

Value Equities: The Ingredients for Success

Eric J. Franco, CFA — Senior Portfolio Manager, Value Equities



Investment Products Offered:

■ Are Not FDIC Insured ■ May Lose Value ■ Are Not Bank Guaranteed

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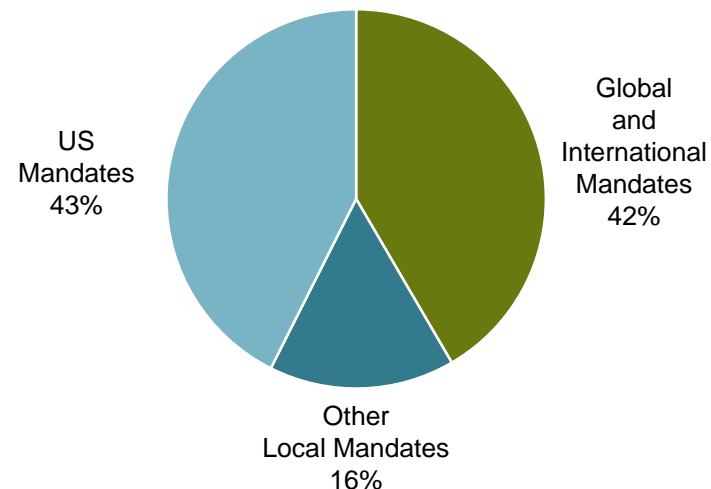
Bernstein Value Equities: Our Organization

- Founded in 1967 with a sole focus on investment research and management

- An independent unit of AllianceBernstein, a diversified investment-management firm

- Separate global research analysts and portfolio managers dedicated to value investing

Bernstein Asset Mix*



Bernstein Buy-Side Investment Professionals

	Number	Average Years of Experience
Portfolio Management	17	23
Research	58	14

As of June 30, 2013

*US\$38,979 million total assets under management; excludes approximately US\$18,107 million value equity assets managed in style blend and other multi-asset mandates

Source: AllianceBernstein

Bernstein Value Equities: Extensive Research Reach

Sharon Fay, Head of Equities and CIO—Global Value

New York

Chief Investment Officers

Henry D'Auria
Sharon Fay
James MacGregor
Gerry Paul
Kevin Simms

Directors of Research

Kent Hargis
Greg Powell
Sammy Suzuki
Andrew Weiner

Senior Portfolio Managers

Eric Franco
Morgan Harting
Chris Marx

24 Fundamental Research Analysts
8 Quantitative Research Analysts

London

Avi Lavi, Global Director of Value Research
Tawhid Ali, Director of Research—UK and European Value
Takeo Aso, Director of Research—International Value Equities
Nicholas Davidson, Senior Portfolio Manager

6 Fundamental Research Analysts
1 Quantitative Research Analyst

Sydney

Roy Maslen, CIO—Australian Value
Hamish FitzSimons, Director of Research—Australian Value

4 Fundamental Research Analysts**
1 Quantitative Research Analyst

As of June 30, 2013

*Includes Rajeev Eyunni, Director of Research—Asia ex-Japan Value Equities, and John Lin, Portfolio Manager—China

**Includes Hamish FitzSimons, Director of Research—Australian Value

†Includes Atsushi Horikawa, Director of Research—Japan Value



Hong Kong

Stuart Rae, CIO—Pacific Basin Value
Rajeev Eyunni, Director of Research—Asia ex Japan Value Equities
John Lin, Portfolio Manager—China
Irene Goh, Senior Portfolio Manager

6 Fundamental Research Analysts*
1 Quantitative Research Analyst

Tokyo

Katsuaki Ogata, CIO—Japan Value
Atsushi Horikawa, Director of Research—Japan Value
Masahide Ooka, Senior Portfolio Manager

6 Fundamental Research Analysts†

Bernstein Analysts: Extensive Research Resources

Fundamental Research	Commodities	Consumer	Financials	Industrials	Technology/Telecom
	Benjamin Bahr Vlad Byalik Michelle Dunstan Raphael Fiorentino Takeshi Ishiga Akihiro Kaga Akhil Kapoor Peter Luppino James Robertson Jeremy Taylor David Yao	Neil Abraham Aaron Bigbee Valerie Brown Rajeev Eyunni Bryce Hill Brian Holland Danny Huang Ted Mann Kayoko Ohara Stephen Salzone Mark Underwood	Steve Findley Hamish FitzSimons Ajit Ketkar John Lin Vivian Lubrano Katsuhiko Mano Philippos Philippides Shri Singhvi Anu Venkataraman	Andrew Birse Charles Gex Aiko Hemmi Taro Hirano Atsushi Horikawa Satya Inampudi Anthony Moran Erik Turenchalk Lily Zheng	Vivian Chen Gayle Hameister Cem Inal Frontier Markets Generalists Viacheslav Breusov Christine Phillpotts Jerome Van Der Ghinst

