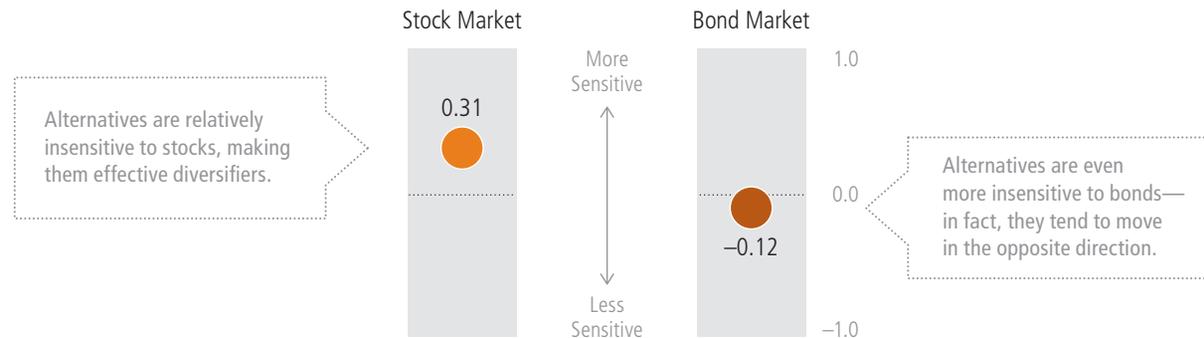


## Alternative Reality

### The Growing Need for Liquid Alternative Investments

#### Beta of Alternatives to Stocks and Bonds

Beta describes the sensitivity of an investment's return patterns to a market. The higher the beta, the more sensitive the returns to the market.



*Past performance does not guarantee future results.*

*Alternative investments carry a heightened level of risk and are not suitable for all investors. For more on the risks associated with liquid alts, please see page 8 of this brochure.*

*January 1, 2009 through December 31, 2013.*

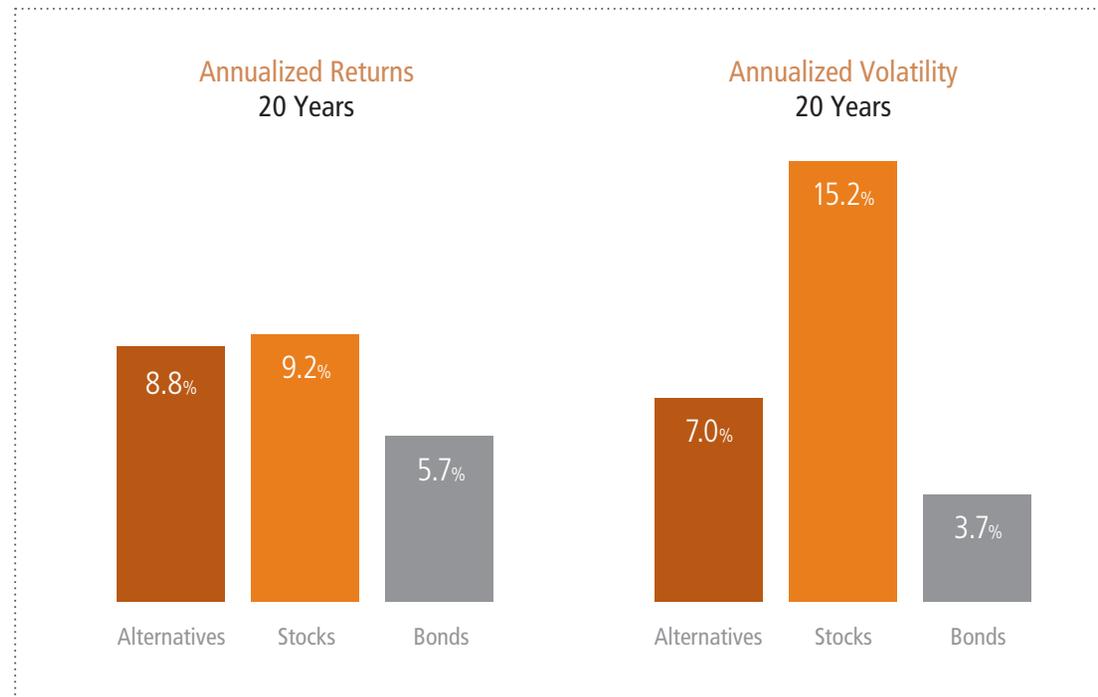
*Alternatives represented by HFRI Fund-Weighted Composite Index; Stocks by S&P 500 Index; Bonds by Barclays US Aggregate Bond Index. An investor cannot invest directly in an index and its performance does not reflect the performance of any AllianceBernstein portfolio. The unmanaged index does not reflect fees and expenses associated with the active management of a portfolio.*

