



**Overall Morningstar Rating™**  
Advisor Class Shares



Rated against 1244 funds in the Large Growth Category, based on risk-adjusted returns.

## AB LARGE CAP GROWTH FUND

Advisor Class: APGYX

### MARKET OVERVIEW

Despite increased tension between the US and China, stocks continued their dramatic rally off of March lows, fueled by optimism around the reopening of the global economy following COVID-19 shutdowns. Growth stocks continued to assert their dominance for much of the month, with the Russell 1000 Growth Index generating a total return of 6.71%, in US-dollar terms. However, performance broadened out. Small cap stocks, as measured by the Russell 2000 Index, outperformed large cap stocks. Also, during the last week of the month, value outperformed growth considerably but ultimately lagged for the month and remains down significantly for the year to date.

Market participants continue the debate of growth versus value, but we believe that a sustained rally in small cap and value stocks could send strong signals about the prospects for an economic recovery and improve the fundamental health of businesses more broadly.

We used the extreme market weakness in February and March to rerisk the Fund on more attractive terms of trade. During the month of May, the Fund was rewarded for that activity, rising in absolute terms and outperforming the Russell 1000 Growth by a wide margin. We are satisfied with our relative performance in this risk-on market, especially considering the Fund's relatively conservative sector positioning being overweight healthcare and underweight technology. The list of unknowns remains long and includes the pace of normalization as containment measures continue to ease and the second-order economic impact of lost income and demand. We are not ignoring the near-term challenges facing our companies, but we continue to focus on their long-term prospects to best position the Fund to outperform beyond the lockdown and the inevitable recovery.

### RECAPPING THE EARNINGS SEASON AND LOOKING AHEAD

With earnings season coming to a close, we're largely pleased with the strong fundamental performance for our portfolio of companies. As is always the case, we're focused less on the quarterly earnings beats and misses and more on whether a company's results are supportive of our long-term thesis. This process almost always

identifies key researchables that we want to better understand in the maintenance of our conviction. Given the ongoing challenges related to the COVID-19 pandemic, we're continuing to focus on management's ability to manage costs and sustain investment spending to achieve long-term growth aspirations. In situations where our fundamental conviction has waned, we'll look to exit positions like we did in April with the retailer Five Below. In the near-term the company is disadvantaged given its lack of an online presence and its reliance on in-store retail foot traffic. Five Below also sources many of its products from China, so increasing US-China tensions pose additional longer-term risks for the business.

### PAYPAL: ENABLING THE SHIFT FROM IN-STORE TO ONLINE RETAIL

As the COVID-19 pandemic unfolded in March and April, consumers and businesses were forced to shift their shopping habits, moving from in-store purchases to online. Initially, PayPal saw revenues from travel and transportation decline given the imposition of stay-at-home orders. However, trends improved in April and May. In April, the company added 7.4 million net new accounts, and revenue and transaction volume increased considerably (volumes up over 40%) despite meaningful declines in consumer spending more broadly. Importantly, management commented that the demand for contactless and electronic payment solutions has increased, and it has accelerated several of its planned product rollouts, including in-store contactless payments. Shares rose considerably following the update.

PayPal is also helping to facilitate the distribution of government aid by participating in the federal Paycheck Protection Program, providing emergency loans to small businesses impacted by COVID-19, and by helping to distribute stimulus checks to customers through PayPal and Venmo. Participation in these programs is helping PayPal to further expand its network and provide necessary access to the financial system for those under- and unbanked individuals.

As a reminder, our long-term thesis for PayPal centers around the continued digitization of payments as people move from cash-based transactions to digital payments. We believe that PayPal is an

**Past performance does not guarantee future results.** Morningstar ratings are specific metrics of performance and do not represent absolute performance of any fund. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance, placing more emphasis on downward variations and rewarding consistent performance. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its three-, five- and ten-year (if applicable) Morningstar Rating metrics. The Fund was rated 5, 5 and 5 stars against 1244, 1084 and 814 funds in the category for the three-, five- and ten- year periods, respectively. The Fund's other share classes may have different performance characteristics.

