relevant Shares for the first time (notably, where a non-reporting fund becomes a reporting fund), or cease to be Relevant Shares (where a class is withdrawn from the reporting fund regime), it may be necessary for the Shareholder to file an election along with his tax return for that year. This election would result in a deemed disposal and reacquisition of the shares at that date for tax purposes and allow Shareholders to benefit from reporting fund status going forward (by crystallising any accrued offshore income gains) or benefit from reporting fund status up to the date that the shares leave the regime (by crystallising any accrued capital gains), as applicable.

If at any time in an accounting period an investor within the charge to UK corporation tax holds an interest in an offshore fund, and there is a time in that period when the fund fails to satisfy the 60% test referred to above, the interest held by such a corporate investor will be treated for the accounting period as if it were rights under a creditor relationship for the purposes of the rules relating to the taxation of corporate debt. As a consequence a corporate Shareholder would be required to adopt a fair value basis of accounting in respect of the taxation of the holding and may, depending on its own circumstances, incur a charge to corporation tax on an unrealised increase in the value of its holding of Shares (and, likewise, obtain relief against corporation tax for an unrealised reduction in the value of its holding of Shares).

There are certain additional circumstances under which Shares held by a corporate Shareholder within the charge to UK corporation tax may be treated as if they were rights under a creditor relationship even if this would otherwise not be the case. Where the Shares are treated as rights under a creditor relationship, the provisions relating to reporting funds would not then apply to such corporate Shareholders.

The UK controlled foreign companies rules can cause a proportion of the profits of non-UK resident companies, which are controlled by persons resident in the UK, to be imputed to and taxed upon UK companies which have a relevant interest in the non-UK resident company. No such apportionment of profits to such a Shareholder

will currently take place unless the Shareholder (and persons connected with that holder) would have at least 25% of the Fund's profits apportioned to it on a "just and reasonable" basis. The legislation is not directed towards the taxation of capital gains. The UK controlled foreign company rules are currently under review.

It is intended that shareholdings in the Fund will ultimately be such that the close company rule for offshore entities will not apply, but if it were to apply (which might be the case, especially in its first accounting year) it may result in certain Shareholders being treated for the purposes of UK taxation of chargeable gains as if a part of any chargeable gain accruing to the Fund had accrued to that Shareholder directly.

The attention of individual Shareholders is drawn to certain provisions aimed at preventing the avoidance of income tax through a transfer of assets which results in income becoming payable to persons (including companies) resident or domiciled outside the UK, and may render them liable to income tax in respect of the undistributed income or profits of the Fund on an annual basis.

Special rules apply to certain categories of United Kingdom investors, including pension funds, insurance companies, investment trusts, authorised unit trusts and open ended investment companies.

Important

A United Kingdom investor who enters into an investment agreement with the Fund to acquire Shares in response to the Prospectus will not have the right to cancel the agreement under the cancellation rules made by the Financial Conduct Authority ("FCA"). The agreement will be binding upon acceptance of the order by the Fund.

The Fund does not carry on any regulated activity from a permanent place of business in the United Kingdom and United Kingdom investors are advised that most of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Fund. Shareholders in the Fund may not be protected by the Financial Services Compensation Scheme established in the United Kingdom. The registered address of the Company is set out in the "Directory" to the Prospectus.

Dealing Arrangements and Information

AllianceBernstein Limited (the "Facilities Agent") will act as the facilities agent for the Fund in the United Kingdom and it has agreed to provide certain facilities at its offices at 50 Berkeley Street, London, W1J 8HA, United Kingdom, in respect of the Fund.

Publication of Information

The Net Asset Value per Share of each class of Shares is available on each Business Day at the registered office of the Fund and from the Facilities Agent by telephone on +44-207-470-0100 and at its above-mentioned offices. Details of the determination of the Net Asset Value per Share are set out in the paragraph entitled "Determination of the Net Asset Value of Shares" above.

Subscription and Redemption Procedures

The attention of investors is drawn to the purchase and redemption procedures set out above in the sections entitled "Purchase of Shares" and "Redemption of Shares", in particular with regard to the deadline for receipt of purchase orders or redemption requests for Shares on a Trade Date. Orders for the purchase of Shares and redemption requests should be sent to the Management Company's transfer agent

division, details of which are contained in the Directory to the Prospectus.