*Source: Barclays, Hedge Fund Research, S&P and AllianceBernstein*

- Alternatives are growing more popular as investors seek new ways to improve risk-adjusted returns and diversify traditional asset-class exposures.
- Alternative mutual funds offer access to investments traditionally available only to accredited investors.
- Investors can choose from a wide variety of strategies—focusing on risk/return characteristics and objectives is key.
- Work with a financial advisor to determine how to integrate alternatives into your portfolio—and to find the best managers.

## An Attractive Risk-Return Experience

Alternative investments have historically produced strong returns with moderate levels of volatility.



- Over the last two decades, alternative investments have posted returns comparable to those of stocks while outperforming bonds.
- The annualized volatility of alternative investments has been lower than equities—roughly between that of stocks and bonds.
- Also given their low correlation to the stock and fixed income markets, we believe alternative investments are an attractive portfolio diversifier

*Past performance does not guarantee future results. Investments in stocks are more volatile than investments in bonds.*

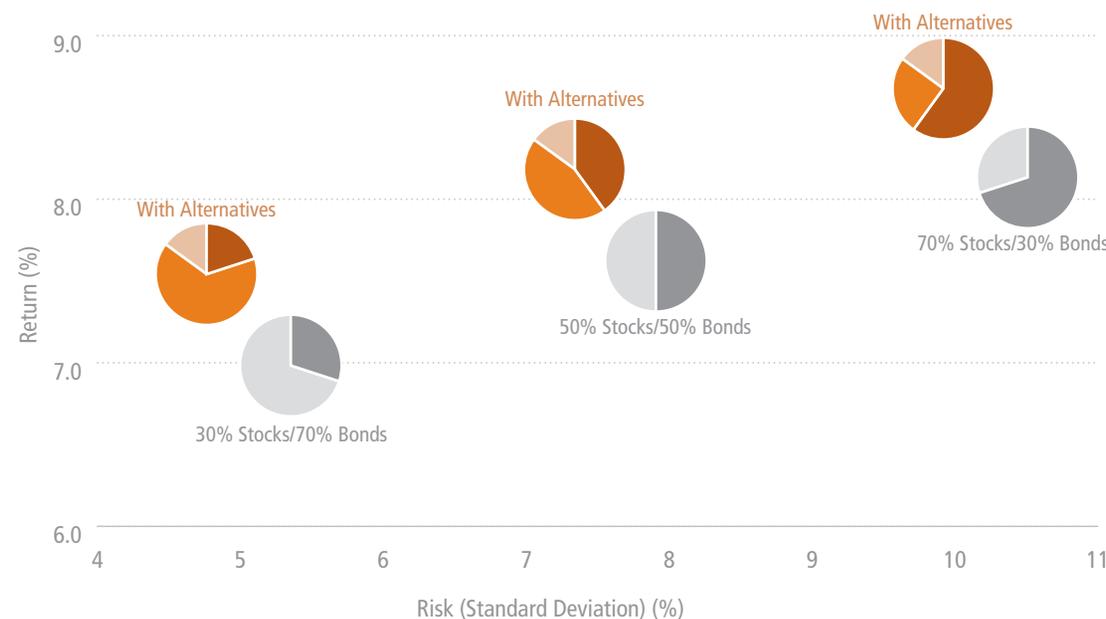
*As of December 31, 2013.*

*Alternatives represented by HFRI Fund-Weighted Composite Index; Stocks by S&P 500 Index; Bonds by Barclays US Aggregate Bond Index. An investor cannot invest directly in an index and its performance does not reflect the performance of any AllianceBernstein portfolio. The unmanaged index does not reflect fees and expenses associated with the active management of a portfolio. Source: Barclays, Hedge Fund Research, S&P and AllianceBernstein*

# Alternatives Have Improved the Portfolio Risk/Return Balance

Alternative investments have historically enhanced portfolio performance patterns at various allocations.