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**Investors should consider the investment objectives, risks, charges and expenses of the Fund/Portfolio carefully before investing. For copies of our prospectus or summary prospectus, which contain this and other information, visit us online at [www.abfunds.com](http://www.abfunds.com) or contact your AB representative. Please read the prospectus and/or summary prospectus carefully before investing.**

extremely well-positioned pure-play fintech company. Its two-sided network of consumers and merchants is large and growing rapidly, and we believe that this network growth will be further amplified by the COVID-19 pandemic. As PayPal rolls out new services, we believe it will be able to further monetize its network, growing operating earnings and profitability considerably.

**ALLEGION: MAINTAINING CULTURAL AND FUNDAMENTAL CONVICTION**

In another strong month of performance for the market, Allegion, maker of products such as electronic locks, was the leading detractor. While shares appreciated, the company underperformed the broader market. Late in the month, a sell-side analyst downgraded the company on concerns that a stretch of strong fundamental performance might face headwinds post-COVID given the company's larger exposure to US nonresidential construction.

While it's true that nonresidential construction has seen a strong period of growth in the US, we continue to maintain cultural and fundamental conviction in Allegion. We are believers that, while demand may slow from levels seen in previous years, it will persist and Allegion will continue to gain share as businesses and institutions, such as universities, enhance security and shift toward electronic locks. Internet-enabled electronic locks are an increasingly large

component of its business and are growing at a double-digit rate. Additionally, we recently engaged the company on its cultural resilience and came away impressed. Management is focused on compensating employees to encourage motivation and employee retention, having recently increased salary and hourly pay for employees. It has also added human capital management expertise to its board, increased the sustainability of its supply chain, and invested in technology to enable sales staff to engage with customers remotely in response to COVID-19. It's this growth opportunity, paired with an industry structure, that allows for high levels of profitability and a strong culture and management team that underpins our long-term thesis.

The top five contributors to relative performance in May were PayPal, Monster Beverage, Vertex Pharmaceuticals, Intuitive Surgical and Regeneron Pharmaceuticals.

The top five detractors from relative performance in May were Allegion, UnitedHealth Group, Edwards Lifesciences, Motorola Solutions and Costco Wholesale.

As always, thank you for your continued support.

Frank Caruso, John Fogarty and Vinay Thapar

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Advisor Class: APGYX

**MAY** 5.31.20**PORTFOLIO INFORMATION**

Class	Ticker	Inception Date
A	APGAX	9/28/92
C	APGCX	5/3/93
Advisor	APGYX	10/1/96
I	ALLIX	3/1/05
Z	APGZX	6/30/15

Portfolio Characteristics	Portfolio	Benchmark <sup>1</sup>
Total Number of Holdings	56	532
P/E Ratio (Stock Price/Earnings; last 12 mo)	34.60x	32.67x
P/CF Ratio (Stock Price/Cash Flow)	24.61x	19.25x
ROE (Return on Equity; next 12 mo)	28.53%	31.73%
Median Market Cap (\$ Billions)	37.9	11.9
Weighted Market Cap (\$ Billions)	315.3	429.6
EPS (Earnings per Share) Growth Rate (2020/2019)	-2.32%	-1.00%

Portfolio Statistics	
Beta (3 yr) <sup>2</sup>	0.87
Sharpe Ratio (3 yr) <sup>3</sup>	1.11
Standard Deviation (3 yr) <sup>4</sup>	15.36
Alpha (3 yr) <sup>5</sup>	2.98

Top Ten Equity Holdings <sup>6</sup>		
Company	Sector	
Microsoft	Information Technology	7.11%
Alphabet	Communication Services	6.91
Facebook	Communication Services	5.16
Amazon.com	Consumer Discretionary	4.78
UnitedHealth	Healthcare	4.50
Visa	Information Technology	4.47
Monster Beverage	Consumer Staples	3.82
Zoetis	Healthcare	3.43
Vertex Pharmaceuticals	Healthcare	3.30
Intuitive Surgical	Healthcare	3.14

Sector Breakdown <sup>6</sup>	Portfolio	Benchmark <sup>1</sup>
Information Technology	26.58%	40.18%
Healthcare	25.00	14.70
Communication Services	14.18	11.91
Consumer Discretionary	13.83	14.83
Consumer Staples	5.37	4.18
Industrials	4.28	7.57
Materials	1.73	1.26
Financials	0.38	2.89
Cash and Cash Equivalents	8.65	–
Real Estate	–	2.33
Energy	–	0.16

Top Five Contributors	Top Five Detractors
PayPal	Allegion
Monster Beverage	UnitedHealth Group
Vertex Pharmaceuticals	Edwards Lifesciences
Intuitive Surgical	Motorola
Regeneron Pharmaceuticals	Costco Wholesale

1 Russell 1000 Growth Index.

2 Beta measures a fund's volatility relative to its benchmark.

3 Sharpe Ratio is a measure of the fund's return relative to the investment risk it has taken. A higher Sharpe Ratio means the fund's returns have been better given the level of risk the fund has taken.

