

AllianceBernstein

Global Equity Blend Portfolio

Market Overview

Global equities continued to advance in December, with the MSCI World index up 1.8% in US dollar terms. Stronger-than-expected US home sales and employment data buoyed investor sentiment early in the month, as did Bank of America's announcement that it will repay its entire US\$45 billion TARP loan following its US\$18.8 billion securities offering. Market performance was mixed in the middle of the month after Greece's debt rating was downgraded. Equities regained momentum toward month end on low volumes due to the holiday season, driven by better-than-expected UK growth data, US home sales and initial jobless claims, as well as Chinese growth forecasts and Japanese industrial production.

In December, the US dollar strengthened against most major currencies except for the Canadian and New Zealand dollars. US investors were hurt by exposure to international equities, as the MSCI EAFE was up 5.54% in local currency, but up only 1.44% in US dollar terms for the month.

Most sectors gained in December, with technology and industrial commodities leading the rally and financials declining.

Portfolio Commentary

Contributors included media companies News Corp and Time Warner, which rose on strong advertising trends. News Corp also rose on its announcement that its Fox television network intends to command greater fees from cable and satellite operators over the coming years as existing agreements expire. Automaker Nissan advanced as a result of encouraging news about improved business performance in China and also a weakening yen.

Oil and gas prices remained relatively flat while the broader market indices strengthened on optimism for a 2010 recovery in the global economy. As such, positions in Lukoil and Occidental Petroleum detracted from performance. Miner Freeport-McMoran fell on declining gold prices.

Outlook

We think the medium-term outlook for company earnings the value portfolio invests in is improving. We continue to take advantage of attractive valuations across a wide range of sectors while continuing to invest in companies with strong balance sheets and clearer earnings visibility. With the economy and banking system on firmer footing, we continue to increase the value portfolio's exposure to economically-sensitive companies that look undervalued relative to their earnings power under more normal business conditions. Our research has also identified stocks that currently offer a rare 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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