Documents Available For Inspection

Copies of the following documents may be inspected free of charge during usual business hours on any week day (Saturday and public holidays excepted) at the offices of the Facilities Agent:

- (a) the Articles of Association of the Fund and any amendments thereto;
- (b) the Prospectus most recently issued by the Fund together with any supplements;
- (c) the KIIDs most recently issued by the Fund; and
- (d) the most recently published annual and half yearly reports relating to the Fund.

The above documents may be delivered to interested investors at their

request.

Facilities available at this address are:

- Payments of dividends
- Details/copies of notices to participants
- Nature of right represented by the Shares
- Details of voting rights.

Complaints about the operation of the Fund may be submitted to the Fund directly or through the Facilities Agent at the above-mentioned address.

Glossary

AB funds account means a notional account established by the Management Company or the Transfer Agent for each Shareholder and reflecting all his or her shareholdings in AB funds

AB funds means the collective investment undertakings distributed under the service mark "AB" and sponsored by AllianceBernstein L.P.

AB Group means AllianceBernstein L.P. and its subsidiaries and affiliates

Administration Agreement means the agreement between the Management Company and the Administrator

Administrator means State Street Bank Luxembourg S.C.A.

ADRs means American Depositary Receipts

Articles means the latest version of the Articles of Incorporation of the Fund

Board or Board of Directors means the board of directors of the Fund

Business Day means any day when both the New York Stock Exchange and Luxembourg banks are open for business, unless otherwise provided for in the Portfolio Details of a specific Portfolio

CDSC Shares means Shares possessing a contingent deferred sales charge

CSSF means the *Commission de Surveillance du Secteur Financier*, the regulatory and supervisory authority in Luxembourg

Currency of the Portfolio means the base currency of a portfolio in which its accounting records are kept as indicated in the Portfolio Details of that Portfolio

dealer means, as the context requires, broker-dealers, banks, registered investment advisers, independent financial advisers and other financial intermediaries with whom the Distributor has agreements

Depositary means State Street Bank Luxembourg S.C.A.

Depositary Agreement means the agreement between the Fund and the Depositary

Distributor means the Management Company or AllianceBernstein Investments, a unit of the Management Company

EDRs means European Depositary Receipts

Eligible State means any EU Member State, any member state of the Organisation for Economic Co-operation and Development ("OECD"), and any other state which the Management Company deems appropriate with regard to the investment objectives of each Portfolio

EU means the European Union

Fund means AB SICAV II, an open-ended investment company with variable capital (*société d'investissement à capital variable*) incorporated under the laws of the Grand Duchy of Luxembourg

GDRs means Global Depositary Receipts

Interested Party means a member of the AB Group

Investment Grade means fixed-income securities rated Baa3 or higher by Moody's or BBB- or higher by S&P or Fitch, or the equivalent thereof by at least one recognized rating agency. If a security is unrated, the Investment Manager will apply, in its discretion, a credit rating it deems appropriate. For split credit ratings, the lower rating shall apply

Investment Management Agreement means the agreement between the Management Company and the Investment Manager relating to the Fund

Investment Manager means AllianceBernstein L.P., a Delaware limited partnership

IRC means the U.S. Internal Revenue Code of 1986, as amended

IRS means the United States Internal Revenue Service

KIID means the key investor information documents of a Portfolio

Management Company means AllianceBernstein (Luxembourg) S.à r.l., a *société à responsabilité limitée* organized under the laws of the Grand Duchy of Luxembourg

Management Company Agreement means the agreement between the Management Company and the Fund

Mémorial means the *Mémorial C, Recueil des Sociétés et Associations*

NAV or Net Asset Value means the value of the total assets of a Portfolio less the total liabilities of such Portfolio as described under "Determination of the Net Asset Value of Shares"

OECD means the Organization for Economic Cooperation and Development

Offered Currency means, for a Portfolio, each currency in which the Shares are offered, as indicated in the Portfolio Details of such Portfolio

Order Cut-off Time means the time by which orders for purchase, exchange, or redemption of Shares must be received on each Business Day. The Order Cut-off Time is generally 6:00 p.m. Central European Time on each Business Day, unless stated otherwise in the Portfolio Details for a Portfolio

Portfolio means a portfolio of the Fund constituting a separate pool of assets as identified in this Prospectus

