



ALLIANCEBERNSTEIN

GLOBAL GROWTH TRENDS PORTFOLIO

MARKET OVERVIEW

Global equity markets retreated in June as heightened uncertainty led investors to trade on short-term risk assessments of macro events.

Market attention was focused squarely on the crisis in Greece during the month, as the economically beleaguered country failed to reach an agreement with its international creditors on the terms of a bailout to avoid default on its loans. Investors feared that a default would lead Greece to leave the eurozone, triggering a contagion that would have serious consequences for the broader economy of the common currency region.

Across the Atlantic, a series of positive US economic figures, along with comments from policymakers at the US Federal Reserve that they were in no hurry to raise interest rates, helped mitigate concern about the crisis in Greece.

In emerging markets, June was notable for the reversal of fortune for China's once high-flying equity markets, which had benefited from enthusiastic Chinese investors engaging in margin trading. During the month, however, Chinese stock markets underwent a severe correction on fears about a market bubble. China's central bank attempted to support the market by cutting interest rates, but the impact was nominal.

Sector performance was uniformly negative in June. The utilities sector underperformed, as the yield on the benchmark 10-year Treasury note rose materially in June on expectations that the Fed will raise

interest rates in the near term. This led conservative, yield-chasing investors to sell off high-dividend-paying bond proxies such as utilities stocks in favor of risk-free Treasury bonds. Telecom was a relative outperformer as rising global economic uncertainty boosted Japanese industry shares.

Against this backdrop, the MSCI World Index retreated 2.3% in June, trimming the year-to-date gain to 2.6%. Growth outpaced value in the month, as the MSCI World Growth Index fell 1.8% and the MSCI World Value Index retreated 2.8%. (All returns are in US-dollar terms.)

PORTFOLIO PERFORMANCE

Class A shares Your Global Growth Trends Portfolio declined in absolute terms, but outperformed its benchmark by a healthy margin in June, before fees. Security selection was responsible for most of the premium, though sector allocation also contributed. Currency positioning was neutral. Stock selection in technology and healthcare boosted relative performance. Stock selection in consumer-driven sectors and overweight exposure to the technology sector offset some of the gains.

The strength of our stock selection in the technology sector was evident in the portfolio's top contributors. Investors bid up shares of Facebook on bullish sentiment about the social network giant's long-term earnings growth potential due to its increasing mobile exposure, its improved ad targeting, and the monetization of Instagram and various growing platforms.

Shares of motion-sensor provider InvenSense outperformed on positive sentiment about the ongoing strength in Apple iPhone sales. Investors were also optimistic that Chinese demand for the iPhone would pick up in the second half of the year. InvenSense supplies the main motion gyroscope for many leading smartphone vendors and is benefiting from the adoption of the Optical Image Stabilization (OIS) feature in smartphone cameras, which enhances picture quality.

Mobileye, a provider of driver-assistance technology systems, saw its stock price climb on news that the National Transportation Safety Board had recommended that automakers make collision avoidance systems standard in newly manufactured vehicles, citing the technology's potential to significantly reduce the frequency and severity of rear-end crashes.

The portfolio's top detractors were a mixed lot. In the technology sector, shares of ams faltered after a press article speculated that the Austrian chipmaker would be displaced by a competitor in providing a NFC antenna booster solution in upcoming Apple devices. We have no knowledge of whether the speculation is true. However, with the shares down more than 20%, we view the stock as more than discounting this scenario. Our investment thesis is that ams is a key player in the sensor market and in a strong position to enable a more intelligent and connected world over the coming years.

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 because of falling commodity prices. The negative outlook led us to liquidate our position in Monsanto on reduced confidence in the company's growth prospects.

In the consumer staples sector, shares of Mead Johnson Nutrition underperformed after the pediatric nutrition company's management indicated that sales trends in mainland China remained soft in May and June owing to more competitive pricing. Our positive stance is premised on the company's dominant position in China and Latin America as a leading manufacturer of infant nutritional products. We believe that the company is poised to capitalize on growing overseas demand, especially from China's developing middle class, for premium infant nutritional products, and on reacceleration of demand in the US.

OUTLOOK

Heading into the second half of the year, our outlook for world equity markets is generally favorable. Accelerating global economic growth, sustainable profit margins and the absence of the traditional excesses that mark the end of an equity market cycle are all factors that are supportive of stocks.

Our analysis suggests that there will be greater divergence among countries, resulting in more dispersion of returns. In Europe, improved credit flows and a weak euro should boost the profitability of the Continent's exporters. In Japan, improved corporate governance bodes well for earnings growth and multiple expansion. In contrast, we expect a strong US dollar and a decline in the earnings of energy producers to take their tolls on US corporate profits.

Given the current environment, we believe that it will be more difficult for companies to sustain higher-than-average growth over the long term. However, our research indicates that companies with strong competitive advantages and a high return on invested capital are more likely to do so. Because of this, we employ rigorous analysis across geographic borders in search of attractive sustainable-growth companies to populate the portfolio. We believe that there is a significant opportunity for our proprietary research to add value. Indeed, our investment approach has met with some success: despite the challenging macro environment, the portfolio's profitability and long-term earnings growth potential are both appreciably higher than those of its benchmark.

The performance discussed in this commentary is net of fees and expenses, but does not account for the potential sales charges that may apply to certain share classes of the fund.

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