This attachment contains the two most recent Senior Officer Fee Summaries for the Fund.

THE FOLLOWING IS NOT PART OF THE SHAREHOLDER REPORT OR THE FINANCIAL STATEMENTS

SUMMARY OF SENIOR OFFICER'S EVALUATION OF INVESTMENT ADVISORY AGREEMENT[1]

The following is a summary of the evaluation of the Investment Advisory Agreement between AllianceBernstein L.P. (the "Adviser") and AB Cap Fund (the "Fund"), in respect of AB Market Neutral Strategy – U.S. (the "U.S. Market Neutral Strategy," the "Strategy"),[2] prepared by Philip L. Kirstein, the Senior Officer of the Fund for the Directors of the Fund, as required by the August 2004 agreement between the Adviser and the New York State Attorney General (the "NYAG"). The Senior Officer's evaluation of the Investment Advisory Agreement is not meant to diminish the responsibility or authority of the Board of Directors to perform its duties pursuant to Section 15 of the Investment Company Act of 1940 (the "40 Act") and applicable state law. The purpose of the summary is to provide shareholders with a synopsis of the independent evaluation of the reasonableness of the advisory fees proposed to be paid by the Strategy which was provided to the Directors in connection with their review of the proposed approval of the continuance of the Investment Advisory Agreement.

The Senior Officer's evaluation considered the following factors:

1. Advisory fees charged to institutional and other clients of the Adviser for like services;
2. Advisory fees charged by other mutual fund companies for like services;

[1] The information in the fee evaluation was completed on April 23, 2015 and discussed with the Board of Directors on May 5-7, 2015.

[2] Future references to the Fund and the Strategy do not include "AB." References in the fee summary pertaining to performance and expense ratios refer to Class A shares of the Strategy.

3. Costs to the Adviser and its affiliates of supplying services pursuant to the advisory agreement, excluding any intra-corporate profit;
4. Profit margins of the Adviser and its affiliates from supplying such services;
5. Possible economies of scale as the Strategy grow larger; and
6. Nature and quality of the Adviser's services including the performance of the Strategy.

These factors, with the exception of the first factor, are generally referred to as the "*Gartenberg* factors," which were articulated by the United States Court of Appeals for the Second Circuit in 1982. *Gartenberg v. Merrill Lynch Asset Management, Inc.*, 694 F. 2d 923 (2d Cir. 1982). On March 30, 2010, the Supreme Court held the *Gartenberg* decision was correct in its basic formulation of what Section 36(b) requires: to face liability under Section 36(b), "an investment adviser must charge a fee that is so disproportionately large that it bears no reasonable relationship to the services rendered and could not have been the product of arm's length bargaining." *Jones v. Harris Associates L.P.*, 130 S. Ct. 1518 (2010). In *Jones*, the Court stated the *Gartenberg* approach fully incorporates the correct understanding of fiduciary duty within the context of Section 36(b) and noted with approval that "*Gartenberg* insists that all relevant circumstances be taken into account" and "uses the range of fees that might result from arm's length bargaining as the benchmark for reviewing challenged fees."[3]

[3] *Jones v. Harris* at 1427.

STRATEGY ADVISORY FEES, EXPENSE CAPS, REIMBURSEMENTS & RATIOS

The Adviser proposed that the Strategy pays the advisory fee set forth in the table below for receiving the services to be provided pursuant to the Investment Advisory Agreement.[4] Also shown are the Strategy's net assets on March 31, 2015.

Strategy	Advisory Fee	Net Assets 3/31/15 ($MIL)
U.S. Market Neutral Strategy	1.25% of average daily net assets	$3.2

The Adviser is reimbursed as specified in the Investment Advisory Agreement for certain clerical, legal, accounting, administrative and other services provided to the Strategy. During the Strategy's most recently completed fiscal year, the Adviser was entitled to receive $60,461 (1.366% of the Strategy's average daily net assets) for providing such services, but waived the amount in its entirety.