Prospectus means this prospectus of the Fund as it may be amended or supplemented from time to time

Regulated Market means a market falling within the definition of item 14 of Article 4 of the European Parliament and the Council Directive 2004/39/EC of 21 April 2004 on market in financial instruments, as well as any other market in an Eligible State which is regulated, operates regularly and is recognized and open to the public

RESA means the *Recueil Electronique des Sociétés et Associations*

Shareholder means an owner of Shares, as reflected in the shareholder register of the Fund, in respect of one or more Portfolios, as the context requires

Shares means shares of any class and Portfolio of the Fund

Sub-Investment Manager means such sub-investment manager appointed from time to time by the Investment Manager in respect of a Portfolio as described in "Management and Administration" above

total assets means total net assets of the Portfolio as the context requires

Trade Date means the Business Day as of which any transaction in Shares (purchase, redemption or exchange) for a Portfolio is recorded in the Shareholder register of the Fund, in respect of one or more Portfolios, as the context requires, as having been accepted

Transfer Agent means the Management Company or AllianceBernstein Investor Services, a unit of the Management Company, the Fund's registrar and transfer agent

UCI means an Undertaking for Collective Investment

UCITS means an open-end mutual investment fund or investment company qualifying as an undertaking for collective investment in transferable securities

UCITS Law means the law of 17 December 2010 on undertakings for collective investment, as amended

United States means the United States of America or any of its territories or possessions or any area subject to its jurisdiction, including the Commonwealth of Puerto Rico

U.S. Person means (i) with respect to any person, any individual or entity that would be a U.S. Person under Regulation S promulgated under the U.S. Securities Act of 1933, as amended; (2) with respect to individuals, any U.S. citizen or "resident alien" within the meaning of U.S. income tax

laws as in effect from time to time; or (iii) with respect to persons other than individuals, (A) a corporation or partnership created or organized in the United States or under the laws of the United States or any U.S. state; (B) a trust where (I) a U.S. court is able to exercise primary supervision over the administration of the trust and (II) one or more U.S. persons have the authority to control all substantial decisions of the trust; and (C) an

estate which is subject to U.S. tax on its worldwide income from all sources

Valuation Point means the point in time at which the Net Asset Value per Share is calculated with respect to a Business Day, being 4:00 p.m. U.S. Eastern Time unless otherwise stated in the Portfolio Details of a Portfolio

Appendix A: Investment Restrictions

Investment Restrictions

The following restrictions apply individually to each Portfolio of the Fund and not in aggregate to the Fund as a whole, unless specifically so stated.

1.

a) The Fund may exclusively invest in:

- i. Transferable securities and money market instruments admitted to official listing on a Stock Exchange; and/or
- ii. Transferable securities and money market instruments dealt in on another Regulated Market; and/or
- iii. Recently issued transferable securities and money market instruments, provided that the terms of issue include an undertaking that application will be made for admission to official listing on a Regulated Market and such admission is secured within a year of the issue; and/or
- iv. Units of UCITS authorized according to Directive 2009/65/EC and/or other undertakings for collective investment (“UCI”) within the meaning of the first and second indent of Article 1, paragraph (2) of Directive 2009/65/EC, whether situated in an EU Member State or not, provided that:

- such other UCIs have been authorized under the laws of any member country of the European Union or under the laws of Canada, Hong Kong, Japan, Norway, Switzerland or the United States of America,

- the level of protection for unitholders in such other UCIs is equivalent to that provided for unitholders in a UCITS, and in particular that the rules on assets segregation, borrowing, lending, and uncovered sales of transferable securities and money market instruments are equivalent to the requirements of the Directive 2009/65/EC,

- the business of such other UCIs is reported in half-yearly and annual reports to enable an assessment of the assets and liabilities, income and operations over the reporting period;

and/or

- v. Deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in a country which is an OECD Member State provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in Community law; and/or

- vi. Financial derivative instruments, including equivalent cash-settled instruments, dealt in on a Regulated Market referred to in sub-paragraphs i) and ii) above, and/or financial derivative instruments dealt in over-the-counter (“OTC derivatives”), provided that:

- the underlying consists of instruments covered by this section 1) a), financial indices, interest rates, foreign exchange rates or currencies, in which the Portfolios may invest according to their investment objective;

