ALLIANCEBERNSTEIN GLOBAL EQUITY BLEND PORTFOLIO

MARKET OVERVIEW

Global equity markets fell in June amid apprehension over a looming Greek debt default, fears of a Chinese bubble and uncertainty over the timing of a US rate interest-rate increase. The MSCI World Index retreated 2.3% in US-dollar terms, but remains up 2.6% year to date.

As June ended, the final outcome of the negotiations between Greece and its official creditors remained unclear. Investors were concerned about the Greek government's decision to hold a referendum on an apparently expired bailout extension and the imposition of capital controls. But volatility was contained by investor confidence that the European Central Bank was likely to have the tools at its disposal to limit contagion to other potentially vulnerable countries in the eurozone. European economic indicators also continued to be largely reassuring.

Volatile trading in China's mainland stock markets also set investors on edge. Fears that valuations had become stretched sent shares tumbling, although both the local A-share and Hong Kong–based H-share markets remained well up year to date. Locally traded Chinese stocks have more than doubled in the past 12 months in a sentiment-driven market dominated by retail investors. When Chinese brokerages introduced new controls on margin financing, the correction continued, despite the decision by the People's Bank of China to cut its interest rates to a record low.

In the US, investors focused on strengthening economic data, which seemed to suggest a bounce back from weakness in the first quarter. Ongoing volatility in the bond markets and caution over the timing of the first interest-rate increase continued to weigh on sentiment. However, dovish language from the Federal Reserve put investors somewhat at ease. The economic projections and policy statements issued after the Fed's meeting were more investor-friendly than most had expected, although subsequent comments regarding the steepness of the rate path gave investors further pause.

Sector performance was broadly negative. The telecom and healthcare sectors delivered relative outperformance, boosted by global M&A activity. The consumer-discretionary sector also outperformed. The utilities sector declined the most, as an upward move in Treasury yields attracted conservative, yield-hungry investors at the expense of higher-yielding utilities. The materials sector also underperformed, as China's slowdown put downward pressure on commodity prices.

PORTFOLIO PERFORMANCE

Class A shares of the Portfolio fell in absolute terms but outperformed the benchmark in June. Stock selection across most sectors drove relative returns. Weaker stock selection in the consumer-staples and industrials sector detracted from performance. Sector exposures were positive, while currency exposures were neutral.

Leading contributors varied by sector. Mobileye, a leading provider of driver-assistance technology systems, saw its stock price climb as several auto manufacturers (e.g. Ford, Toyota and Nissan) announced plans to expand driver-assistance technology across their platforms.

Discount retailer Dollar General reported earnings that were ahead of expectations. Results were driven by strong margins and share repurchases. Management also announced an increase in planned new store growth over the next year. Dollar General is also expected to benefit from recently announced wage increases for low-income workers.

In Japan, shares of FAST RETAILING outperformed after the clothing retailer reported strong same-store sales growth for its subsidiary UNIQLO Japan in May.

Several technology holdings did not fare as well, including Hewlett-Packard (HP) and SUMCO. Weak global PC demand, a strong US dollar and higher-than-expected restructuring charges continued to negatively impact earnings expectations at HP. SUMCO's first-quarter earnings were ahead of expectations, but its earnings recovery was not as quick as some investors had been expecting. The Japanese semiconductor manufacturer also issued shares to pay back in-the-money convertibles to its parent company, which increased the supply of shares in the market.

In the materials sector, American biotechnology seeds manufacturer Monsanto saw its stock price fall after the company reported a disappointing sales forecast for its fourth fiscal quarter, as a result of farmers cutting back on spending and planting due to falling commodity prices. The negative outlook led us to liquidate our position in Monsanto on reduced confidence in the company's growth prospects.

OUTLOOK

Despite modest global economic growth, the outlook for equities is clouded by the unfolding situation in Europe, high stock valuations in some regions and concern about potential interest-rate rises in the US. But we believe uncertainty can provide opportunities for active managers.

We continue to find compelling opportunities worth exploiting across geographic borders. Our growth portfolios are tilted toward underappreciated growth opportunities in consumer and technology sectors. We prefer market leaders with attractive earnings growth prospects and a high return on invested capital. Our value portfolios have a modest procyclical tilt and are focused on attractively valued opportunities, which today are widespread across most industry sectors and regions. We prefer companies with robust cash-flow generation and strong balance sheets whose stocks are trading at deep valuation discounts.

We are confident that our continued focus on companies with strong fundamentals will enable us to navigate current market conditions and construct portfolios that outperform in a global economy.