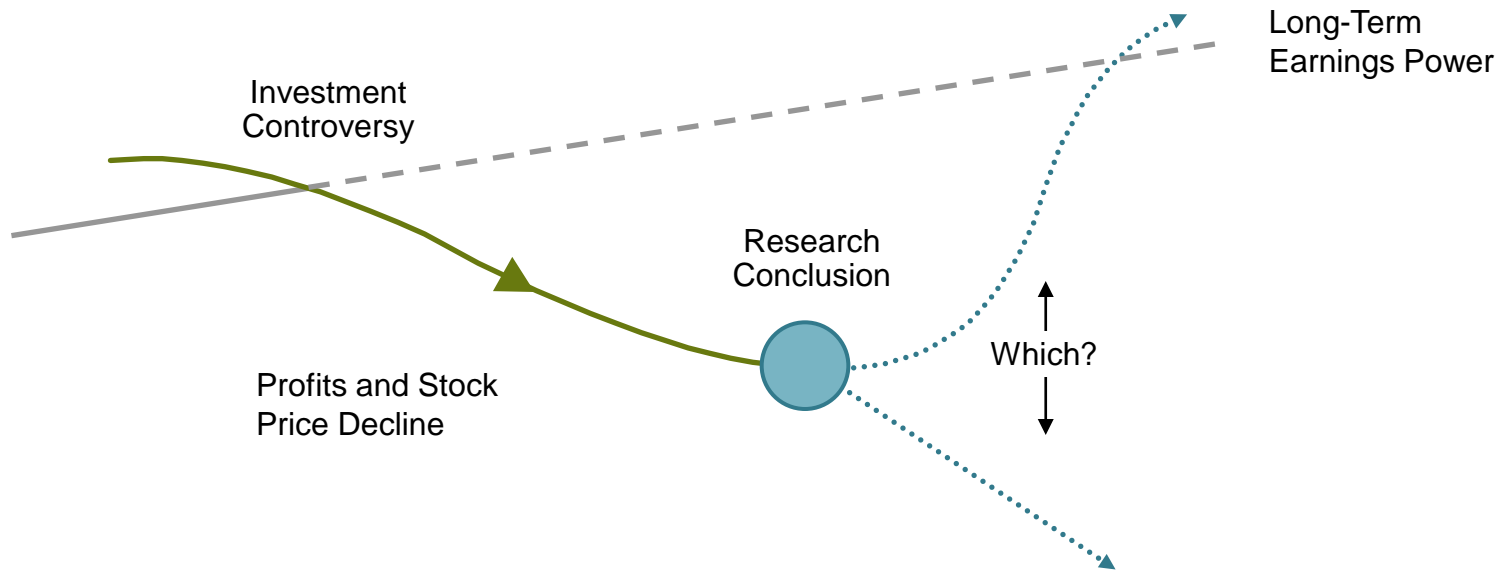
Quantitative Research	Value Equities	Shared Research Resources
	Peter Chocian Jacopo Coletto Eric Demoiseau Serdar Kalaycioglu Runeet Kishore David Larson	

As of June 30, 2013

Analysts may cover multiple sectors. Does not include one Taiwan-based analyst.

Our Philosophy: Enduring Patterns of Behavior Create Opportunities

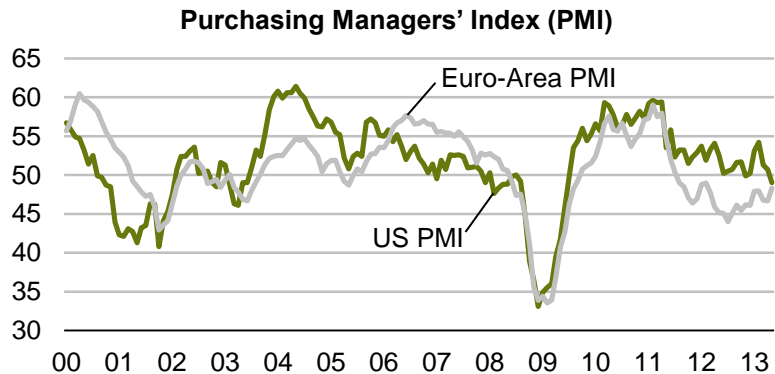
Our goal is to buy future cash earnings for the lowest price



	<u>Behaviors that Create Opportunity</u>	<u>Behaviors that Capture Opportunity</u>
Investor	<ul style="list-style-type: none"> Loss aversion Overreaction to short-term events 	<ul style="list-style-type: none"> Confidence returns Prices reflect improved cash earnings
Corporate	<ul style="list-style-type: none"> Overconfidence and excess Complacency and denials 	<ul style="list-style-type: none"> Managements take corrective action Returns revert to mean

