AllianceBernstein[SM]
Investment Research and Management

The Power of Low-Correlation Investing

Wealth Strategies

How to think about the core building blocks of your portfolio

Smart Investing Begins with Planning

Effective investment planning is concrete problem-solving. With more than 35 years of wealth management experience, our firm has developed a sophisticated planning process based upon well-tested techniques that can help you assess your situation.

The overall aim is to maximize the likelihood you'll have the money you need *when* you need it. Most importantly, the recommended approach outlined in the pages that follow makes due allowance for the unpredictability of the capital markets, so that your financial well-being does not come to depend on idealized, or unrealistic, market behavior.

This brochure describes the planning process—how to systematically factor inflation, taxes, and combinations of different investments to create optimum trade-offs between risk and reward, or between income and growth. As with all effective planning, this process helps to produce a practical "blueprint."

No investment plan can guarantee results. As with any aspect of investing, investment planning deals in probabilities, not certainties. But knowledge and discipline put the odds in your favor. You may very well want to consult with your financial adviser on the important concepts we discuss in this brochure.

AllianceBernstein's Investment Planning Solution

The most important decision in building a successful investment portfolio is asset allocation.

There are a bewildering number of financial assets to choose from in building a solid investment portfolio. How do you go about choosing the right ones? Do you invest entirely in U.S. stocks because their growth in the last decade has been so explosive? Do you stay with bonds for their stability and income? Money funds or Treasury bills for their liquidity?

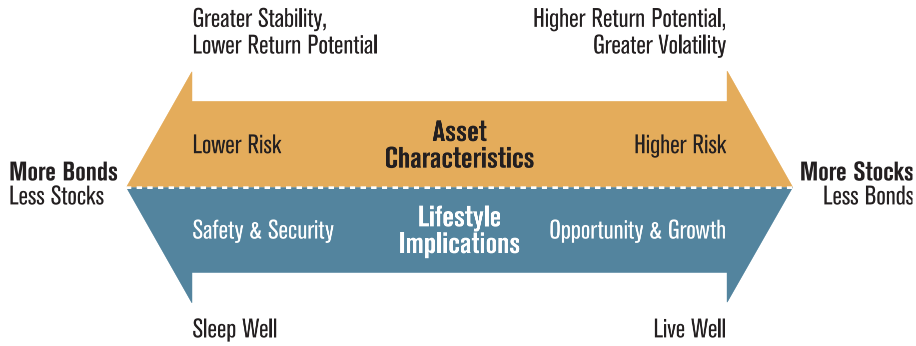
The fact is, for most people there is no single "right" type of investment. Placing all those proverbial eggs in one basket can be very dangerous: Even the least risky can fail you in one way or another. But combining a variety of investments whose risk and return potential balance one another should, in the long run, produce more return for the risk you take, and a steadier pattern of returns, too.

What Is the "Right" Mix of Securities?

The right mix really depends on the specific financial goals, risk tolerance, and time horizon of each investor. However, as the chart below illustrates, there are certain embedded trade-offs; one particular mix of stocks and bonds exhibits certain asset characteristics and can lead to certain lifestyle implications such as "sleeping well" or "living well." A higher percentage of bonds may provide greater portfolio stability, and therefore provide a higher degree of security, while a higher percentage of equities may involve greater volatility, yet also provide more opportunity for growth.

We believe by pursuing a multi-asset, multi-style diversification strategy you can find the right mix to both "sleep well" *and* "live well." The good news is that these are not necessarily mutually exclusive goals.

Asset Characteristics and Lifestyle Implications



The Keys to Investment Success

AllianceBernstein has developed an approach that brings together all our research and accumulated experience in managing private client wealth. The strategy essentially consists of combining low-correlated asset classes—such as stocks and bonds, growth and value style equities, and domestic and international, all in a portfolio that is systematically rebalanced. This framework is designed to achieve a consistent pattern of investment appreciation while reducing risk.

The key to investment success is to develop a strategy that's right for you, which incorporates these five steps.