The Adviser has agreed to waive that portion of its advisory fees and/or reimburse the Strategy for that portion of the Strategy's total operating expenses to the degree necessary to limit the Strategy's total expense ratios to the amounts set forth below for the Strategy's current fiscal year. The waiver is terminable by the Adviser at the end of the Strategy's fiscal year upon at least 60 days' written notice prior to the Strategy's prospectus update. Also, set forth below are the Strategy's semi-annual gross expense ratios:[5]

[4] Most of the AB Mutual Funds, which the Adviser manages, were affected by the Adviser's settlement with the NYAG; however, the Strategy was not in existence at the time of the settlement, and does not follow the fee schedules established at the time.

[5] Semi-annual total expense ratios are unaudited.

Strategy	Expense Cap Pursuant to Expense Limitation Undertaking		Gross Expense Ratio[6]	Fiscal Year End
U.S. Market Neutral Strategy[7]	Advisor	1.25%	17.12%	July 31 (ratios as of January 31, 2015)
	Class A	1.50%[8]	17.34%	
	Class C	2.25%	18.19%	
	Class R	1.75%	16.39%	
	Class K	1.50%	16.20%	
	Class I	1.25%	15.85%	

I. ADVISORY FEES CHARGED TO INSTITUTIONAL AND OTHER CLIENTS

The advisory fees charged to investment companies which the Adviser manages and sponsors are normally higher than those charged to similar sized institutional accounts, including pension plans and sub-advised investment companies. The fee differential reflects, among other things, different services provided to such clients, and different liabilities assumed. Services to be provided by the Adviser to the Strategy that are not provided to non-investment company clients include providing office space and personnel to serve as Fund Officers, who among other responsibilities make the certifications required under the Sarbanes–Oxley Act of 2002, and coordinating with and monitoring the Strategy' third party service providers such as Fund counsel, auditors, custodians, transfer agents and pricing services. The accounting, administrative, legal and compliance requirements for the Strategy are more costly than those for institutional assets due to the greater complexities and time required for investment companies, although as previously noted, the Adviser is entitled to be reimbursed for providing such services. The Adviser also believes that it incurs substantial entrepreneurial risk when offering a new mutual fund, since establishing a new mutual fund requires a large upfront

[6] Annualized.
[7] Excludes interest expense and expense on securities sold short.
[8] Prior to November 1, 2014, the expense cap of the Strategy's Class A shares was 1.55%. The new expense cap reflects the reduction of 12b-1 fees from 0.30% to 0.25% effective November 1, 2014.

investment and it may take a long time for the fund to achieve profitability since the fund must be priced to scale from inception in order to be competitive and assets are acquired one account at a time. In addition, managing the cash flow of an investment company may be more difficult than managing that of a stable pool of assets, such as an institutional account with little cash movement in either direction, particularly, if a fund is in net redemption and the Adviser is frequently forced to sell securities to raise cash for redemptions. However, managing a fund with positive cash flow may be easier at times than managing a stable pool of assets. Finally, in recent years, investment advisers have been sued by institutional clients and have suffered reputational damage both by the attendant publicity and outcomes other than complete victories. Accordingly, the legal and reputational risks associated with institutional accounts are greater than previously thought, although still not equal to those related to the mutual fund industry.

Notwithstanding the Adviser's view that managing an investment company is not comparable to managing other institutional accounts because the services provided are different, the Supreme Court has indicated consideration should be given to the advisory fees charged to institutional accounts with a similar investment style as the Strategy.[9] In addition to the AB Institutional fee schedule, set forth below is what would have been the effective advisory fees of the Strategy had the AB Institutional fee schedules been applicable to the Strategy based on March 31, 2015 net assets:[10]

[9] The Supreme Court stated that "courts may give such comparisons the weight that they merit in light of the similarities and differences between the services that the clients in question require, but the courts must be wary of inapt comparisons." Among the significant differences the Supreme Court noted that may exist between services provided to mutual funds and institutional accounts are "higher marketing costs." *Jones v. Harris* at 1528.

[10] The Adviser has indicated that with respect to institutional accounts with assets greater than $300 million, it will negotiate a fee schedule. Discounts that are negotiated vary based upon each client relationship.