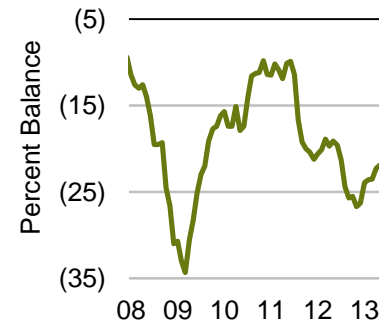
Macroeconomic Background Remains Mixed

Manufacturing Activity Signals Are Shifting

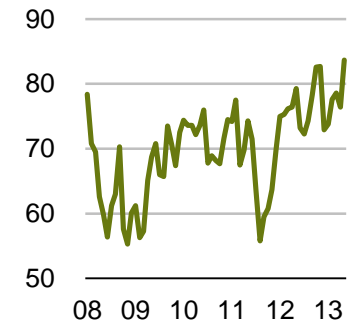


Consumer Sentiment Shows Signs of Improvement

European Consumer Confidence



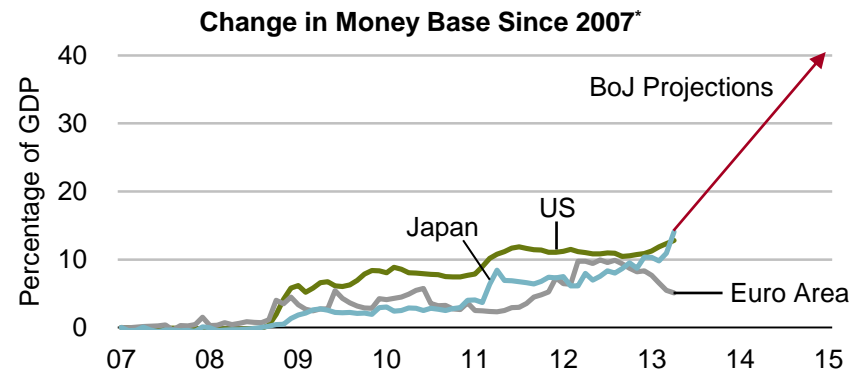
US Consumer Confidence



Emerging Market (EM) Manufacturing Growth Is Slowing



Japan Is Poised for Aggressive Monetary Easing



As of May 31, 2013

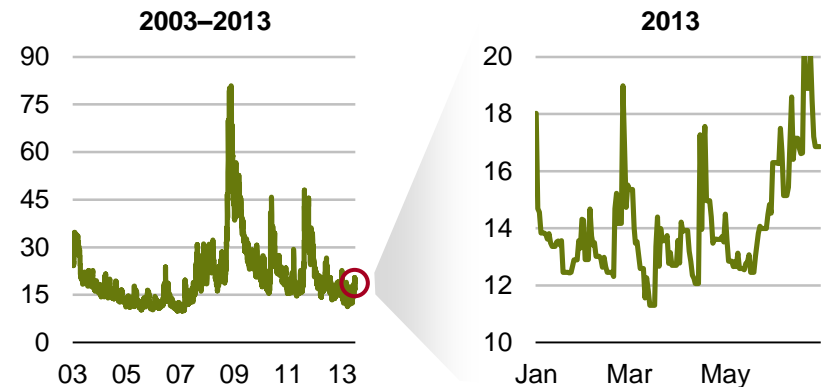
*Actual data through April 30, 2013

Source: Bank of Japan (BoJ), CEIC Data, CPB Netherlands Bureau for Economic Policy Analysis, Haver Analytics, Institute for Supply Management, Markit, Thomson Reuters Datastream, University of Michigan and AllianceBernstein

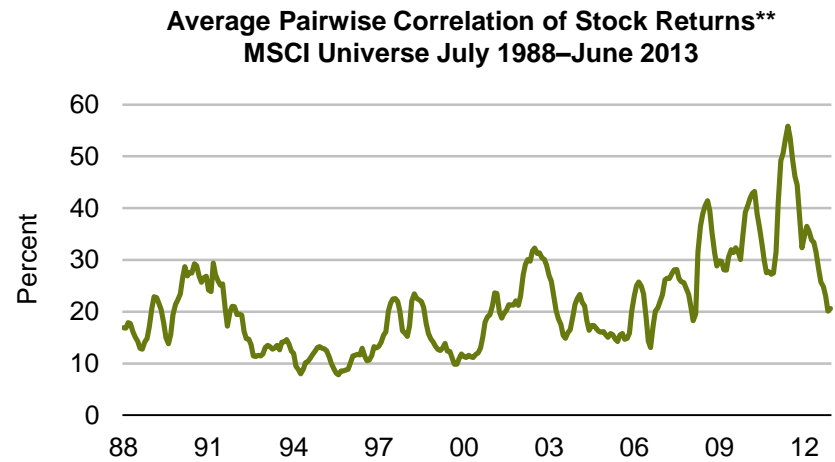
Despite Volatility, Market Conditions Remain Favorable for Stockpicking

- Volatility remains relatively low even after rising during the second quarter

S&P 500 Volatility: VIX*



Global Developed Markets Stock Correlations



- Equity correlations continue to decrease, meaning stocks are increasingly trading based on their individual strengths and weaknesses

Through June 30, 2013

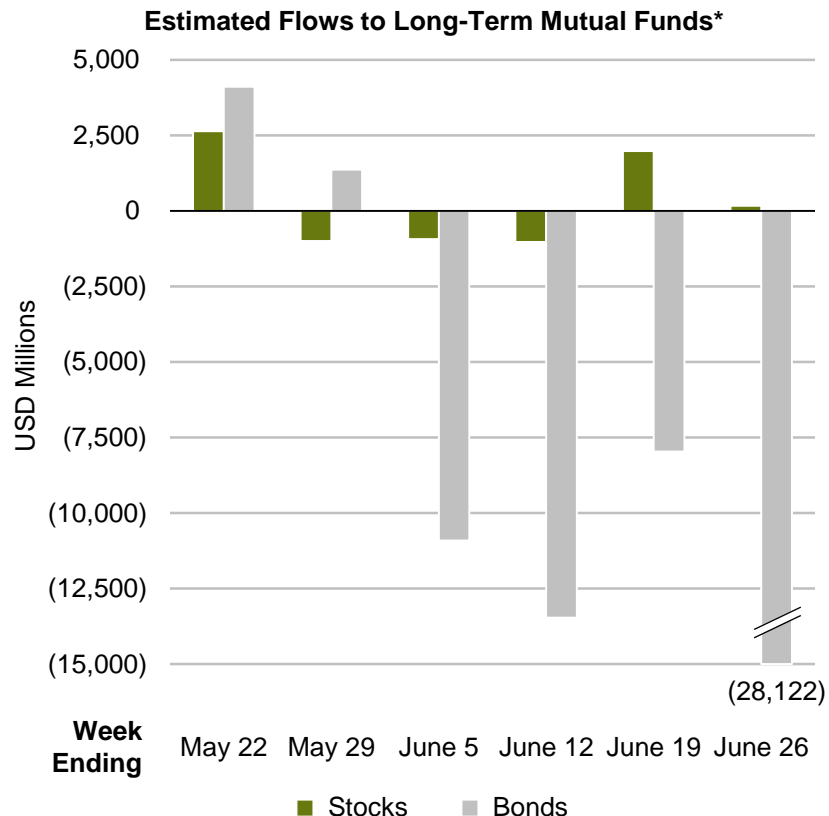
*Chicago Board Options Exchange Market Volatility Index

**Through June 26, 2013; equally weighted average of pairwise correlations based on six months of daily returns. Correlation is a statistical measure of how two values move in relation to one another.

