

AllianceBernstein

Global Equity Blend Portfolio

Market Overview

Global equity markets were mixed in April, starting on a positive note amid encouraging macroeconomic data. Markets were also supported by M&A activity and better-than-expected corporate earnings.

However, by mid month markets were interrupted by events including Iceland's volcanic eruption that disrupted European air travel, the US securities regulator's probe into Goldman Sachs, contagion fears associated with troubled Euro-zone sovereign debt and concerns about China's monetary policy tightening.

Consumer discretionary, energy, industrials and technology companies outperformed, in contrast the defensive healthcare, telecom, consumer staples and utilities sectors trailed. The materials sector fared poorly amid fears that China's policy tightening would dampen demand for raw materials. Financials lagged slightly as investors were cautious of risk from the Greek sovereign debt crisis.

Portfolio Commentary

For the month, security selection detracted, particularly in the materials sector. Rio Tinto and Xstrata suffered from a difficult commodity price environment with a fall in global demand, which is triggering a sharp decline in the prices of most of their principal products. Also detracting was Finnish handset and telecom equipment manufacturer Nokia which was hit by a delay in its new operating system for high-end phones, as well as by a downbeat earnings outlook statement from management. Agribusiness and food company Bunge fell in April as first-quarter earnings missed expectations and the company reduced full-year result expectations. Investors are also concerned about future profitability as the company transitions its business mix away from fertilizers and focuses on sugar processing. However, our research suggests the market underestimates the future profitability of Bunge's sugar business.

Contributing to returns were positions in home improvement company Lowe's, and media firms CBS and News Corp. A pick up in local TV and radio advertising lifted CBS and News Corp.

Outlook

We believe 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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