The Strategy

Step 1: Combine Low-Correlation Asset Classes

Step 2: Blend Growth and Value Styles

Step 3: Globalize the Portfolio

Step 4: Rebalance

Step 5: Maximize After-Tax Returns

The AllianceBernstein Strategy

1. **Combine Low-Correlation Asset Classes**
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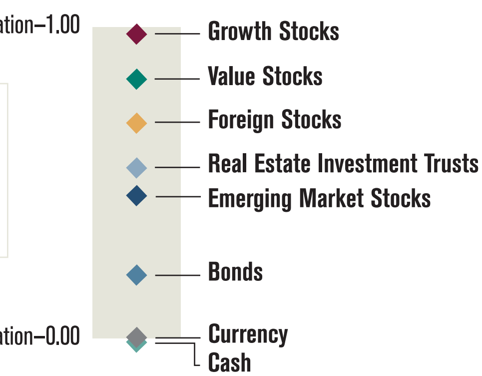
1 Combine Low-Correlation Asset Classes

Correlation measures how strong the relationship is between two asset classes. A correlation of 1.0 means that the two tend to move in perfect tandem with each another. A correlation of zero means that the relationship between them is completely random. A negative correlation means that they tend to move in exactly opposite directions.

For example, when returns on some asset classes were declining, returns on others were gaining, or perhaps declining less. The chart below shows the range of correlation assets to the S&P 500 index over the past 20 years. As you would expect, the range is quite broad, with growth stocks having the highest correlation to the S&P 500 index and bonds among the lowest.

Correlation to S&P 500 Index 1983–2002

Correlation: A measure of the relationship between two different assets under the same market conditions.



Past performance is no guarantee of future results. Asset classes are represented by the following indexes: Growth Stocks: Russell 1000 Growth Index, Value Stocks: Russell 1000 Value Index, Foreign Stocks: Morgan Stanley Capital International (MSCI) EAFE Index, Emerging Markets: World Bank Global Index and MSCI Emerging Markets Free Index, Real Estate Trusts: National Association of Real Estate Investment Trusts (NAREIT) Index, and Bonds: Lehman Brothers Aggregate Bond Index.

For investors, diversification among assets with low-correlation to one another can offer long-term benefits. If poor performance in one investment can be offset by better performance in another, then extreme losses in the overall portfolio may be reduced. And if you can preserve more in a market downturn, you'll have more capital working for you when the cycle reverses and improves.

Combining stocks and bonds would have provided some downside protection and would have resulted in less fluctuation in the value of the overall portfolio. The less you lose in a down market, the more you have working for you when the market recovers.

Own Bonds – A Stabilizing Force

As an example, let's look at how including bonds in a portfolio helped reduce volatility and smooth returns over time. The fundamental principal is that stocks and bonds have historically not moved up and down at the same time. The table below shows bear market periods for stocks (represented by the S&P 500 Index) and the performance during these same periods for bonds (represented by five-year U.S. Treasury securities). As you can see, bonds provided positive performance during each of the declining bear market periods for stocks.

	U.S. Stocks	U.S. Bonds
December '68–June '70	(29.2)%	2.2%
January '73–September '74	(42.7)	4.6
January '77–February '78	(14.2)	1.5
December '80–July '82	(17.2)	21.7
September '87–November '87	(29.6)	2.3
June '90–October '90	(14.7)	5.2
May '98–August '98	(13.4)	4.7
March '00–December '02	(33.0)	37.6
Average	**(24.3)%**	**10.0%**

Past performance is no guarantee of future results. U.S. stocks are represented by the S&P 500 index. The S&P 500 index is comprised of 500 U.S. stocks and is an indicator of the performance of the overall U.S. stock market. Bonds are represented by five-year U.S. Treasury securities. Treasury securities provide fixed rates of return as well as principal guarantees if held to maturity. Investment returns and principal value of a mutual fund will fluctuate, so that shares, when redeemed, may be worth more or less than their original cost. No fees or expenses are reflected in the performance of the index. An investor cannot invest directly in an index, and its results are not indicative of any specific investment, including any AllianceBernstein mutual fund.