Strategy	Net Assets 3/31/15 ($MIL)	AB Institutional Fee Schedule	Effective AB Inst. Adv. Fee	Strategy Advisory Fee
U.S. Market Neutral Strategy	$3.2	Market Neutral – U.S. Two options: A flat fee of 1.00% or 0.50% plus 20% of returns above the benchmark (ML 3 Mo. T-Bill Index) *Minimum Account Size: $50m*	1.000% Or 0.500%[11]	1.250%

The Adviser also manages and sponsors retail mutual funds, which are organized in jurisdictions outside the United States, generally Luxembourg and Japan, and sold to non-United States resident investors. The Adviser charges the fees set forth below for Market Neutral Portfolio, a Luxembourg fund that has a somewhat similar investment style as the Strategy:

Strategy	Luxembourg Fund	Fee[12]
U.S. Market Neutral Strategy	Market Neutral Portfolio Class A	1.50% plus 20% of the excess return above the benchmark, subject to a high watermark (BoA ML 3 Month T-bill)[13]
	Class I	0.70% plus 20% of the excess return above the benchmark, subject to a high watermark (BoA ML 3 Month T-bill)[13]

[11] During calendar year 2014, the institutional mandate, Market Neutral – US, underperformed the benchmark by -1.33% on a net performance basis. Accordingly, the Adviser was not eligible to earn a performance incentive fee during the year.

[12] Class A shares of the Luxembourg funds are charged an "all-in" fee, which covers investment advisory and distribution related services.

[13] During Market Neutral Portfolio's most recent semi-annual period, Class A and Class I shares of the Luxembourg fund paid the Adviser 0.01% and 0.53% in incentive fees, in addition to the 1.50% and 0.70% base fee, respectively for each share class.

The Adviser represented that it does not provide sub-advisory investment services to other investment companies that have a substantially similar investment style as the Strategy.

II. MANAGEMENT FEES CHARGED BY OTHER MUTUAL FUND COMPANIES FOR LIKE SERVICES.

Lipper, Inc. ("Lipper"), an analytical service that is not affiliated with the Adviser, compared the fees charged to the Strategy with fees charged to other investment companies for similar services offered by other investment advisers.[14] Lipper's analysis included the comparison of the Strategy's contractual management fee, estimated at the approximate current asset level of the Strategy, to the median of the Strategy's Lipper Expense Group ("EG")[15] and the Strategy's contractual management fee ranking.[16]

Lipper describes an EG as a representative sample of comparable funds. Lipper's standard methodology for screening funds to be included in an EG entails the consideration of several fund criteria, including fund type, investment classification/objective, load type and similar 12b-1/non-12b-1 service fees, asset (size) comparability, expense components, operating structure and expense attributes. An EG will typically consist of seven to twenty funds.

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[14] The Supreme Court cautioned against accepting mutual fund fee comparisons without careful scrutiny since "these comparisons are problematic because these fees, like those challenged, may not be the product of negotiations conducted at arm's length." *Jones v. Harris* at 1529.

[15] Lipper does not consider average account size when constructing EGs. Funds with relatively small average account sizes tend to have higher transfer agent expense ratio than comparable sized funds that have relatively large average account sizes. There are limitations to Lipper expense category data because different funds categorize expenses differently.

[16] The contractual management fee is calculated by Lipper using the Strategy's contractual management fee rate at a hypothetical asset level. The hypothetical asset level is based on the combined net assets of all classes of the Strategy, rounded up to the next $25 million. Lipper's total expense ratio information is based on the most recent annual report except as otherwise noted. A ranking of "1" would mean that a fund had the lowest effective fee rate in the Lipper peer group.

