

AllianceBernstein—  
**Global Growth Trends 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 from the US and speculation that policymakers in China may 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).

Every sector advanced in the month. Energy gained the most ground on the back of higher oil prices that resulted from the uptick in investor confidence. The materials and industrials sectors also performed well as investors hoped that the improved economic climate would lead to a rebound in manufacturing demand. Utilities, healthcare and consumer staples were the relative underperformers, underscoring investors re-risking into cyclically sensitive stocks.

The US dollar weakened against most major currencies except the yen in October. It was down versus the Australian dollar, the Canadian dollar, the Swiss franc, the euro and the British pound.

**Portfolio Performance**

The Portfolio outperformed its benchmark, the MSCI World Index, in October. For the year to date, the Portfolio declined and underperformed its benchmark.

The reversal of September's trends led to the Portfolio's mining and chemicals names being the strongest contributors to performance, including First Quantum and Antofagasta. In energy, National-Oilwell outperformed.

In technology, Juniper Networks was strong after reporting better-than-expected earnings in October.

As a result of the sharp rally in risk assets during the month and sudden sector rotation, some of the largest detractors to performance came from the less cyclical consumer staples and healthcare sectors, including Anheuser-Busch, Shire, Mitsubishi Tanabe and Human Genome Sciences.

In finance, Turkey's Halk Bank was weak due to moves by the country's central bank and fears of a global slowdown.

**Outlook**

The Portfolio continues to be materially overweight the technology sector, where we see strong secular growth prospects, clean balance sheets, and reasonable valuations.

We are overweight consumer cyclicals and marginally underweight staples and healthcare. Our strategy in healthcare is to maintain the underweight but focus on companies that are either trying to reduce the cost of healthcare or are innovators or have access to secular growth such as emerging markets or underpenetrated needs or markets. In the consumer sector we favor companies who are exposed to secular growth areas and market share gainers.

Financials remain an underweight in the Portfolio, as we are concerned by the lack of growth in developed markets where excess leverage is constraining opportunities in the financial sector and causing funding concerns in some markets. Also the impact of regulation is likely to drive down long term profitability in effected markets.

We are looking to buy back in the industrial cyclicals sector, as high growth opportunities at lower valuations present themselves. We think there may be further downside to the commodity related names as global growth expectations are revised downwards. We have

exited names where financial leverage or cashflow concerns could become an issue in a lower growth environment. Our strategy continues to be to invest in companies exposed to energy and material production growth and high quality high return industrial companies. We are likely to use any further setback in equity markets to add to our existing holdings and move sector weightings higher.

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