The AllianceBernstein Strategy

1. Combine Low-Correlation Asset Classes
2. **Blend Growth and Value Styles**
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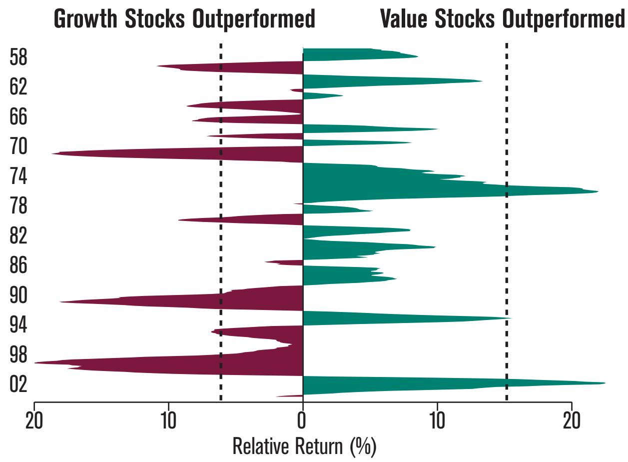
It is difficult to predict when a particular investment style will be in favor. Therefore, it is prudent to include both growth and value in a portfolio.

❷ Blend Growth and Value Styles

Just as asset classes go in and out of favor, over time growth and value styles have traded leadership positions. But it is almost impossible to predict when a particular style will be in or out of favor. Therefore, our research suggests it is most advantageous to own *equal* positions in both growth and value stocks in a portfolio.

Growth and Value Styles Trade Leadership

Annual Returns of the Russell 1000 Growth Index and Russell 1000 Value Index



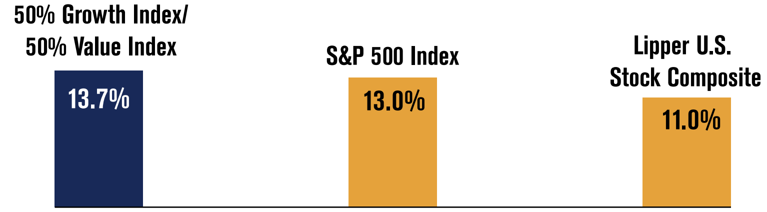
Performance is cap weighted and smoothed on a trailing 12-month basis. Bernstein's Large Cap Universe—which includes every stock in the S&P 500 plus any of the 500 largest stocks ranked by market capitalization not included in the S&P 500—is divided between "Growth Stocks" and "Value Stocks" based on a single score that combines the following factors: pace of sales growth, stability of revenue, earnings reinvestment rate, relative P/E ratios, and relative P/B ratios. "Growth Stocks" have above average profitability and valuation characteristics. "Value Stocks" have below average profitability and valuation characteristics. As of April 30, 2003. Source: Sanford C. Bernstein LLC.

Blending Growth and Value Has Worked Best

Historically, maintaining a portfolio of blended growth and value stocks not only provided a smoother ride in terms of volatility, but also outperformed the broader market over the long-term.

50% Growth/50% Value

Record of Outperformance (Annualized Returns 1980–2002)



Past performance is no guarantee of future results. The 50/50 growth and value composite is a hypothetical composite comprising 50% "growth stocks" (i.e., the top 30% of all stocks publicly traded on American exchanges ranked by price-to-book ratios) and 50% value stocks (i.e., the bottom 30% of such stocks). The 50/50 portfolio is rebalanced monthly, as necessary, to maintain its growth and value proportions; transaction charges for rebalancing are not taken into account. The unmanaged S&P 500 Stock Index is comprised of 500 U.S. stocks and is a common measure of the performance of the overall U.S. stock market. U.S. Stock Composite is the Lipper U.S. Stock Composite. No fees, expenses, or transaction costs are reflected in the performance of the indexes or composite. An investor cannot invest directly in an index or composite, and its results are not indicative of any specific investment, including any AllianceBernstein mutual fund. Source: Standard & Poor's, Fama/French, Lipper