Strategy	Contractual Management Fee (%)[17]	Lipper EG Median (%)	Lipper EG Rank
U.S. Market Neutral Strategy	1.250	1.269	4/9

Lipper also compared the Strategy's total expense ratios to the medians of the Strategy's Lipper Expense Universes ("EU"). The EU is a broader group compared to the EG, consisting of all funds that have the same investment classification/objective and load type as the subject fund.[18] Set forth below is Lipper's comparison of the Strategy's total expense ratio and the median of the Strategy's EG and EU. The Strategy's total expense ratio ranking is also shown.[19]

Strategy	Total Expense Ratio (%)[20]	Lipper EG Median (%)	Lipper EG Rank	Lipper EU Median (%)	Lipper EU Rank
U.S. Market Neutral Strategy	1.550	1.624	3/9	1.545	8/14
Pro-forma[21]	1.500	1.624	3/9	1.545	7/14

Based on this analysis, considering pro-forma information for total expense ratio, the Strategy has a more favorable ranking on a total expense ratio basis than on contractual management fee basis.

[17] The contractual management fee does not reflect any expense reimbursements made by the Strategy to the Adviser for certain clerical, legal, accounting, administrative, and other services. In addition, the contractual management fee does not reflect any advisory fee waivers for expense caps.
[18] Except for asset (size) comparability, Lipper uses the same criteria for selecting an EG when selecting an EU. Unlike the EG, the EU allows for the same adviser to be represented by more than just one fund.
[19] The total expense ratios shown below were estimated by Lipper using rounded Form-NSAR data. Accordingly, there may be slight differences in the total expense ratios estimated by Lipper and that of the Adviser.
[20] Most recently completed fiscal year end Class A shares total expense ratio.
[21] Pro-forma total expense ratio reflects the reduction in 12b-1 fees.

III. COSTS TO THE ADVISER AND ITS AFFILIATES OF SUPPLYING SERVICES PURSUANT TO THE MANAGEMENT FEE ARRANGEMENT, EXCLUDING ANY INTRA-CORPORATE PROFIT.

The Adviser utilizes two profitability reporting systems, which operate independently but are aligned with each other, to estimate the Adviser's profitability in connection with investment advisory services provided to the Strategy. The Senior Officer has retained a consultant to provide independent advice regarding the alignment of the two profitability systems as well as the methodologies and allocations utilized by both profitability systems. See Section IV for additional discussion.

IV. PROFIT MARGINS OF THE ADVISER AND ITS AFFILIATES FOR SUPPLYING SUCH SERVICES.

The Strategy's profitability information, prepared by the Adviser for the Board of Directors, was reviewed by the Senior Officer and the consultant. The Adviser's profitability from providing investment advisory services to the Strategy was negative during calendar year 2014.

In addition to the Adviser's direct profits from managing the Strategy, certain of the Adviser's affiliates have business relationships with the Strategy and may earn a profit from providing other services to the Strategy. The courts have referred to this type of business opportunity as "fall-out benefits" to the Adviser and indicated that such benefits should be factored into the evaluation of the total relationship between the Strategy and the Adviser. Neither case law nor common business practice precludes the Adviser's affiliates from earning a reasonable profit on this type of relationship provided the affiliates' charges and services are competitive and the relationship otherwise complies with the 40 Act restrictions. These affiliates provide transfer agent, distribution and brokerage related services to the Strategy and receive transfer agent fees, Rule 12b-1

payments, front-end sales loads, contingent deferred sales charges ("CDSC") and brokerage commissions. In addition, the Adviser benefits from soft dollar arrangements which offset expenses the Adviser would otherwise incur.

AllianceBernstein Investments, Inc. ("ABI"), an affiliate of the Adviser, is the Fund's principal underwriter. ABI and the Adviser have disclosed in the Strategy's prospectus that they may make revenue sharing payments from their own resources, in addition to resources derived from sales loads and Rule 12b-1 fees, to firms that sell shares of the Strategy. The total amount paid to a financial intermediary associated with the sale of shares will generally not exceed the sum of (a) 0.25% of the current year's fund sales by that firm and (b) 0.10% of the average daily net assets attributable to that firm over the year. In 2014, ABI paid approximately 0.05% of the average monthly assets of the AB Mutual Funds or approximately $20.4 million for distribution services and educational support (revenue sharing payments).

