

## AllianceBernstein— Global Equity Blend Portfolio

### Market Overview

Global equities were choppy but overall moved up sharply during July, with the MSCI World Index advancing 8.11%. The month started down due to weak manufacturing growth in the US, China and Europe, then turned around following positive earnings announcements. In the middle of the month, however, markets pulled back due to lower-than-expected GDP data from China and weaker-than-expected US consumer confidence. Nevertheless, stocks reversed course once again, bolstered by in-line results from the European bank stress tests, BP capping its oil well in the Gulf of Mexico, as well as solid corporate earnings reports.

All sectors rebounded during the month, with industrial commodities, financials and telecoms faring best. The defensive medical and consumer staples sectors lagged its sector peers.

In a reversal from previous months, the US dollar weakened against all major currencies in July, losing ground against the Australian dollar, euro, sterling, Canadian dollar and yen.

### Portfolio Performance

The Portfolio outperformed its benchmark for the month, but underperformed for the year to date. Strong performance in the value

sleeve more than offset underperformance in the growth sleeve. The Portfolio is almost equally balanced between value and growth stocks. Security selection was positive for the month, while sector selection was neutral.

Several materials stocks held by both sides of the Portfolio were among the largest contributors during the month. Diversified miner Rio Tinto, along with copper, gold and molybdenum mining company Freeport-McMoRan, rebounded amid a strong outlook for metals demand.

Consumer discretionary holdings added to returns in the value portion of the Portfolio. Ford Motor announced its fifth straight quarterly profit as the firm continued to gain US market share. Higher-than-expected second-quarter earnings boosted Royal Caribbean, as the cruise line operator remains on target in each of its main markets. Improved cost control has also enabled it to raise earnings guidance for the year. Meanwhile, energy exploration and production company Tullow Oil advanced after announcing a significant discovery in Ghana and providing positive guidance about projects in Uganda. Tullow Oil was held by the growth sleeve.

On the negative side, pharmaceuticals firm Sanofi-Aventis

moved lower after the US Food and Drug Administration approved a generic version of Lovenox, its blood clot treatment drug and second-largest product in 2009. An underweight position in BP was also a negative factor, as the integrated energy company climbed after successfully stopping the oil spill from its Macondo well in the Gulf of Mexico. The value side had positions in both Sanofi-Aventis and BP.

Healthcare stocks detracted in the growth side of the Portfolio. Shares of diversified medical company Covidien declined after it reported disappointing quarterly results, including revenues that fell short of market expectations. Lastly, weak earnings revisions hurt agricultural products company Bunge.

### Outlook

While we believe that there is substantial evidence that the global economic recovery is continuing, the market remains skeptical and has been vulnerable to negative news flow. After having begun to refocus on the fundamental risks and opportunities facing individual firms for the better part of 2009, fundamentals have mattered less in 2010. Instead, returns have once again been driven by fear.

In the short run, this has led to underperformance. However, the market's uncertainty continues to

create attractive investment opportunities for both our growth and value investment teams. We are exploiting those opportunities while ensuring that the portfolios have sufficient ballast to weather rocky markets and near-term fundamental pressures.

We continue to see opportunity for both the value and growth styles. The value opportunity has moderated, but remains above its long-term average. The growth opportunity is well above average, because investors are skeptical about the pace of the recovery and what that means for future earnings growth.

attributes of the underlying growth and value sleeves, the Portfolio offers above-market growth potential at a below-market price. Portfolio fundamentals continue to be strong, as evidenced by the lower leverage and stronger cash flow on average for the blend portfolio versus the broad market.

While near-term risks remain, we are confident that the blend portfolio's combination of deep value and high conviction growth will generate significant performance as market conditions continue to stabilize and fundamentals reassert themselves.

#### As a result of the complementary

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