- the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the

categories approved by the Luxembourg supervisory authority;

- the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Board’s initiative.

and/or

- vii. Money market instruments other than those dealt in on a Regulated Market, if the issue or the issuer of such instruments are themselves regulated for the purpose of protecting investors and savings, and provided that such instruments are:

- a. issued or guaranteed by a central, regional or local authority or by a central bank of an EU Member State, the European Central Bank, the EU or the European Investment Bank, a non-EU Member State or, in case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more EU Member States belong; or

- b. issued by an undertaking, any securities of which are dealt in on Regulated Markets referred to in 1) a) i) and ii) above; or

- c. issued or guaranteed by a credit institution which has its registered office in a country which is an OECD Member State provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in Community law; or

- d. issued by other bodies belonging to the categories approved by the CSSF provided that investments in such instruments are subject to investor protection equivalent to that laid down in a. b. or c. above and provided that the issuer is a company whose capital and reserves amount to at least ten million Euro (EUR 10,000,000) and which presents and publishes its annual accounts in accordance with the fourth Directive 78/660/EEC, is an entity which, within a group of companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitization vehicles which benefit from a banking liquidity line.

- b) In addition, the Fund may invest a maximum of 10% of the assets of any Portfolio in transferable securities and money market instruments other than those referred to under a) above.

2.

- a) The Fund may hold ancillary liquid assets

- b) The Fund will ensure that the global exposure relating to derivative instruments does not exceed the total net value of the Portfolio to which they apply.

The exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, foreseeable market movements and the time available to liquidate the positions. This shall also apply to the following subparagraphs.

The Fund may invest, as a part of investment policy of its Portfolios and within the limits laid down in paragraph 3) a), v) and vi) in financial derivative instruments provided that the exposure to the underlying assets does not exceed in aggregate the investment limit laid in paragraph 3). When the Fund on the behalf of any of its Portfolios invests in index-based financial derivative instruments, these investments do not have to be combined to the limits laid down in paragraph 3).

When a transferable security or money market instrument embeds a derivative, the latter must be taken into account when complying with the requirements of this item 2.

3.

a)

i. The Fund will invest no more than 10% of the assets of any Portfolio in transferable securities or money market instruments issued by the same issuing body.

The Fund may not invest more than 20% of the total assets of such Portfolio in deposits made with the same body.

The risk exposure to a counterparty of a Portfolio in an OTC derivative transaction may not exceed 10% of its assets when the counterparty is a credit institution referred to in 1) a) v) above or 5% of its assets in other cases.

ii. The total value of the transferable securities and money market instruments held by the Fund on behalf of the Portfolio in the issuing bodies in each of which it invests more than 5% of the assets of such Portfolio must not exceed 40% of the value of the assets of such Portfolio.

This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.

Notwithstanding the individual limits laid down in paragraph 3) a) i), the Fund may not combine for each Portfolio:

- investments in transferable securities or money market instruments issued by, and/or
 - deposits made with, and/or
 - exposures arising from OTC derivative transactions undertaken with a single body,
- in excess of 20% of its assets.

iii. The limit of 10% laid down in sub-paragraph 3) a) i) above will be increased to a maximum of 35% in respect of transferable securities or money market instruments which are issued or guaranteed by an EU Member State, its local authorities or agencies, or by another Eligible State or by public international bodies of which one or more EU Member States are members.

iv. The limit laid down in the first paragraph of 3) a) i) may be of a maximum of 25% for certain debt instruments when they are issued by a credit institution which has its registered office in the EU and is subject by law, to special public supervision designed to protect unitholders. In particular, sums deriving from the issue of these debt instruments must be invested in accordance with the law, in assets which, during the whole period of validity of the debt instruments, are capable of covering claims attached to said instruments and which, in case of bankruptcy of the issuer, would be used on a priority basis for the repayment of the principal and payment of accrued interest.