During the Strategy's most recently completed fiscal year, ABI received from the Strategy $183, $5,343 and $135 in front-end sales charges, Rule 12b-1 and CDSC fees, respectively. [22]

Fees and reimbursements for out of pocket expenses charged by AllianceBernstein Investor Services, Inc. ("ABIS"), the affiliated transfer agent for the Strategy, are charged on a per account basis, based on the level of service provided and the class of share held by the account. ABIS also receives a fee per shareholder sub-account for each account maintained by an intermediary on an omnibus basis. During the

[22] Effective November 1, 2014, ABI implemented a reduction to the Strategy's Class A distribution service payment rate from 0.30% to 0.25%.

Strategy's most recently completed fiscal year, ABIS received $17,087 in fees from the Strategy.

The Strategy did not effect brokerage transactions and pay commissions to the Adviser's affiliate, Sanford C. Bernstein & Co., LLC ("SCB & Co.") nor its U.K. affiliate, Sanford C. Bernstein Limited ("SCB Ltd."), collectively "SCB," during the Strategy's most recently completed fiscal year. The Adviser represented that SCB's profitability from any business conducted in the future with the Strategy would be comparable to the profitability of SCB's dealings with other similar third party clients. In the ordinary course of business, SCB receives and pays liquidity rebates from electronic communications networks ("ECNs") derived from trading for its clients. These credits and charges are not being passed onto any SCB client. The Adviser also receives certain soft dollar benefits from brokers that execute agency trades for its clients. These soft dollar benefits reduce the Adviser's cost of doing business and increase its profitability.

V. POSSIBLE ECONOMIES OF SCALE

The Adviser has indicated that economies of scale are being shared with shareholders through pricing to scale, breakpoints, fee reductions/waivers and enhancement to services.

In May 2012, an independent consultant, retained by the Senior Officer, provided the Board of Directors information on the Adviser's firm-wide average costs from 2005 through 2011 and the potential economies of scale. The independent consultant noted that from 2005 through 2007 the Adviser experienced significant growth in assets under management ("AUM"). During this period, operating expenses increased, in part to keep up with growth, and in part reflecting market returns. However, from 2008 through the

first quarter of 2009, AUM rapidly and significantly decreased due to declines in market value and client withdrawals. When AUM rapidly decreased, some operating expenses categories, including base compensation and office space, adjusted more slowly during this period, resulting in an increase in average costs. Since 2009, AUM has experienced less significant changes. The independent consultant noted that changes in operating expenses reflect changes in business composition and business practices in response to changes in financial markets. Finally, the independent consultant concluded that the increase in average cost and the decline in net operating margin across the Adviser since late 2008 are inconsistent with the view that there are currently reductions in average costs due to economies of scale that can be shared with the AB Mutual Funds managed by the Adviser through lower fees.

Previously, in February 2008, the independent consultant provided the Board of Directors an update of the Deli[23] study on advisory fees and various fund characteristics.[24] The independent consultant first reiterated the results of his previous two dimensional comparison analysis (fund size and family size) with the Board of Directors.[25] The independent consultant then discussed the results of the regression model that was utilized to study the effects of various factors on advisory fees. The regression model output indicated that the bulk of the variation in fees predicted were

[23] The Deli study, originally published in 2002 based on 1997 data and updated for the February 2008 Presentation, may be of diminished value due to the age of the data used in the presentation and the changes experienced in the industry over the last four years.

[24] As mentioned previously, the Supreme Court cautioned against accepting mutual fund fee comparisons without careful scrutiny since the fees may not be the product of negotiations conducted at arm's length. See *Jones V. Harris* at 1529.

[25] The two dimensional analysis showed patterns of lower advisory fees for funds with larger asset sizes and funds from larger family sizes compared to funds with smaller asset sizes and funds from smaller family sizes, which according to the independent consultant is indicative of a sharing of economies of scale and scope. However, in less liquid and active markets, such is not the case, as the empirical analysis showed potential for diseconomies of scale in those markets. The empirical analysis also showed diminishing economies of scale and scope as funds surpassed a certain high level of assets.

explained by various factors, but substantially by fund AUM, family AUM, index fund indicator and investment style. The independent consultant also compared the advisory fees of the AB Mutual Funds to similar funds managed by 19 other large asset managers, regardless of the fund size and each Adviser's proportion of mutual fund assets to non-mutual fund assets.