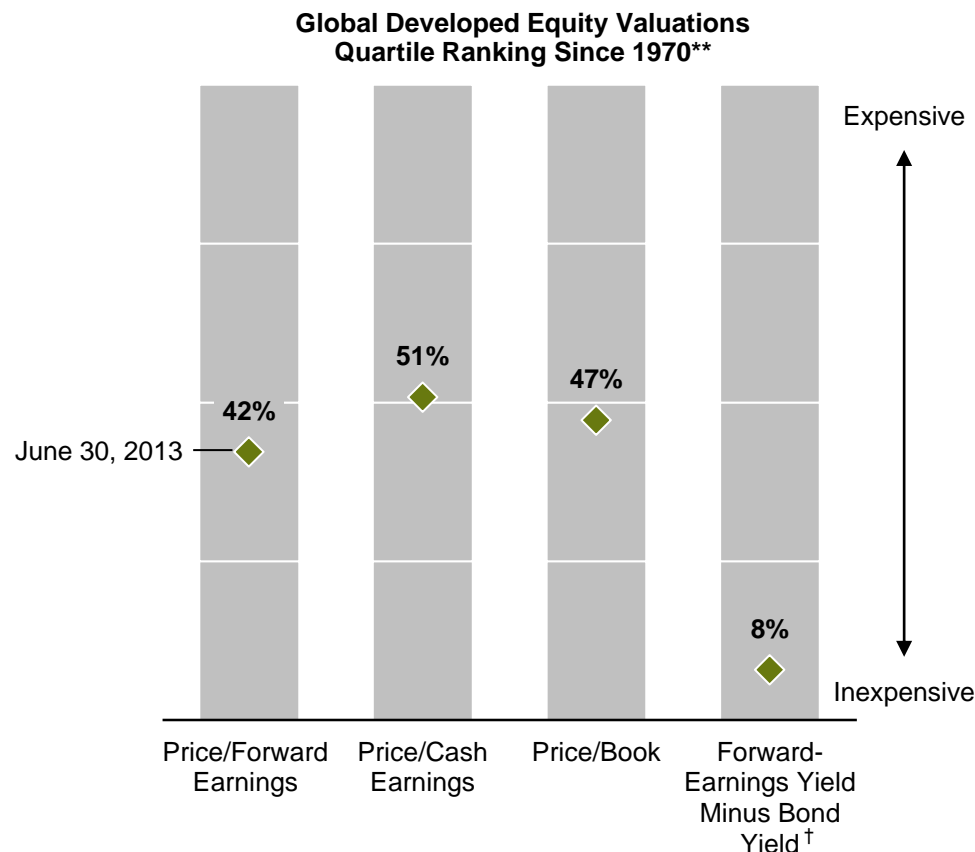
Source: Bloomberg, Chicago Board Options Exchange, MSCI, S&P and AllianceBernstein

Bond Fund Outflows Accelerated Late in Second Quarter

Equity Fund Inflows Were Resilient Despite Volatility



Equity Valuations Are Still Attractive vs. Bonds[†]



As of June 30, 2013

*US-domiciled mutual funds that invest in domestic and international equities and taxable or municipal bonds

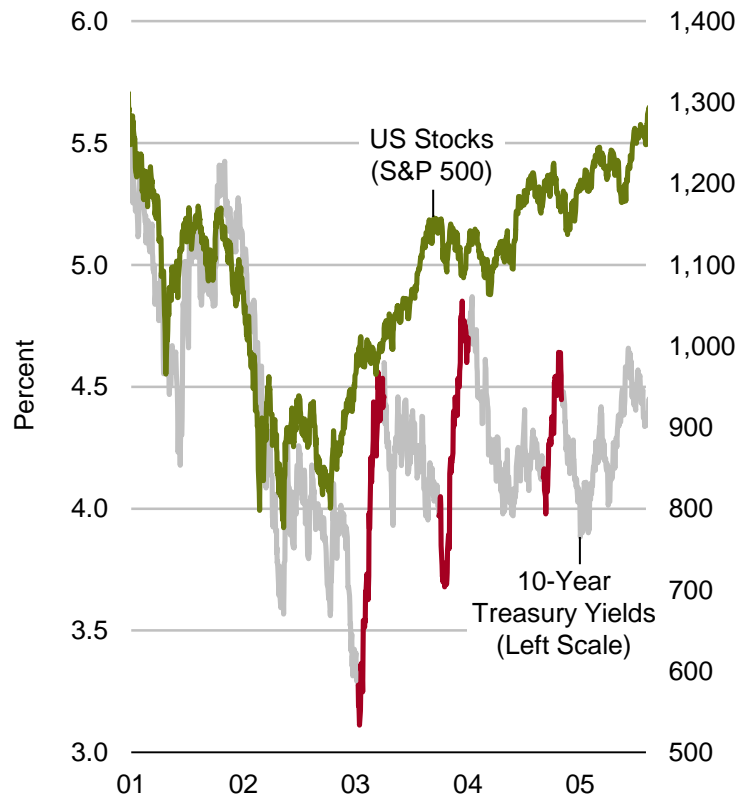
**Global developed equity valuations represented by MSCI World

[†]Forward earnings divided by price minus yield of the Barclays Global Treasury Bond adjusted to market cap of the Barclays Global Aggregate Bond

Source: Barclays, Bloomberg, Investment Company Institute, MSCI and AllianceBernstein

How Do Equities Respond to Rising Bond Yields?

Rate Spikes Failed to Derail Last US Equity Bull Market



As of May 31, 2013

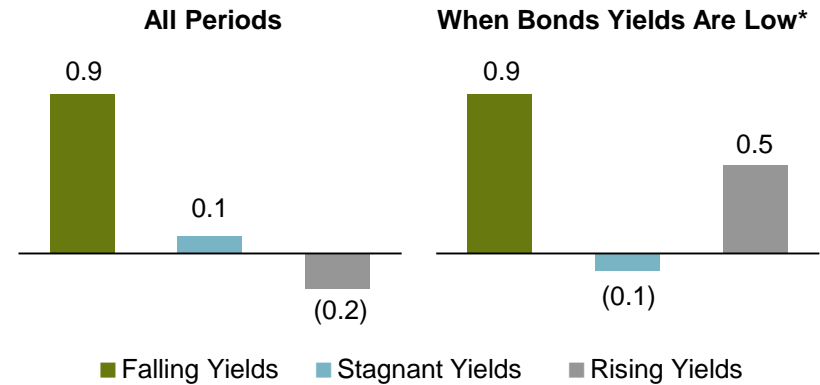
Analysis based on 10-year government yields and equity returns for France, Germany, Japan, UK and US