## Traditional vs. Allocation with Alternatives Last 20 Years (Percent)



- Traditional portfolio allocation decisions have focused on choosing different mixes of stocks and bonds.
- Adding a 20% allocation to alternatives—funded equally from stocks and bonds—enhanced returns while reducing volatility.
- The benefits of alternatives as portfolio diversifiers are evident at various portfolio mixes and levels of risk and return.

*Past performance does not guarantee future results. Diversification does not guarantee profit or protect against loss of investment.*

*As of December 31, 2013.*

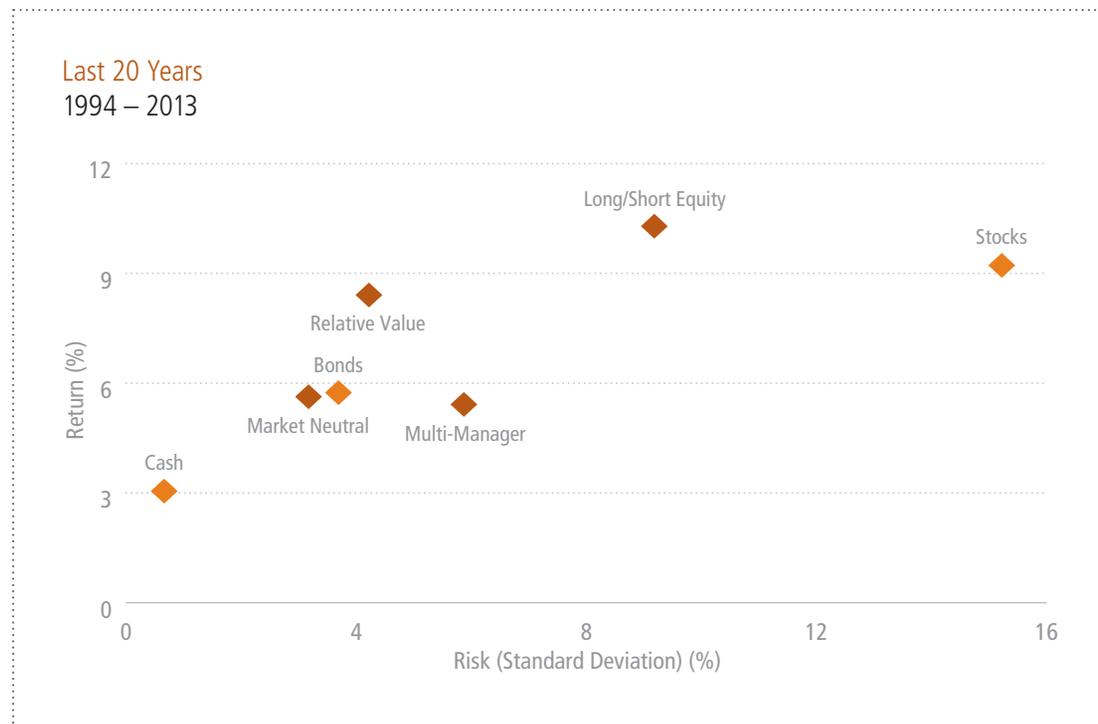
*Alternatives represented by HFRI Fund Weighted Composite Index; Stocks by S&P 500; Bonds by Barclays US Aggregate Index; Enhanced Asset Allocation assumes a 20% allocation to alternatives, sourced 10% from traditional stocks and 10% from traditional bonds. An investor cannot invest directly in an index and its performance does not reflect the performance of any AllianceBernstein portfolio. The unmanaged index does not reflect fees and expenses associated with the active management of a portfolio.*

*Standard deviation is a measure of volatility, indicating the percentage by which an investment's performance has varied from its average; the higher the standard deviation, the greater the range of performance, indicating greater volatility.*

*Source: Barclays, Centre for Hedge Fund Research, S&P and AllianceBernstein*

## Not a Homogeneous Asset Class

The risk and return characteristics within the alternative universe vary substantially based on their subcategory.