If a Portfolio invests more than 5% of its assets in the debt instruments referred to in the above paragraph and issued by one issuer, the total value of such investments may not exceed 80% of the value of the assets of the Portfolio.

v. The transferable securities and money market instruments referred to paragraphs iii) and iv) above shall not be included in the

calculation of the limit of 40% stated in paragraph 3) a) ii) above.

vi. The limits set out in sub-paragraphs i), ii) iii) and iv) may not be aggregated and, accordingly, investments in transferable securities or money market instruments issued by the same issuing body, in deposits or derivative instruments made with this body carried out in accordance with sub-paragraphs i), ii) iii) and iv) above may not, in any event, exceed a total of 35% of any Portfolio's assets;

Companies which are part of the same group for the purposes of the establishment of consolidated accounts, as defined in accordance with Directive 83/349/EEC or in accordance with recognized international accounting rules, are regarded as a single body for the purpose of calculating the limits contained in section 3) a).

A Portfolio may cumulatively invest up to 20% of the assets in transferable securities and money market instruments within the same group.

b)

i. Without prejudice to the limits laid down in section 4 below, the limits laid down in section 3 a) above are raised to a maximum of 20% for investments in shares and /or debt securities issued by the same body when, according to the prospectus, the aim of the Portfolios' investment policy is to replicate the composition of a certain stock or debt securities index which is recognized by the CSSF, on the following basis:

- the composition of the index is sufficiently diversified,
- the index represents an adequate benchmark for the market to which it refers,
- it is published in an appropriate manner

ii. The limit laid down in 3) b) i) above is raised to 35% where that proves to be justified by exceptional market conditions in particular in regulated markets where certain transferable securities or money market instruments are highly dominant.

iii. Notwithstanding the provisions outlined in section 3 a), the Fund is authorized to invest up to 100% of the assets of any Portfolio, in accordance with the principle of risk spreading, in transferable securities and money market instruments issued or guaranteed by an EU Member State, by its local authorities or agencies, or by another member state of the OECD or by public international bodies of which one or more EU Member States are members, provided that such Portfolio must hold securities from at least six different issues and securities from one issue do not account for more than 30% of the total assets of such Portfolio.

4.

a) The Fund may not acquire:

- i. Shares carrying voting rights which should enable it to exercise significant influence over the management of an issuing body; or
- ii. More than:
 - a) 10% of the non-voting shares of the same issuer; and/or
 - b) 10% of the debt securities of the same issuer; and/or
 - c) 25% of the units of the same UCITS and/or other UCI;

and/or

- d) 10% of the money market instruments of the same issuer;
- iii. The limits under 4) a) ii) b. c. and d. may be disregarded at the time of acquisition, if at that time the gross amount of the debt securities, or of money market instruments or units or the net amount of the instruments in issue cannot be calculated.
- b) Paragraphs 4 a) i) and 4 a) ii) above are waved as regards:
- i. transferable securities and money market instruments issued or guaranteed by an EU Member State or its local authorities;
- ii. transferable securities and money market instruments issued or guaranteed by a non-member state of the EU;
- iii. transferable securities and money market instruments issued by public international bodies of which one or more EU Member States are members;
- iv. Shares held by a Portfolio in the capital of a company incorporated in a non-member state of the EU which invests its assets mainly in the securities of issuing bodies having their registered office in that State, where under the legislation of that state, such a holding represents the only way in which the Portfolio can invest in the issuing bodies of that State. This derogation, however, shall apply only if in its investment policy the company from the non-Member State of the EU complies with the limits laid down in 3) a), 4) a) i) and ii), and 5).
- v. Shares held by one or more investment companies in the capital of subsidiary companies which, exclusively on its or their behalf carry on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the redemption of Shares at the request of Shareholders.
- 5.
- a) The Fund may not invest more than 10% of the net assets of a Portfolio in units or shares of UCITS or other UCIs unless otherwise provided for in the relevant Portfolio Details relating to the investment policy of a specific Portfolio. In the latter case the following investment restrictions will apply:
- The Fund may acquire units of the UCITS and/or other UCIs as defined under paragraph (1) a) (iv), provided that no more than 20% in total of a Portfolio's assets be invested in the units of a single UCITS and/or other UCI. For the purpose of the application of this investment limit, each compartment of a UCITS or other UCI with multiple compartments is to be considered as a separate issuer provided that the principle of segregation of the obligations of the various compartments vis-à-vis third parties is ensured.
- Investments made in units of UCIs other than UCITS may not in aggregate exceed 30% of the assets of the UCITS.
- b) When the Fund invests in the units of other UCITS and/or other UCIs linked to the Fund by common management or control, or by a substantial direct or indirect holding, or managed by a management company linked to the Management Company, no subscription or redemption fees may be charged to the Fund on account of its investment in the units of such other UCITS and/or UCIs.
- In respect of a Portfolio's investments in UCITS and other UCIs linked to the Fund as described in the preceding paragraph,

double-charging of fees will not occur, unless otherwise provided for in the relevant Portfolio Details relating to a specific Portfolio. The Fund will indicate in its annual report the total management fee charged both to the relevant Portfolio and to the UCITS and other UCIs in which such Portfolio has invested during the relevant period.