*When current yields are less than 4%

**Global equities represented by MSCI ACWI; rolling 24-month periods

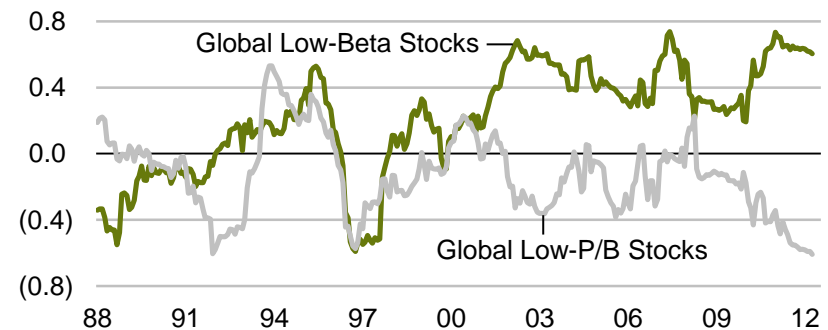
Source: Barclays, Bloomberg, MSCI, S&P and AllianceBernstein

Forward One-Month Stock Returns: 1970–2012 (Percent)



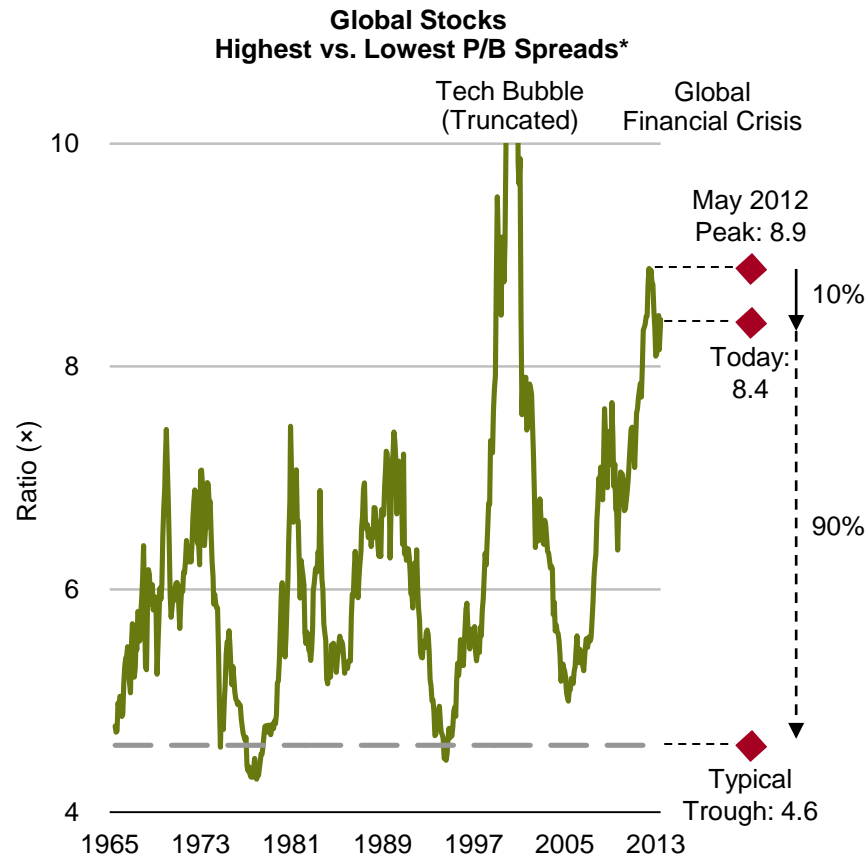
“Safer” Low-Beta Stocks Are Exposed to Bond Yield Shift

Correlation of Excess Returns** vs. US Treasury Returns



Early Days in the Value Recovery

Plenty of Scope for More Value Outperformance



Through June 30, 2013

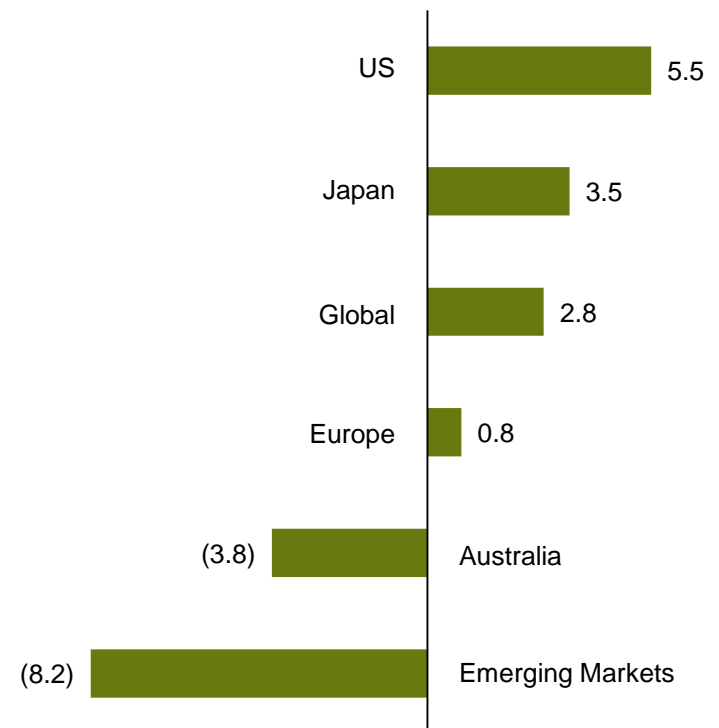
*The difference between the highest and lowest quintiles of stocks in the Bernstein global large-cap universe based on price/book value

**Based on the hedged returns in USD for the Bernstein regional universes, sorted monthly by price/book value and price/forward earnings value, measuring the difference in returns between the cheapest quintile of stocks (Q1) and the most expensive quintile of stocks (Q5)

Source: Center for Research in Security Prices (CRSP), MSCI and AllianceBernstein