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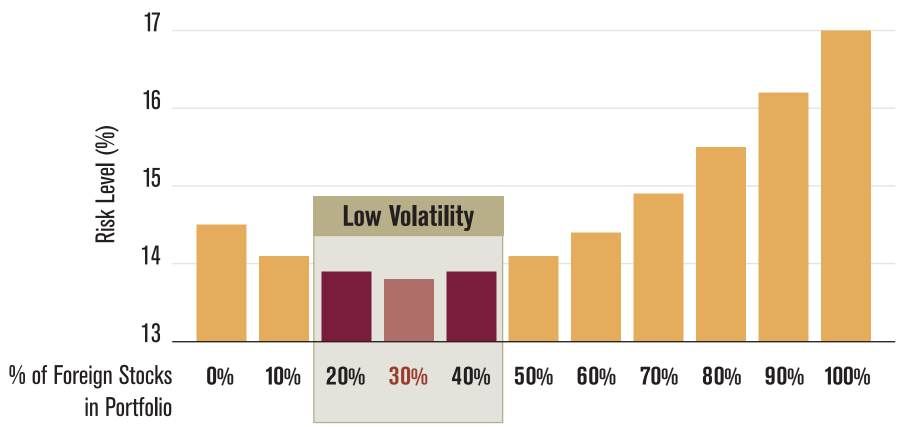
Including international stocks in your portfolio may help to smooth returns and enhance long-term total returns.

3 Globalize the Portfolio

Just as equity styles traded performance leadership within the U.S. stock market, the same is true for domestic and international stocks. We compared the cyclical performance data of the two asset classes over the past three decades, and found the long-term average annual returns have indeed been very similar. Including international stocks in your portfolio should help to smooth returns because international stocks have not typically moved up and down at the same time—nor in the same magnitude—as domestic stocks.

Our research on international allocations suggests that the "sweet spot" for international exposure is generally about 30%. Because of the historically low-correlation between international stocks and domestic stocks, including modest exposure to international stock, has helped to reduce volatility.

The "Sweet Spot": Risk of U.S./Foreign Stock Blends (Jan. 1970–June 2003)



	Annualized Return	Annualized Risk
U.S. Stocks	11.0%	15.8%
70% U.S. Stocks/ 30% Foreign Stocks	10.8%	15.4%

Past performance is not indicative of future results. U.S. stocks are represented by the S&P 500 Index, a common measure of the performance of the U.S. stock market. Foreign stocks are represented by a blend of 70% of the MSCI (Morgan Stanley Capital International) EAFE Index and 30% of the MSCI Emerging Markets Free Index. The chart presents various combinations of the U.S. and foreign stock components, including the highlighted 70% U.S./30% foreign combination. The S&P 500 Index is a capitalization-weighted index of the 500 largest U.S. stocks. The MSCI EAFE (Europe, Australasia, and Far East) Index is a market-capitalization-weighted index that measures stock performance in 21 countries in Europe, Australasia, and the Far East. The MSCI Emerging Markets Free Index represents a market-capitalization-weighted index of emerging market stock markets. Annualized returns are for the period from 1/1/90 through 12/31/02, and do not include fees and expenses associated with an investment in a mutual fund. An investor cannot invest directly in an index, and its results are not indicative of any investment, including the Wealth Strategies Funds. Risk level is defined as the annualized standard deviation of portfolio returns for the period from 1990 to 2002.

The AllianceBernstein Strategy

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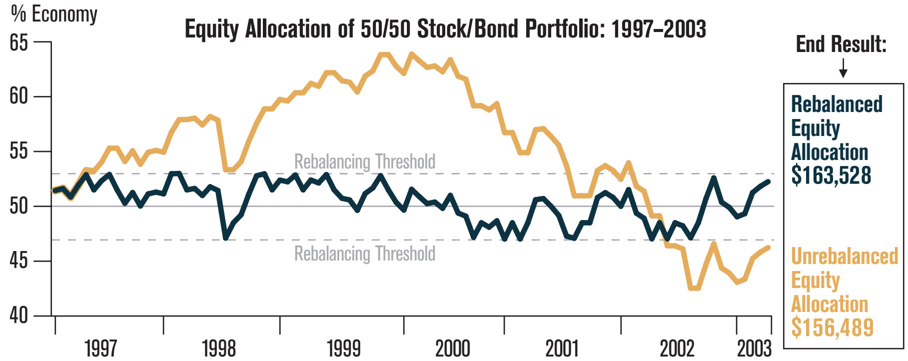
Regular rebalancing addresses one of the greatest investment challenges—keeping your portfolio consistently allocated to meet your investment goals and objectives.