- c) The underlying investments held by the UCITS or other UCIs in which the Fund invests do not have to be considered for the purpose of the investment restrictions set forth under 3) a) above.
- 6) In addition the Fund will not:
- a) Make investments in precious metals or certificates representing them;
- b) Purchase or sell real estate or any option, right or interest therein, provided the Fund may invest in transferable securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein;
- c) Carry out uncovered sales of transferable securities or other financial instruments, money market instruments or UCITS and/or other UCIs referred to above;
- d) Make loans to – or act as guarantor on behalf of – third parties, provided that this restriction shall not prevent the Fund from:
- i. Lending of its portfolio securities and
- ii. acquiring transferable securities, money market instruments or other financial instruments referred to in paragraph 1) a) iv), vi) and vii), which are not fully paid.
- e) Borrow for the account of any Portfolio amounts in excess of 10% of the total assets of that Portfolio taken at market value, any such borrowings to be from banks and to be effected only as a temporary measure for exceptional purposes including the redemption of Shares. However, the Fund may acquire foreign currency by means of a back-to-back loan;
- f) Mortgage, pledge, hypothecate or otherwise encumber as security for indebtedness any securities held for the account of any Portfolio, except as may be necessary in connection with the borrowings mentioned above, and then such mortgaging, pledging, or hypothecating may not exceed 10% of the asset value of each Portfolio. In connection with OTC transactions including amongst others, swap transactions, option and forward exchange or futures transactions, the deposit of securities or other assets in a separate account shall not be considered a mortgage, pledge or hypothecation for this purpose;
- g) Underwrite or sub-underwrite securities of other issuers;
- h) Make investments in any transferable securities involving the assumption of unlimited liability;
- 7) To the extent that an issuer is a legal entity with multiple compartments where the assets of a compartment are exclusively reserved to the investors in such compartment and to those creditors whose claim has arisen in connection with the creation, operation or liquidation of that compartment, each compartment is to be considered to be a separate issuer for the purpose of the application of the risk-spreading rules set out in 3) a); 3) b) i) and ii); and 5) above.
- 8) A Portfolio of the Fund may subscribe, acquire and/or hold Shares to be issued or issued by one or more Portfolios of the Fund (the "Target Portfolio(s)") under the condition that:

- the Target Portfolio(s) do(es) not, in turn, invest in the Portfolio;
 - no more than 10% of the assets of the Target Portfolio(s) whose acquisition is contemplated may be invested in units of other funds;
 - in any event, for as long as these Shares are held by the Portfolio, their value will not be taken into consideration for the calculation of the net assets of the Fund for the purposes of verifying the minimum threshold of the net assets imposed by the UCITS Law; and
 - there is no duplication of management/subscription or redemption fees between those at the level of the Portfolio and the Target Portfolio(s).
- 9) During the first six months following its launch, a new Portfolio may derogate from restrictions 3) and 5) while ensuring observance of the principle of risk-spreading.
- 10) Each Portfolio must ensure an adequate spread of investment risks by sufficient diversification.
- 11) The Fund will in addition comply with such further restrictions as may be required by the regulatory authorities in the countries in which the Shares are marketed.

Master Feeder Structure. Notwithstanding the above and under the conditions laid down by the UCITS Law and regulations, each Portfolio may act as a feeder fund (the “Feeder”) of a UCITS or of a portfolio of such UCITS (the “Master”), which shall neither itself be a feeder fund nor hold units/shares of a feeder fund. In such a case the Feeder shall invest at least 85% of its assets in shares/units of the Master.

The Feeder may not invest more than 15% of its assets in one or more of the following:

- (a) ancillary liquid assets in accordance with Article 41 (2), second paragraph of the UCITS Law;
- (b) financial derivative instruments, which may be used only for hedging purposes, in accordance with Article 41 (1) g) and Article 42 (2) and (3) of the UCITS Law;

When a Portfolio qualifying as a Feeder invests in the shares/units of a Master, the Master may not charge subscription or redemption fees on account of the Portfolio’s investment in the shares/units of the Master.