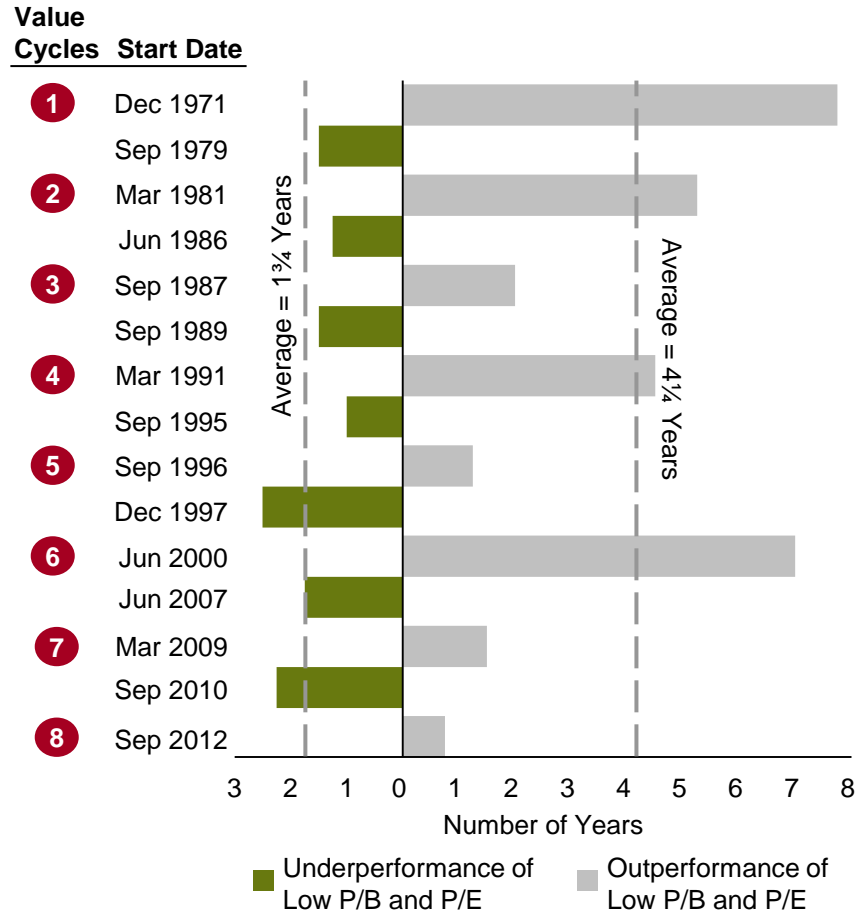
US Leads While Emerging Markets Lag

Performance of Cheapest Quintile vs. Most Expensive Quintile (Combined P/B and P/FE) January–June 2013**



Portfolios Positioned to Take Advantage of Value Recovery

Duration of Value Cycles: 1971–2013*

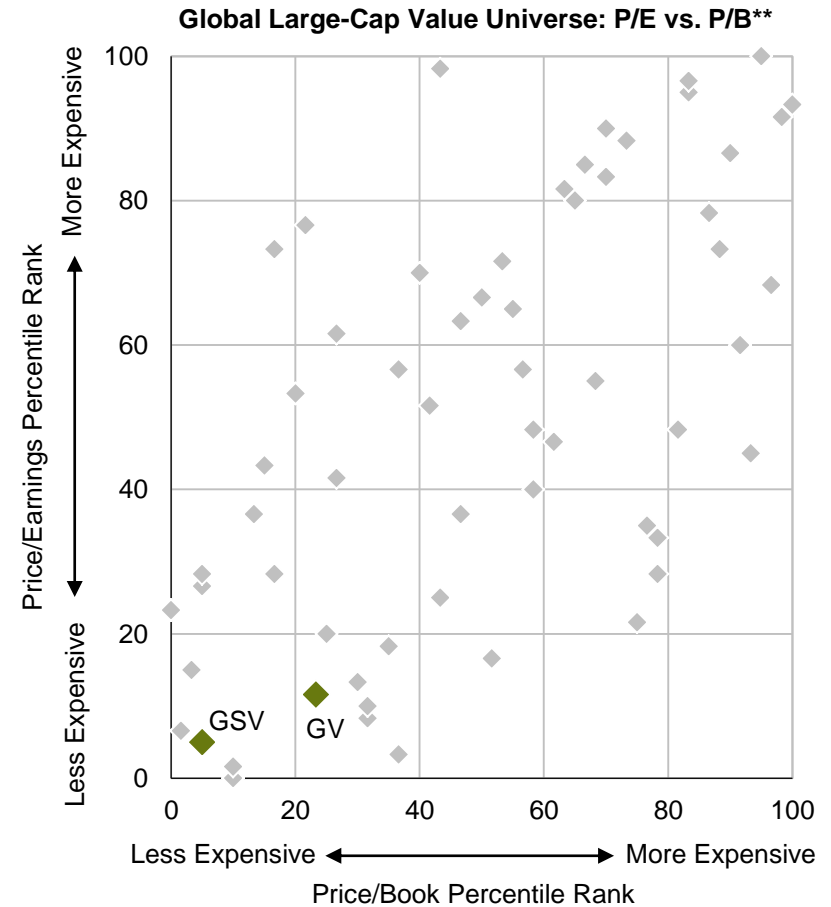


*Value cycles defined as at least three quarters of rolling one-year outperformance or underperformance of the average return of the cheapest quintiles sorted by price/book value and price/earnings factors vs. MSCI World, hedged into USD