4 Rebalance

When there is more than one asset class in a portfolio, the original allocations change over time as markets fluctuate. Rebalancing periodically reestablishes those original allocations. In the process, it forces you to sell the asset classes that are doing extremely well, while buying more of the "cheaper" or out of favor asset classes. As prices rise and risk increases, systematically rebalancing reduces your risk as you invest in underperforming assets. This is often times difficult to do, because the natural inclination of most investors is to keep buying the "winning" asset class because it has done so well.

The example below demonstrates the potential power of rebalancing. If you had split $100,000 equally between stocks and bonds in 1997 and failed to rebalance, your portfolio would be worth less today than the same investment rebalanced using our disciplined approach. In fact, your unrebalanced portfolio would have reached its greatest equity exposure in March 2000, just in time to be impacted most by the worst bear market in more than a generation.

Disciplined Rebalancing Contributed to Better Results



Past performance is not indicative of future results. Data reflects a hypothetical strategy with initial allocations of 50% to stocks, as represented by the S&P 500 Index, and 50% to bonds, as represented by the Lehman Brothers 5-Year Treasury Bond Index. The rebalanced strategy assumes that allocations were systematically rebalanced when they exceeded AllianceBernstein's rebalancing threshold. The unrebalanced strategy assumes no rebalancing throughout the time period examined. Both hypothetical strategies assume an initial investment of $100,000. An investor cannot invest directly in an index or average and its performance does not reflect the performance of any Alliance mutual fund. The unmanaged S&P 500 Index and 5-Year Treasury Index do not reflect fees and expenses associated with the active management of a portfolio and are broad-based measures of the performance of U.S. stocks and U.S. bonds, respectively. 5-Year Treasury bonds are represented by bonds with the shortest maturity not less than five years. Treasury bonds provide fixed rates of return as well as principal guarantees if held to maturity. Investment returns and principal value of a mutual fund are not guaranteed and will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

It's not what you earn, it's what you keep after taxes that really matters. Therefore, taxes should not be your ultimate concern. Your ultimate goal is to maximize your investment earnings after tax.

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"Tax efficiency" is simply a measure of how much of your pre-tax return you keep after taxes. There are many ways to increase tax efficiency among your investments, for example, by taking advantage of tax-deferred savings vehicles such as IRA accounts and employee-sponsored 401(k) plans as part of your overall portfolio allocation. In addition, investments designed for tax efficiency such as municipal bond funds (where the income is free from federal income tax) or tax-managed equity funds (where the objective is to maximize after-tax returns), may be alternatives to consider for your portfolio. Consult with your financial advisor or tax consultant to determine whether any of these investments would be suitable for your individual situation.

Bringing It All Together

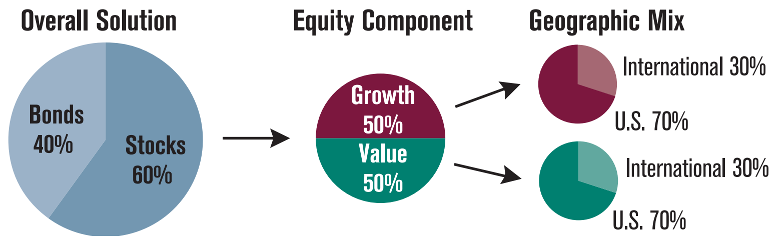
AllianceBernstein's Low-Correlation Portfolio Strategy

The appropriate balance among asset classes depends on each investor's specific goals and risk tolerance. Based on our firm's successful experience in managing wealth, a popular blend starts with an allocation of 60% to stocks and 40% to bonds.

A Low-Correlation Portfolio Strategy to Consider

Most times, a good framework for a personalized investment portfolio begins with an asset allocation between stocks and bonds. Within the portion allocated to stocks, additional diversification can be achieved by allocating assets between growth and value styles. Our extensive analysis on the right mix of the two leads us to typically recommend 50% to growth stocks and 50% to value. Within each style-specific allocation, assets can be further diversified among U.S. and international markets. Historically, we've found a good trade-off of return and risk has been achieved by allocating each style (growth and value) 70% to the U.S. market and 30% to international markets.