- Alternatives are a very broad category with very diverse performance patterns across specific types of strategies.
- Some strategies, such as long/short equity, have more stock-like characteristics. Some, like market-neutral, are more bond-like.
- Other alternative strategies may fall somewhere in between. These may include multi-asset or balanced portfolio strategies.
- Investors should focus on risk/return characteristics and portfolio objectives to determine which strategy makes sense.

*Past performance is not a guarantee of future results.*

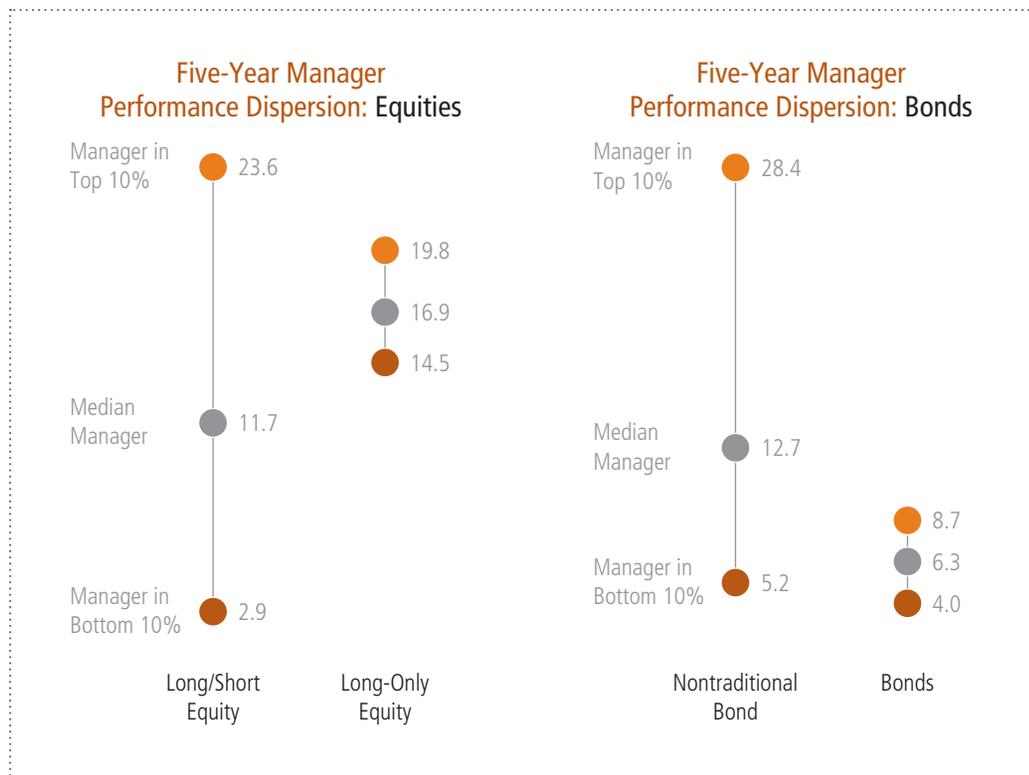
*As of December 31, 2013.*

*Cash represented by BofA Merrill Lynch 0-3-Month T-Bill Index; Bonds by Barclays US Aggregate Bond Index; Stocks by S&P 500; Multi-Manager by HFRI Fund-Weighted Composite Index; Market Neutral by HFRI EH; Market Neutral Index; Relative Value by HFRI Relative Value (Total) Index; and Long/Short Equity by HFRI Equity Hedge Index. An investor cannot invest directly in an index and its performance does not reflect the performance of any AllianceBernstein portfolio. The unmanaged index does not reflect fees and expenses associated with the active management of a portfolio. Please refer to page 8 of this brochure for alternative asset class definitions.*

*Source: Barclays, BofA Merrill Lynch, Hedge Fund Research, S&P 500 and AllianceBernstein*

# Manager Selection Has Been Critical in Alternatives

Returns of alternative managers historically diverge more than those of traditional portfolio managers.



- There's a wider variance within returns of alternative equity managers—such as long/short—than within traditional equity managers.
- The same relationship holds for non-traditional bond managers versus traditional bond managers.
- This dispersion is due to varying underlying investments and different investment objectives.
- This reinforces the importance of being selective when choosing an alternative manager.