VI. NATURE AND QUALITY OF THE ADVISER'S SERVICES, INCLUDING THE PERFORMANCE OF THE FUND

With assets under management of approximately $486 billion as of March 31, 2015, the Adviser has the investment experience to manage and provide non-investment services (described in Section I) to the Strategy.

The information prepared by Lipper shows the 1 and 3 year performance return and rankings[26] of the Strategy relative to the Strategy's Lipper Performance Group ("PG") and Lipper Performance Universe ("PU") for the period ended February 28, 2015.[27, 28]

	Strategy Return (%)	PG Median (%)	PU Median (%)	PG Rank	PU Rank
U.S. Market Neutral Strategy					
1 year	-0.40	2.59	2.09	6/8	15/19
3 year	-0.37	0.78	1.58	4/5	10/12

[26] The performance returns and rankings of the Strategy are for the Strategy's Class A shares. The performance returns of the Strategy were provided by Lipper.
[27] The Strategy's PG/PU is not identical to the Strategy's EG/EU as the criteria for including/excluding a fund from a PG/PU is somewhat different from that of an EG/EU.
[28] The current Lipper investment classification/objective dictates the PG and PU throughout the life of each Strategy even if a Strategy had a different investment classification/objective at a different point in time.

Set forth below are the 1 and 3 year and since inception performance returns of the Strategy (in bold)[29] versus its benchmark.[30] Strategy and benchmark volatility and reward-to-variability ratio ("Sharpe Ratio") information is also shown.[31]

	Periods Ending February 28, 2015 Annualized Performance					
	1 Year (%)	3 Year (%)	Since Inception (%)	Annualized Volatility (%)	Sharpe (%)	Risk Period (Year)
U.S. Market Neutral Strategy	**-0.40**	**-0.37**	**0.47**	**4.19**	**-0.08**	**3**
ML 3 Month Treasury Bill	0.03	0.07	0.08	0.02	N/A	3
S&P 500 Index	15.51	18.00	17.20	N/A	N/A	N/A

Inception Date: August 3, 2010

CONCLUSION:

Based on the factors discussed above the Senior Officer's conclusion is that the proposed advisory fee for the Strategy is reasonable and within the range of what would have been negotiated at arm's-length in light of all the surrounding circumstances. This conclusion in respect of the Strategy is based on an evaluation of all of these factors and no single factor was dispositive.

Dated: June 5, 2015

[29] The performance returns and risk measures shown in the table are for the Class A shares of the Strategy.
[30] The Adviser provided Strategy and benchmark performance return information for periods through February 28, 2015.
[31] Strategy and benchmark volatility and Sharpe Ratio information was obtained through Lipper LANA, a database maintained by Lipper. Volatility is a statistical measure of the tendency of a market price or yield to vary over time. The Sharpe Ratio is a risk adjusted measure of return that divides a fund's return in excess of the riskless return by the fund's standard deviation. A fund with a greater volatility would be viewed as more risky than a fund with equivalent performance but lower volatility; for that reason, a greater return would be demanded for the more risky fund. A fund with a higher Sharpe Ratio would be viewed as better performing than a fund with a lower Sharpe Ratio.