The AllianceBernstein Solution–Low-Correlation, Multi-Asset, Multi-Style Portfolio



This is a hypothetical illustration only and is not intended to represent any particular investment, including any AllianceBernstein mutual fund.

Our analysis in the table below shows that portfolios which combined low-correlated asset classes and investment styles enhanced the diversification benefit, and provided the lion's share of the long-term return of an all equity portfolio. It also provided significant capital preservation during difficult market periods, as indicated by the worst calendar-year loss experience.

Hypothetical Diversified Portfolio Results (1980-2002)

	Compound Return	Risk**	Worst Calendar-Year Loss
Low-Correlation Portfolio*	12.2%	10.6%	(9.5)%
Lipper U.S. Stock Composite	11.4	16.3	(23.2)
S&P 500	13.0	16.4	(22.1)
Lehman Brothers Aggregate Bond Index	10.0	7.3	(2.9)

While the strategy described above is a good reference point to begin planning, each investor's portfolio can be customized to meet personal needs, with guidance from an experienced professional financial advisor.

Past performance is no guarantee of future results.

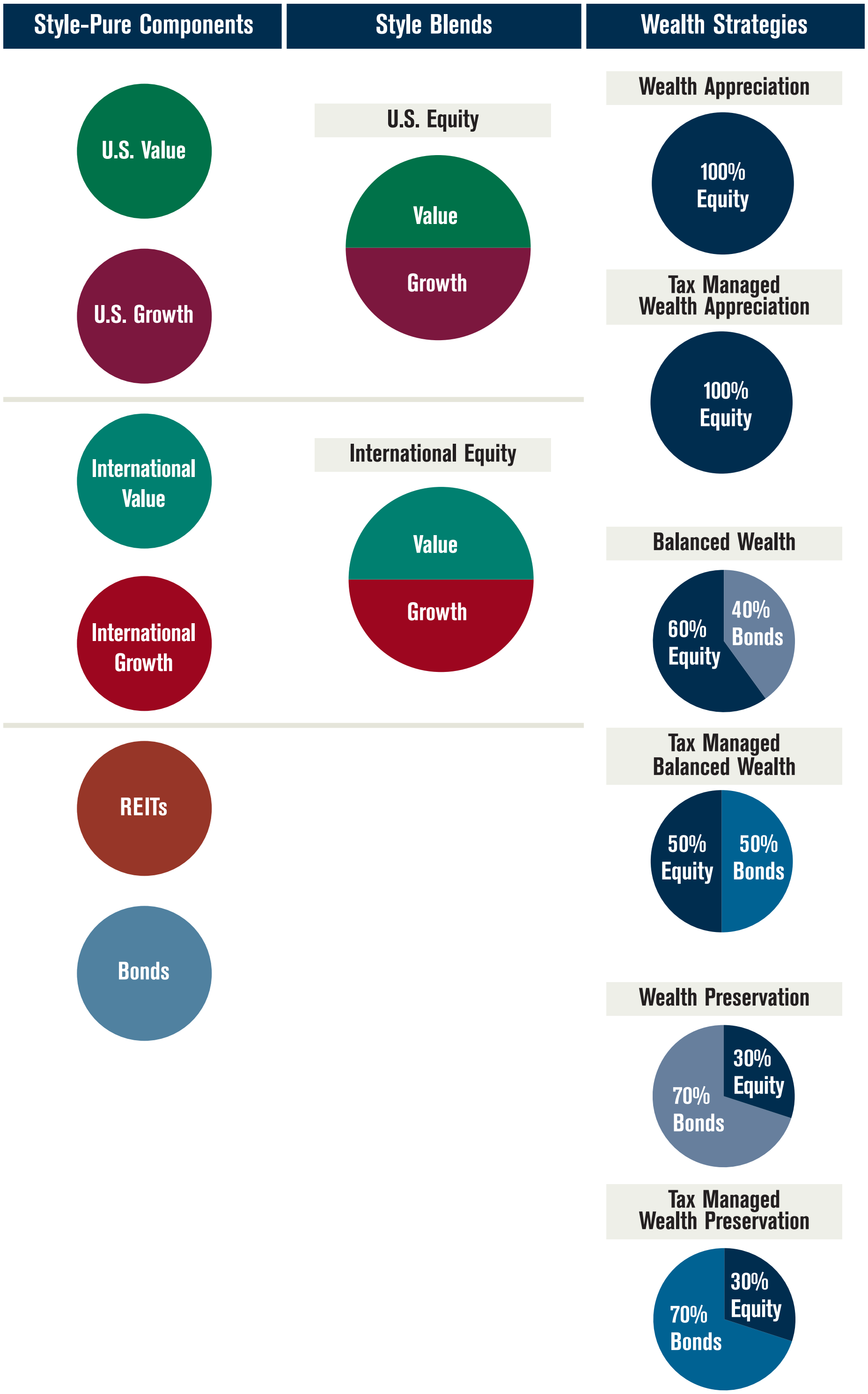
*The above provides a hypothetical performance of a portfolio diversified as indicated. All dividends and interest rates are reinvested; there were no additions made to the portfolio. The portfolio was rebalanced monthly halfway back to its target weight when the stock/bond mix rose to 65/35 or fell to 55/45, and/or the value/growth and U.S./international weightings deviated from their targets by 20% or more. This example does not include transaction costs associated with rebalancing. The transaction costs associated with the systematic rebalancing of a portfolio may be significant over time. U.S. growth and international growth stocks are represented by the top 30% of all stocks publicly traded on American or foreign exchanges, respectively, ranked by price-to-book ratios. U.S. value and international value stocks are represented by the bottom 30%. Bonds are represented by the Lehman Brothers Aggregate Bond Index, which is comprised of the Mortgage-Backed Securities Index and the Government/Corporate Bond Index. It is a broad measure of the performance of taxable bonds in the U.S. market, with maturities of at least one year. U.S. stock funds are represented by the Lipper U.S. Stock Composite. No fees or expenses are reflected in the performance of the indexes or composite. The unmanaged S&P 500 Stock Index is comprised of 500 stocks and is a common measure of the performance of the overall U.S. stock market. An investor cannot invest directly in an index, and its results are not indicative of any specific investment, including any AllianceBernstein mutual fund. Year of worst loss was 2002 for S&P 500, 2002 for Lipper U.S. Stock Composite, 2002 for Low-Correlation Portfolio, and 1994 for Lehman Aggregate Bond Index.

