

AllianceBernstein—
Dynamic Diversified Portfolio*

Market Overview

After a six-month slump, global equity markets surged in October as encouraging economic developments eased investor anxiety. European leaders agreed to a series of measures designed to manage and contain the region's sovereign-debt crisis, deemed by many to be the single greatest threat to the global economy, which buoyed investor optimism and ignited a brief relief rally.

Strong company earnings for the third quarter, better economic news coming out of the US and speculation that policymakers in China might relax monetary policy also contributed to the market upturn. The improved economic climate, though tempered by continued uncertainty about the euro crisis, drove the MSCI World Index up by 10.34% for the month, trimming its year-to-date loss to 3.12% (in US dollar terms).

For the month, the 60% MSCI World Index /40% Barclays Capital Global Aggregate Bond Index rose 5.04%, and was down 0.87% for the year to date.

Portfolio Performance

In October the portfolio rose, but lagged the 60% MSCI World / 40%

Barclays Global Aggregate Index, as well as the MSCI World Index of global equities.

During October, we increased the equity position in response to the market's dramatic repricing. As equities fell sharply in the third quarter and Treasuries rallied, our research estimated that the compensation for taking risk was meaningfully improving; equity valuations appeared cheap, while bonds offered historically low yields. In addition, recent economic data in the US has been better than many feared, while leaders in Europe have responded to the debt crisis with greater urgency than before, leading us to expect slightly lower market volatility ahead. Therefore, while significant downside risks remain, the balance between upside and downside has improved.

In response, we have increased risk exposure in the Portfolio, raising the recommended equity level in a series of steps during October. In addition, we have reduced our allocation to bonds, and trimmed many of our currency hedges.

Outlook

Over the medium-term we remain cautious about the outlook. Volatility remains high, reflecting the uncertainties still facing investors. The European debt plan still leaves many questions unanswered, and

does not address the prospects for economic growth, which will be key to the longer-term prospects for the indebted countries.

On the positive side, monetary policy is likely to remain accommodative in the US and may become more so in Europe. In contrast to governments, companies broadly remain in strong shape, with low leverage, large cash cushions and strong earnings. And the near term outlook for growth appears better, at least in the US.

Thus we believe our current positioning strikes the right balance between elevated risk and increased return prospects. Our research is focused on analyzing the impact of events on economic growth, corporate profitability and financial market stability across developed and emerging markets, and we will continue adjusting our allocations as warranted.

***Prior to 15 April 2011, the Portfolio was named AllianceBernstein—Global Balanced Portfolio.**

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