

AllianceBernstein

Global Growth Trends 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 and Exchange Commissions (SEC) probe into Goldman Sachs, contagion fears associated with troubled Euro-zone sovereign debt and concerns about China's monetary policy tightening.

Portfolio Commentary

Detracting from returns was stock selection, especially in the materials sector. Caution in the sector increased following more cooling policy decisions from key end market China. Detractors included Rio Tinto, Yara International and Vale.

Stock selection in the consumer discretionary sector was strong, including positions in home improvement retailer Lowes and Hyundai Motor. Also contributing was our position in Swedish bearing company SKF Group, rising on strong quarterly results. An overweight to the technology sector also contributed.

Portfolio Positioning and Outlook

Consumer. Our portfolio strategy remains consistent. We are basically neutral weight consumer and continue to be overweight discretionary and underweight staples. Earnings have been generally solid across the board in the first quarter and we believe the overall health of the consumer is clearly picking up.

Health Care. Health care stocks fell slightly in April, underperforming the overall market during a flat month for worldwide equities.

Trading in the sleeve was active, as we initiated and exited several positions, and traded around relative stock performance and portfolio cash needs. Most notably, we exited Baxter after the company significantly lowered guidance and cited softer fundamentals in the plasma products market. In addition, following Gilead's disappointing quarter, we reduced our weighting, as questions around the company's near and long-term growth profile have increased. We initiated positions in

drug distributor McKesson and life science tools maker Thermo Fisher Scientific. McKesson should benefit from the oncoming wave of new generic drug launches. Thermo should benefit from healthcare-targeted stimulus spending by the US government, and it should see business fundamentals improve as hospital capital spending rebounds with the economy. Finally, we added to Medco on weakness following its solid quarterly results.

During the month we reduced the health care sleeve, transferring the assets to the infrastructure and technology sleeves.

Technology. Global technology stocks outperformed the broader markets in April, while telecommunications stocks underperformed again. April provided an encouraging view for technology company fundamentals, as most companies in the global sector reported better-than-seasonal sales results and solid earnings leverage. We increased active positions in telecommunications, software, and IT services, while decreasing electronic equipment and components and hardware/storage a bit. The sleeve remains most overweight hardware/storage and most underweight telecommunications from an industry perspective.

We have not changed our positive outlook on technology nor our overweight positioning in the sleeve. During the month, we reduced the sleeve position slightly to provide funds to add to the financials sleeve. Later in the month, we again increased our technology allocation from a reduction in health care holdings. We continue to identify compelling drivers for revenue growth in the technology sector, focused on enterprise IT spending trends driven by product refresh cycles in PC and server hardware, the strategic drive for increased productivity and mobility, and compelling new architectures which drive storage, software and network infrastructure investment. While we recognize that the summer months often mean a sell-off in technology stocks, given the typical seasonal lull in business activity, tight supply capacity and attractive longer-term trends for the industry are sufficiently compelling to keep us overweight.

Financial. Regulatory attention resurfaced in April as a major driver of the financials with the revelation that Goldman Sachs was being investigated by the SEC for

fraud and possible criminal investigations. The investigation re-ignited concerns over the potential regulatory backlash for participants in capital markets. The resolution of the Greek funding issues continued to cause concern amongst the financials and particularly European bond spreads.

During the month we exited our position in Goldman Sachs due to the SEC fraud investigations. We reallocated the funds back into the US and increased our position in Wells Fargo which continues to benefit from the credit normalization and with a lower risk to regulatory fallout from potential regulatory investigations. The sleeve continues to be positioned in strong secular growth companies that we consider to be long term winners in their respective industries as we see continued bifurcation between strong and weak players. We continue to avoid institutions with weaker capital bases that may be vulnerable to increased regulatory requirements. We are also mindful to avoid companies where liquidity and funding issues may prove to be a concern as policy makers begin to exit stimulation programs. We continue to be overweight emerging markets particularly where we see stronger secular levels of growth and underweight Europe due to weaker growth and potential funding issues.

Energy and Natural Resources. April saw increased volatility in the materials sub-sector as caution increased following more cooling policy decisions from key end market China. Energy stocks rose, reflecting moderately higher oil prices and generally supportive economic data releases from the US.

Our positioning remains resilient as we continue to favor equities exposed to commodities with sound supply/demand fundamentals such as coking coal, copper and iron ore. Sustainability of price moves remains key as the US and Europe show early sustained signs of emerging from their respective recessionary environments. We believe we are positioned to ensure we have the very best names in each space, selectively adding to names we have very high confidence in. We are modestly overweight energy (underweight integrated producers in particular and overweight E&P and oil service names). In the materials sub-sector, we remain overweight metals and mining based holdings and underweight chemicals related names.

Infrastructure. Global infrastructure stocks – which are mostly cyclical and sensitive to the economic rebound - outperformed, finishing the month up on the back of robust earnings results.

During April, we initiated several new positions, including E.On, as an improvement in European

electricity usage is becoming evident. We also started a position in Philips Electronics, which we believe will benefit from a continued recovery due to its strong operating leverage. We started positions in Tyco International (a laggard whose recent portfolio moves will serve as positive catalysts), MAN (European truck industry is tracking better than expected) and Sempra Energy. To fund these purchases, we reduced our traditional machinery exposure, selling positions in Deere and Cummins, given strong price performance. We trimmed positions Siemens and Mitsubishi Corp given waning fundamental conviction. We also sold BAe Systems, where we no longer see catalysts for outperformance, and Continental Airlines, after an exceptional return over the last five months. Lastly, we sold out of Ingersoll-Rand, given continued disappointing quarterly results and preference for other names.

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