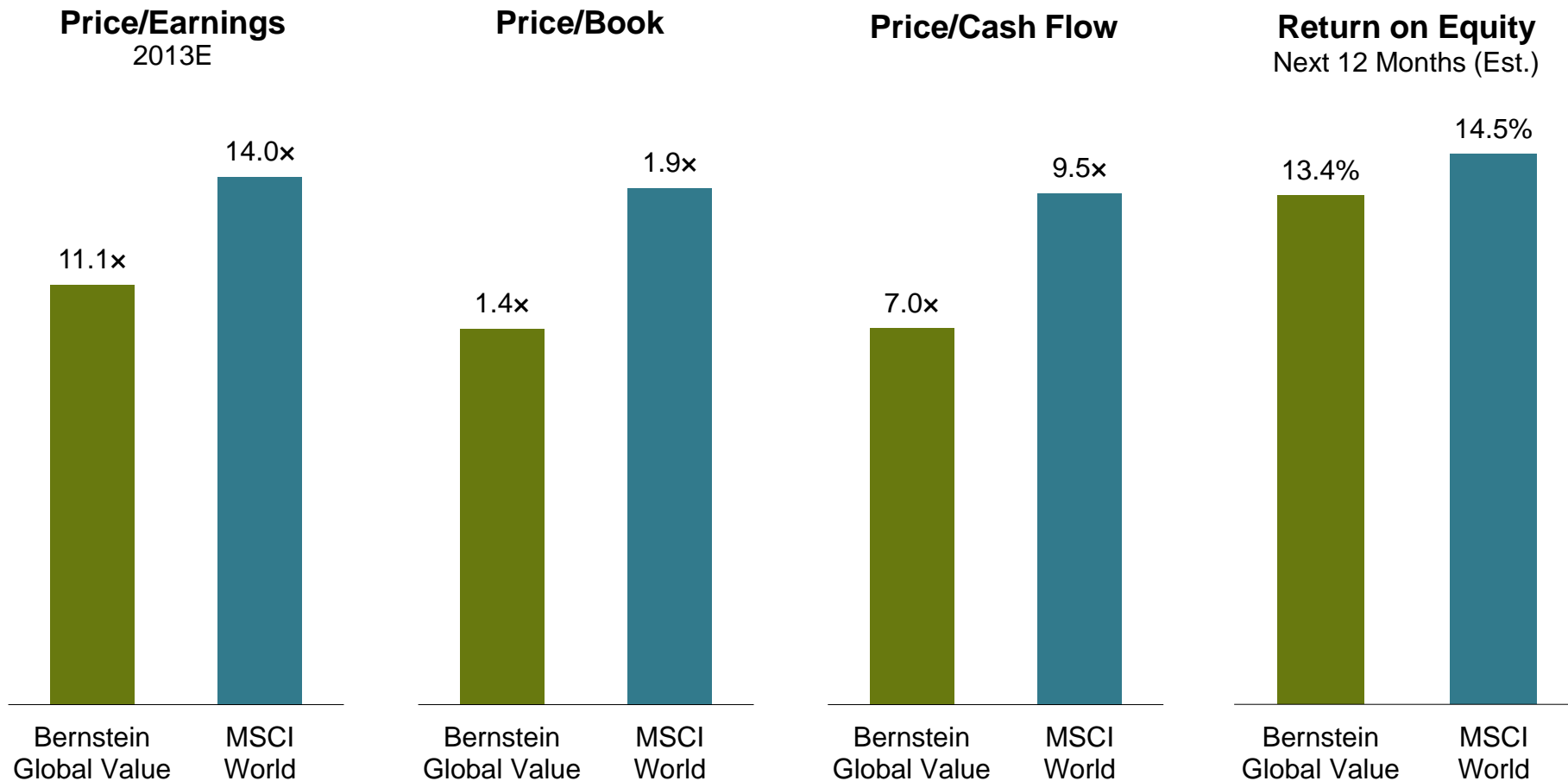
**Based on the eVestment Alliance global large-cap value universe, including 61 managers who reported both price/earnings and price/book value as of March 31, 2013

Source: CRSP, eVestment Alliance, FactSet, MSCI and AllianceBernstein

Portfolios Are Positioned in Deepest-Value Stocks



Portfolio Characteristics: Attractive Valuations and Strong Cash Flows



As of June 30, 2013

Based on a representative Global Value account vs. MSCI World

Source: MSCI, Thomson Reuters I/B/E/S and AllianceBernstein

Appendix

EM vs. DM: Differing Economics and QE's End Drive Historic Wedge...

- Emerging markets and value stocks within them have lagged those in the developed world by historic margins this year...

- ...as investors react to the contrast between decelerating EM economic growth and stronger DM recoveries

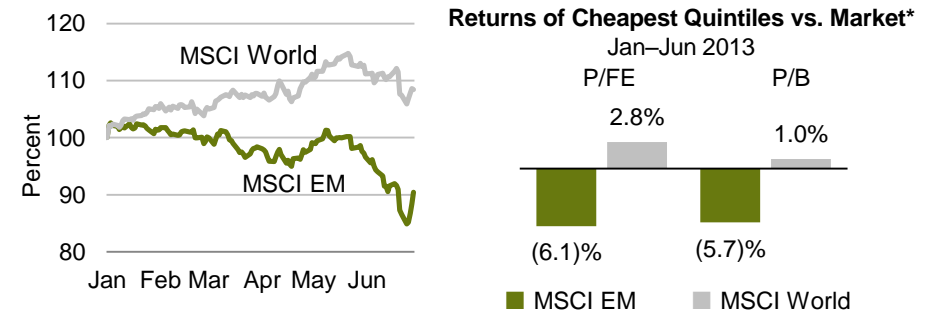
- Talk of Fed “tapering” and the resulting outflows from EM equity and debt funds drove the gap between EM and DM even wider

As of June 30, 2013

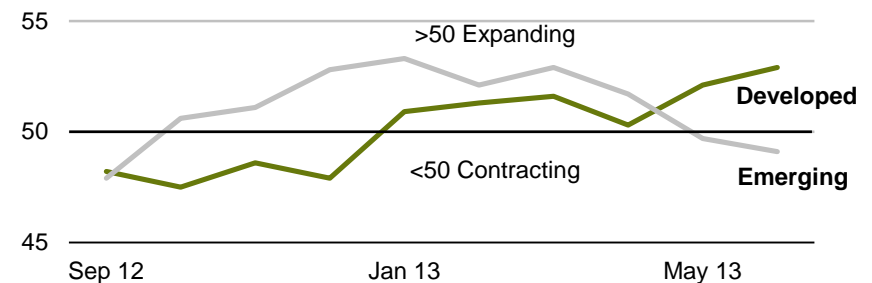
*Returns relative to the market for the cheapest quintiles of the MSCI EM and MSCI World indices, based on the value factors shown