*Past performance does not guarantee future results.*

*As of December 31, 2013.*

*Long/Short Equity represented by HFRI Equity Hedge constituents; long-only equity represented by active Morningstar category Large Blend constituents; nontraditional bond represented by HFRI Relative Value constituents; bonds represented by active Morningstar category Intermediate Term Bond constituents.*

*Source: AllianceBernstein*

# How Do Liquid Alternatives Stack Up Against Hedge Funds?

We believe the positive aspects of liquid alternative mutual funds tend to outweigh the investment restrictions

## Potential Benefits of Liquid Alts

- ✓ Access: Available to a much wider audience of investors
- ✓ Liquidity: Investment option with daily pricing
- ✓ Transparency: Offer more disclosure and portfolio reporting
- ✓ Affordability: Offer lower minimum investments and fees

## Challenges of Liquid Alts

- ✓ Asset-Classes: Not able to invest in certain illiquid asset classes
- ✓ Leverage: The use of leverage\* seeks to amplify returns is limited in funds
- ✓ Definition: No common industry definition for alternatives
- ✓ Benchmarking: Alternative peer categories not well defined, requiring more in-depth research to identify and compare similar strategies. They also typically use unconventional benchmarks.

*While liquid alternatives have some investing challenges, they have substantial benefits for investors.*

\*Leverage is the use of various financial instruments or borrowed capital to increase the potential return of an investment.  
Source: AllianceBernstein

# An Array of Alternative Offerings

Our liquid alternative investment offerings are tailored to meet specific—and diverse—investment objectives.

## Bond Alternatives

Investors looking for insulation against rising interest rates may allocate some of their bond exposure to alternatives.

Unconstrained Bond: AGSAX

Credit Long/Short: ALASX



## Equity Alternatives

Investors seeking to protect capital in volatile or down markets or enhance diversification may allocate some of their equity exposure to alternatives.

Select US Long/Short: ASLAX

Global Real Estate: AREAX

Real Asset Strategy: AMTAX

Market Neutral—US: AMUAX

## Alternatives Solution

Investors seeking enhanced diversification for traditional fixed income and equity allocations may allocate some of each asset class equally to alternatives.

Multi-Manager Alternative Strategies: ALATX

Global Risk Allocation: CABNX

Dynamic All Market: ADAAX

## Alternative Asset Class Definitions

**Relative Value:** Seek to avoid losses and produce returns uncorrelated with the overall bond market, using a variety of methods. Some invest tactically across a wide array of sectors, including high yield and foreign debt.

**Market Neutral:** Generally take long and short equity positions and attempt to hedge out all market exposure. These funds work to provide small but steady returns in all market conditions.

**Multi-Manager:** Invest with multiple managers, designing a diversified portfolio and thereby lowering the risk of investing with an individual manager. A manager may allocate funds to numerous managers within a single strategy or to numerous managers in multiple strategies. May shift allocations based on market opportunities.

**Long/Short Equity:** Maintain positions both long and short in primarily equity and equity derivative securities. Funds may vary by market exposure, approach to stock selection, geographic focus or sector specialty.

## A Word About Risk

**Market Risk:** The market values of the portfolio's holdings rise and fall from day to day, so investments may lose value

**Capitalization Size Risk (Small/Mid):** Small- and mid-cap stocks are often more volatile than large-cap stocks—smaller companies generally face higher risks due to their limited product lines, markets and financial resources

**Diversification Risk:** Portfolios that hold a smaller number of securities may be more volatile than more diversified portfolios, since gains or losses from each security will have a greater impact on the portfolio's overall value

**Active Trading Risk:** A higher rate of portfolio turnover increases transaction costs, which may negatively affect portfolio returns and may also result in substantial short-term gains, which may result in adverse tax consequences for shareholders

**Short Sale Risk:** The risk that the Portfolio will incur a loss by subsequently buying a security at a higher price than the price at which it sold the security short and the amount of such loss is theoretically unlimited

**Derivatives Risk:** Investing in derivative instruments such as options, futures, forwards or swaps can be riskier than traditional investments, and may be more volatile, especially in a down market

**Investors should consider the investment objectives, risks, charges and expenses of the Fund/Portfolio carefully before investing. For copies of our prospectus or summary prospectus, which contain this and other information, visit us online at [www.alliancebernstein.com](http://www.alliancebernstein.com) or contact your AllianceBernstein Investments representative. Please read the prospectus and/or summary prospectus carefully before investing.**

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