**The standard deviation of the logarithm of monthly returns, annualized.
Source: Standard & Poor's, Fama/French, and Lipper

AllianceBernstein Investment Solutions

Solutions aren't "one size fits all," so we offer a full range of mutual fund solutions for our clients.

Our investment solutions encompass an extended family that includes style-pure funds, style-blended funds, and the diversified Wealth Strategies funds.



The Power of AllianceBernstein

Ranked Among the Largest Investment Managers in the Industry

We have carefully structured our firm resources, leveraging our size and investment expertise to become one of the most powerful investment organizations in the world. With over $400 billion in assets under management, and experience in serving millions of clients worldwide, we feel that we possess the size and scope to provide the right investment solution for every client.

Unparalleled Research Resources, Global Capabilities

Our success as a money manager is a direct result of disciplined investment processes driven by the fundamental and quantitative research of one of the world's premier research firms. We have one of the largest and farthest-reaching research forces in the industry, with more than 300 analysts worldwide providing on-the-ground knowledge from offices in 36 cities and 19 countries around the globe.

A Leader in Growth	A Leader in Value	A Leader in Fixed Income
Assets Under Management $115 Billion	Assets Under Management $119 Billion	Assets Under Management $168 Billion
Growth Equity 64 Portfolio Managers	Value Equity 68 Portfolio Managers	Fixed Income 67 Portfolio Managers
Growth Research 67 Analysts	Value Research 66 Analysts	Fixed Income/ Credit Research 58 Analysts

Uniquely Qualified to Provide Complete Investment Solutions

We've taken the lessons we've learned from over 35 years of providing wealth management services, and used them to create what we believe is a complete range of investment solutions. Whether your needs include diversification among low-correlation assets, style blending, globalization, disciplined re-balancing, or efficient portfolio tax management, we recommend that you consult your financial planner to determine which of our investment services might be right for you.

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