AllianceBernstein

Global Conservative Portfolio

Market Overview

Markets remained volatile in June, as investors continued to worry that sovereign debt problems in Europe might spread and undermine economic growth in other economies. Spreads widened as uncertainty surrounding new financial regulations weighed on markets. Equity markets continued to retreat in June due to weak macroeconomic data and the European debt crisis.

The month started on a negative note amid disappointing Chinese and European manufacturing growth and US payroll numbers, and news reports of increased tensions in the Middle East. However, markets rallied in the middle of the month. M&A activity, share repurchase announcements, strong economic data across several regions and Congressional leaders' compromises on certain aspects of financial reform legislation buoyed the markets. The Chinese government's decision to introduce a more flexible currency policy also helped.

Markets turned negative again for most of the remainder of the month based on concerns of a slowing global economy and the debt crisis in Europe. Moody's Investors Service downgraded Greece's bonds to junk status. The rating agency cited the "macroeconomic and implementation risks" connected to the EU/IMF bailout package. Unexpectedly weak US home sales data, GDP, and consumer confidence data; a downward revision of a Chinese index of leading economic indicators; and several disappointing corporate earnings reports contributed to market underperformance.

US economic concerns lifted Treasury prices during the month, driving yields to their lowest rates in over a year. The benchmark 10-year Treasury note plunged 36 basis points (b.p.) to 2.94%. The two-year note yield fell 17 b.p. to 0.60%, while the 30-year bond yield fell 32 b.p. to 3.89%.

The US dollar continued to strengthen relative to the euro and gained against the Canadian dollar, while the Australian dollar, sterling, yen and Swiss franc strengthened relative to the US dollar.

In Japan, the yen's strength, particularly against the euro, clouded the outlook for Japanese exporters, and the resignation of Prime Minister Yukio Hatoyama did little to alleviate political uncertainty.

Portfolio Performance

The Portfolio underperformed its benchmark, the 30% MSCI World Index/35% Barclays Capital Global Aggregate Bond Index/35% Barclays Capital 1-3 Year Government Credit Index during the month and for the year-to-date period.

The short duration portfolio outperformed its benchmark for the month. Exposure to asset-backed securities and mortgage securities contributed positively to performance while exposure to commercial mortgage-backed securities partially offset those positives. The portfolio's yield curve structure was also slightly positive.

Fixed-income performance in June came mainly from country and yield curve positioning. An overweight to US government bonds was the main driver for performance as the flight-to-quality momentum continued. The global yield curve flattened which meant our overweight in the 5-10 year space in particular returned positive performance, with the yield on the US 10-year Treasury falling to the lowest level since April 2009. An overweight to Canadian Treasuries also added to performance and a continued underweight to Japanese Treasuries was a modest positive.

Corporate credits drifted wider again in June but positive selection of investment grade securities meant that the fixed-income portfolio was spared any negative performance. Corporates in the peripheral area led the falls and the portfolio has no exposure to these.

Currency selection was negligible to performance. An overweight to the Australian dollar was only a mild positive as the currency remains under pressures versus the US dollar. The fixed-income portfolio does not hold any government securities in Greece, Spain, Portugal, Italy or Ireland.

Equity detractors included Freeport-McMoran, Wells Fargo, Xstrata and Royal Caribbean. Concerns about slowing growth, particularly in China, dealt a serious setback to commodities prices, including our positions in Freeport-McMoran and Xstrata. Wells Fargo suffered a high-profile analyst downgrade in May. US cruise operator Royal Caribbean lost ground as its competitor Carnival gave a downbeat outlook statement, and the US consumer outlook worsened.

Contributing to returns were positions in Vodafone, BMW and AstraZeneca. Vodafone climbed after Verizon, in which the UK mobile telecom operator owns a 45% stake, indicated it may start paying a dividend from 2012. German automaker BMW reported a rise in sales in May, driven by strong demand for its 7-series and new 5-series models. Additionally, shares were boosted by a broker report that reiterated a positive stance on German carmakers. Pharmaceutical company AstraZeneca surged after a US court upheld a patent on its best-selling cholesterol drug Crestor, removing a major threat to its revenues.

Outlook

The fixed-income portfolio has adopted an underweight exposure to mortgage pass-through securities, instead preferring US commercial mortgage-backed securities. We have moved the portfolio to a modest overweight duration stance. In terms of country allocation, we have our biggest overweight exposure in USD and have moved to neutral Europe following the ongoing turmoil in this region, switching exposure into the UK to establish a modest overweight position. We remain underweight Japan. We continue to be overweight investment-grade corporate credits.

The value team continues to seek to take advantage of attractive valuations across a wide range of sectors, while also using our research to identify stocks which offer lower volatility characteristics to help provide downside protection given current high levels of market risk aversion.

We remain confident that value stocks are on the cusp of a prolonged rebound, in which our investing style should prevail and research driven stock selection should deliver strong long-term returns for patient investors.

The profound fearfulness that overtook the market in May created headwinds for active managers and for the growth portfolio. As risk aversion veered back toward extreme levels, investors fled equities in general and stocks tended to move in correlation. As a result, higher-growth companies were punished along with weaker ones, and the dispersion among valuations narrowed.

The tumult has created anomalies that bode well for active management, for growth and for the growth portfolio. Rewards for stock-picking, which is normally our strength, were muted by the tight range in valuations. And high correlations put our fundamentals-based portfolio at a disadvantage. However, abnormally high correlations inevitably subside, and we have a record of outperformance when they do.

In a market that remains uncertain and risk averse, we believe the opportunity for growth is now very attractive. To the extent that jittery investors made distinctions among stocks in the second quarter, they favored the superior quality, reliability and earnings growth that typically distinguish growth stocks, leading the style to outperform.

AllianceBernstein (Luxembourg) S.A. is the management company of the Portfolio and has appointed AllianceBernstein (Singapore) Ltd. (Company Registration No. 199703364C) as its agent for service of process and as its Singapore representative.

Past performance is no guarantee of future results. There is no guarantee that any forecasts or opinions in these materials will be realized. This information should not be construed as an offer to sell, or solicitation of an offer to buy, or a recommendation for the securities of the fund.

The sale of shares in AllianceBernstein funds may not be offered or sold, directly or indirectly in the United States or to U.S. Persons, as is more fully described in the fund's prospectus. Shares of the fund are offered only pursuant to the fund's current prospectus together with the most recent financial statements. Further details may be obtained from the fund's distributor. For additional information, or to obtain a copy of the fund's prospectus, please contact your financial advisor.

A portfolio of ACMBernstein, a mutual investment fund (fonds commun de placement) organized under the laws of Luxembourg, which conducts business outside of Germany, Austria and Switzerland under the name AllianceBernstein.

References to specific securities are presented for the purpose of providing information regarding a particular investment sector, or to illustrate the application of AllianceBernstein's investment philosophy, and are not to be considered recommendations by AllianceBernstein. The specific securities identified and described above may or may not be held by the Fund at any given time.

The transactions summarized herein represent those securities for which positions were initiated, eliminated or traded by the fund, and are provided for informational purposes only. The specific securities listed do not represent all the securities purchased or sold by the fund. Opinions and estimates expressed are AllianceBernstein's present opinions only, reflecting information currently available to AllianceBernstein as well as prevailing market conditions. Such opinions involve a number of assumptions which may not prove valid, and are subject to change without notice. Not all investments in the securities identified should be assumed to be profitable and future investments may not be profitable. A list of the fund's holdings is available at www.alliancebernstein.com/investments.

www.alliancebernstein.com/investments