Source: FactSet, MSCI and AllianceBernstein

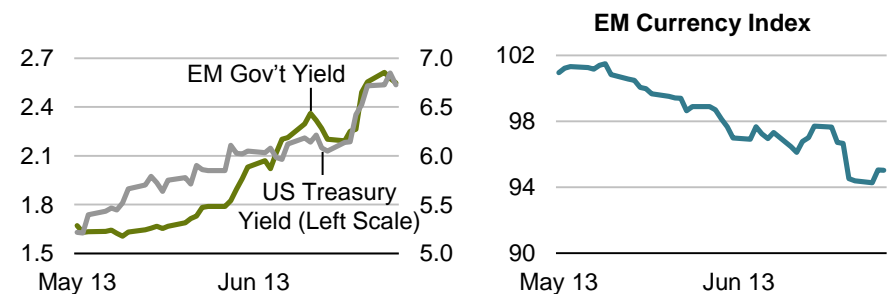
1H 2013 Market and Value Returns: EM vs. DM (USD)



Purchasing Managers Index: Manufacturing New Orders



Government Yields and EM Currency Index: Percent



...Leaving Provocative Differences in Valuations

- EM stocks now trade at the biggest discounts to DM in more than five years

- Valuation spreads within EM are also at extreme levels that have presaged strong value recoveries in the past—which we think can begin as soon as EM economies stabilize—as was the case in DM

- We see a particularly large opportunity in high-beta, economically sensitive EM stocks left behind in the rush to safety

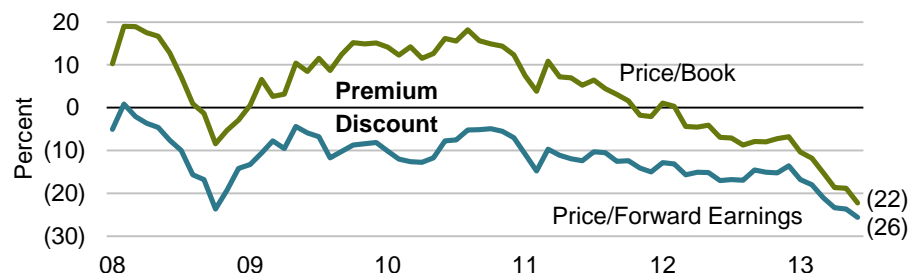
As of June 30, 2013

*Based on the lowest versus the highest quintile of EM stocks based on price/book

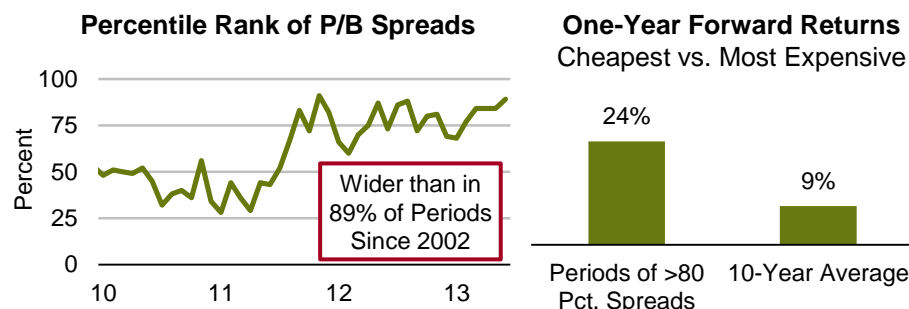
**Difference in price/book multiples relative to the market between the highest- and lowest-beta quintiles of EM stocks

Source: FactSet, MSCI and AllianceBernstein

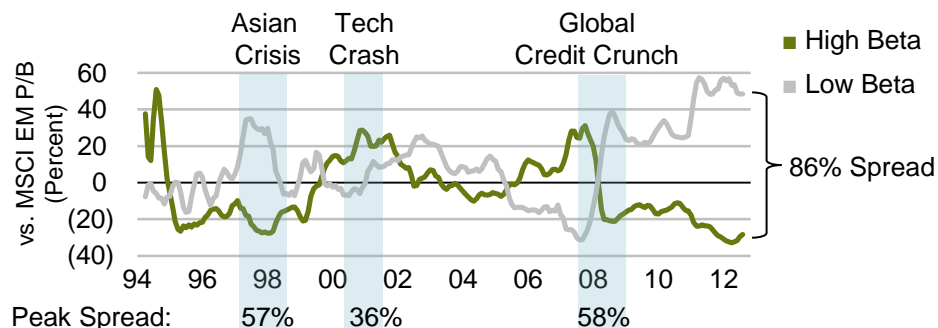
MSCI EM Discount vs. MSCI World



P/B Spreads: Cheapest vs. Most Expensive Quintiles*



Relative Price/Book of High- and Low-Beta EM Stocks**



Bernstein Global Value: Sector and Country Weights

Largest Sector Overweights and Underweights

Industrial Commodities	+4.6%
Technology	+2.9
Capital Equipment	+2.1
Financials	+0.4
Medical	0.0
Utilities	(0.5)
Consumer Cyclicals	(1.0)
Energy	(2.1)
Construction & Housing	(2.4)
Consumer Staples	(4.7)

Largest Country Overweights and Underweights

South Korea	+4.2%
France	+2.8
The Netherlands	+2.7
Brazil	+2.3
Japan	+2.1
Sweden	(1.3)
Australia	(1.5)
Germany	(1.6)
Canada	(2.0)
US	(7.9)

As of June 30, 2013

Based on a representative Global Value account versus MSCI World

Source: MSCI and AllianceBernstein

Disclosures and Important Information

Disclosure on Security Examples

References to specific securities are presented to illustrate the application of our investment philosophy only and are not to be considered recommendations by AllianceBernstein. The specific securities identified and described in this presentation do not represent all of the securities purchased, sold or recommended for the portfolio, and it should not be assumed that investments in the securities identified were or will be profitable. Upon request, we will furnish a listing of all investments made during the prior one-year period.

Past performance is not a guide to future performance.

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The value of non-domestic securities may be subject to exchange-rate fluctuations.

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