4 Standard Deviation is a measure of the dispersion of a portfolio's return from its mean.

5 Alpha is the risk-adjusted measurement of 'excess return' over the benchmark.

6 Holdings are expressed as a percentage of total investments and may vary over time. They are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned.

## MONTHLY AVERAGE ANNUAL TOTAL RETURNS AS OF 5/31/20: ADVISOR CLASS PERFORMANCE

	1 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
Large Cap Growth Portfolio <sup>†^</sup>	8.47%	9.02%	29.47%	18.67%	15.93%	17.08%	9.80%
Russell 1000 Growth Index	6.71	5.23	26.25	17.21	14.50	16.07	8.81
Morningstar Large Growth Category	7.37	3.72	20.42	14.52	11.70	14.00	7.87

## QUARTERLY AVERAGE ANNUAL TOTAL RETURNS AS OF 3/31/20: ADVISOR CLASS PERFORMANCE

	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception	Expense Ratios as of 10/31/19	
Large Cap Growth Portfolio <sup>†^</sup>	-11.30%	-11.30%	2.59%	13.36%	11.53%	13.62%	8.92%	Gross	0.65%
Russell 1000 Growth Index	-14.10	-14.10	0.91	11.32	10.36	12.97	7.94	Net <sup>‡</sup>	0.64%
Morningstar Large Growth Category	-15.48	-15.48	-3.72	8.65	7.64	10.99	7.00		

The performance shown above represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance information shown. You may obtain performance information current to the most recent month-end by visiting [www.abfunds.com](http://www.abfunds.com). The investment return and principal value of an investment in the Portfolio will fluctuate, so that your shares, when redeemed, may be worth more or less than their original cost. Advisor Class shares have no front-end or contingent deferred sales charges, however when purchased through a financial advisor additional fees may apply. Returns for other share classes will vary due to different charges and expenses. Performance assumes reinvestment of distributions and does not account for taxes. If applicable, high double-digit returns are highly unusual and cannot be sustained; such returns are primarily achieved during favorable market conditions.

<sup>†</sup> The Fund's Advisor Class share inception date is 10/1/96 and is the date used to calculate since inception annualized performance.

<sup>^</sup> Reflects a 2.77% and 15.92% increase in NAV on January 18, 2011 and December 23, 2008, respectively, from the proceeds of the Enron class action settlement. Reflects a 0.38% and 0.08% increase in NAV on June 8, 2016 and November 2, 2017 as a result of the Fund recording a receivable on its books and records in connection with the distributions by the Alliance Fair Fund and Bank of America Fair Fund, respectively.

<sup>‡</sup> If applicable, this reflects the Adviser's contractual waiver of a portion of its advisory fee and/or reimbursement of a portion of the Fund's operating expenses. Absent reimbursements or waivers, performance would have been lower.

Russell 1000 Growth Index represents the performance of large-cap growth companies within the US.

Investors cannot invest directly in indices or averages, and their performance does not reflect fees and expenses or represent the performance of any AB fund.

Sources: FactSet, Morningstar Inc. and AB.

## A WORD ABOUT RISK

**Market Risk:** The market values of the portfolio's holdings rise and fall from day to day, so investments may lose value. **Focused Portfolio Risk:** Portfolios that hold a smaller number of securities may be more volatile than more diversified portfolios, since gains or losses from each security will have a greater impact on the portfolio's overall value. **Foreign (Non-US) Risk:** Non-US securities may be more volatile because of political, regulatory, market and economic uncertainties associated with such securities. Fluctuations in currency exchange rates may negatively affect the value of the investment or reduce returns. These risks are magnified in emerging or developing markets. **Derivatives Risk:** Investing in derivative instruments such as options, futures, forwards or swaps can be riskier than traditional investments, and may be more volatile, especially in a down market.

