

AllianceBernstein

Global Equity Blend Portfolio

Market Overview

The world's equity markets bore the brunt of a sharp rise in risk aversion during May, reflecting apprehension about sovereign debt risks in Europe, regulatory uncertainties and moderating growth expectations in China. The MSCI World Index fell 9.54% in US dollar terms.

Gloomy markets were somewhat at odds with a gradually improving economic picture, however. In the US, April nonfarm payrolls registered their biggest gain since March 2006, and the ISM manufacturing index rose to its highest level since July 2005.

Consistent with the pervasive anxiety, all sectors finished in negative territory, with the transportation, consumer cyclicals and technology sectors doing relatively better. Industrial commodities, finance and medical stocks suffered most.

The US dollar was stronger relative to most currencies, amid the European debt crisis and as investors turned more risk averse. The exception was the yen, which gained relative to the US dollar.

Portfolio Commentary

For the month, detractors included media company News Corp. and financials Wells Fargo and Japan's Orix. News Corp. projected a rise in operating fiscal-year income over its prior guidance, but below what investors had hoped for. The outlook and downgrade overshadowed News Corp.'s stronger-than-expected fiscal third-quarter results, which were buoyed by an improving advertising market and the success of its 3D epic film Avatar. Financial services stocks trailed as investors de-risked amid the market volatility. In addition, a mid-term growth outlook announced by Orix management was not as aggressive as some market participants had expected.

Contributing to returns were positions in Sprint Nextel, Delta Airlines and German auto maker BMW. In the telecommunications sector, Sprint reported first-quarter results at the end of April slightly ahead of rising expectations. Subscriber losses and margins showed signs of continued improvement. Our position in Delta Air Lines was a strong performer as rivals United and Continental announced a long-rumored merger. If the

deal is approved by regulators, it is likely to lead to improved industry capacity and pricing discipline. Luxury car maker BMW posted first-quarter results that beat analyst expectations. The company benefited from a rapid rebound in luxury car sales, especially in China.

Outlook

Apprehension about the future is producing abundant opportunities for investors willing to take a long-term view. Corporate profitability is still extremely low. But history and our experience tell us that it won't stay this way for long. We are already seeing signs of the cycle's self-correcting forces taking hold. As the process unfolds, we continue to take advantage of attractive valuations across a wide range of sectors while investing in companies with strong balance sheets and clearer earnings visibility. Our research has also identified stocks that currently offer a favorable combination of attractive valuations and resilient cash flows.

With regard to the growth portfolio, we believe that the opportunity for growth and for our research-driven approach to stock selection appears exceptional. We will continue to apply our growth investment discipline to identifying dynamic gap opportunities as the market recalibrates after the upheaval of the past two years.

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