Should a Portfolio qualify as a Feeder, a description of all remuneration and reimbursement of costs payable by the Feeder by virtue of its investments in shares/units of the Master, as well as the aggregate charges of both the Feeder and the Master, shall be disclosed in the relevant section of the Prospectus relating to such Portfolio.

Note on Investment Restrictions. The Management Company need not comply with the investment limit percentages set forth above when exercising subscription rights attaching to transferable securities or money market instruments which form part of the assets

of the Fund.

If, by reason of subsequent fluctuations in values of the Fund’s assets or as a result of the exercise of subscription rights, the investment limit percentages above are infringed, priority will be given, when sales of securities are made, to correcting the situation, having due regard to the interests of Shareholders.

The Management Company may from time to time impose further investment restrictions as are compatible with or in the interest of the Shareholders, in order to comply with the laws and regulations of the countries where the Shares are sold.

If provided otherwise in the Portfolio details of a specific Portfolio, the Fund may derogate from the above investment restrictions to the extent that it does not exceed any investment restriction under Luxembourg law.

Taiwan Investment Restrictions. For a Portfolio registered with the Taiwan Securities and Futures Bureau, the following shall apply in addition to the Investment Restrictions set out in the Prospectus. The total value of the non-offset short position in derivatives shall not exceed the total market value of the relevant securities held by the Portfolio and the total value of the non-offset long position in derivatives shall not exceed 40% of the Net Asset Value of such Portfolio (determined in accordance with any applicable interpretations from the Taiwan Securities and Futures Commission).

In addition, the following restrictions shall apply to investments related to the People’s Republic of China (“PRC”): a Portfolio’s direct investment in securities issued in the PRC’s securities markets is limited to listed securities and the total amount of such investment is not permitted to exceed 10% of the Net Asset Value of such Portfolio.

Restrictions on Investments in Korea. For a Portfolio registered with the Korean Financial Services Commission, such Portfolio may invest no more than 40% of its net assets in Korean Won-denominated assets.

Restrictions on Investments in Russia. Currently, certain markets in Russia do not qualify as regulated markets under the Fund’s investment restrictions, and, therefore, investments in securities dealt on such markets are subject to the 10% limit set forth in paragraph (5) above (however, exposure to Russia through other regulated markets is not subject to this restriction). As of the date of this Prospectus, the Russian Trading Stock Exchange and the Moscow Interbank Currency Exchange qualify as regulated markets under the Fund’s investment restrictions.

Controversial Weapons Policy. The Management Company arranges for the screening of companies globally for their corporate involvement in anti-personnel mines, cluster munitions and/or munitions made with depleted uranium. Where such corporate involvement has been verified, the Management Company’s policy is not to permit investment in securities issued by such companies by the Fund.

Appendix B: Sub-Classes and Currency Hedged Share Classes*

The Portfolios of the Fund offer the sub-classes and currency hedged share classes listed below. For further information about sub-classes and currency hedging, please see “Share Class Features” in the General Information of the Fund.

Multi-Strategy Alpha Portfolio

<u>Unhedged</u>	<u>EUR Hedged</u>	<u>CHF Hedged</u>
A	A EUR H	A CHF H
I	I EUR H	
S, SQD, S1		

Diversified Equity Alpha Portfolio

<u>Unhedged</u>	<u>EUR Hedged</u>	<u>CHF Hedged</u>
A	A EUR H	A CHF H
I		
S, S1		
Z		

China Bond Portfolio

<u>Unhedged</u>	<u>EUR Hedged</u>
A2	A2 EUR H
I2	I2 EUR H
SA, S1	S1 EUR H

China Equity Portfolio

<u>Unhedged</u>	<u>EUR Hedged</u>
A	A EUR H
I	I EUR H
S, S1	S1 EUR H

AB Kynikos Portfolio

<u>Unhedged</u>	<u>MN Hedged Share Classes</u>
A	A MN
I	I MN
F	F MN
S1	S1 MN

* Fees and expenses applicable to share sub-classes offered by a Portfolio are equivalent to corresponding share class to which such share sub-classes relate.

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