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THE FOLLOWING IS NOT PART OF THE SHAREHOLDER REPORT OR THE FINANCIAL STATEMENTS

SUMMARY OF SENIOR OFFICER'S EVALUATION OF INVESTMENT ADVISORY AGREEMENT[1]

The following is a summary of the evaluation of the Investment Advisory Agreement between AllianceBernstein L.P. (the "Adviser") and The AllianceBernstein Cap Fund (the "Fund"), in respect of AllianceBernstein Market Neutral Strategy – U.S. ("U.S. Market Neutral Strategy") and Market Neutral Strategy – Global ("Global Market Neutral Strategy") (each a "Strategy" and collectively, the "Strategies"),[2] prepared by Philip L. Kirstein, the Senior Officer of the Fund for the Directors of the Fund, as required by the August 2004 agreement between the Adviser and the New York State Attorney General (the "NYAG"). The Senior Officer's evaluation of the Investment Advisory Agreement is not meant to diminish the responsibility or authority of the Board of Directors to perform its duties pursuant to Section 15 of the Investment Company Act of 1940 (the "40 Act") and applicable state law. The purpose of the summary is to provide shareholders with a synopsis of the independent evaluation of the reasonableness of the advisory fees proposed to be paid by the Strategies which was provided to the Directors in connection with their review of the proposed approval of the continuance of the Investment Advisory Agreement.

The Senior Officer's evaluation considered the following factors:

1. Advisory fees charged to institutional and other clients of the Adviser for like services;

[1] The information in the fee evaluation was completed on April 52, 2014 and discussed with the Board of Directors on May 6-8, 2014.

[2] Future references to the Fund and the Strategies do not include "AllianceBernstein." References in the fee summary pertaining to performance and expense ratios refer to Class A shares of the Strategies.

2. Advisory fees charged by other mutual fund companies for like services;
3. Costs to the Adviser and its affiliates of supplying services pursuant to the advisory agreement, excluding any intra-corporate profit;
4. Profit margins of the Adviser and its affiliates from supplying such services;
5. Possible economies of scale as the Strategies grow larger; and
6. Nature and quality of the Adviser's services including the performance of the Strategies.

These factors, with the exception of the first factor, are generally referred to as the "*Gartenberg* factors," which were articulated by the United States Court of Appeals for the Second Circuit in 1982. *Gartenberg v. Merrill Lynch Asset Management, Inc.*, 694 F. 2d 923 (2d Cir. 1982). On March 30, 2010, the Supreme Court held the *Gartenberg* decision was correct in its basic formulation of what §36(b) requires: to face liability under §36(b), "an investment adviser must charge a fee that is so disproportionately large that it bears no reasonable relationship to the services rendered and could not have been the product of arm's length bargaining." *Jones v. Harris Associates L.P.*, 130 S. Ct. 1418 (2010). In *Jones*, the Court stated the *Gartenberg* approach fully incorporates the correct understanding of fiduciary duty within the context of section 36(b) and noted with approval that "*Gartenberg* insists that all relevant circumstances be taken into account" and "uses the range of fees that might result from arm's length bargaining as the benchmark for reviewing challenged fees."[3]

[3] *Jones v. Harris* at 1427.

STRATEGY ADVISORY FEES, EXPENSE CAPS, REIMBURSEMENTS & RATIOS

The Adviser proposed that the Strategies pay the advisory fee set forth in the table below for receiving the services to be provided pursuant to the Investment Advisory Agreement.[4] Also shown are the Strategies' net assets on March 31, 2014.

Strategy	Net Assets 3/31/14 ($MIL)	Advisory Fee Schedule[5]
U.S. Market Neutral Strategy	$4.1	1.25% of average daily net assets
Global Market Neutral Strategy	$13.2	1.25% of average daily net assets

The Adviser is reimbursed as specified in the Investment Advisory Agreement for certain clerical, legal, accounting, administrative and other services provided to the Strategies. During the Strategies' most recently completed fiscal year, the Adviser was entitled to receive $50,300 (0.690% of the Strategy's average daily net assets) from U.S. Market Neutral Strategy and $47,600 (0.160% of the Strategy's average daily net assets) from Global Market Neutral Strategy for providing such services, but waived the amounts in their entirety.

The Adviser has agreed to waive that portion of its management fees and/or reimburse the Strategies for that portion of the Strategies' total operating expenses to the degree necessary to limit the Strategies' total expense ratios to the amounts set forth below for the Strategies' current fiscal year. The waiver is terminable by the Adviser at the end of the Strategies' fiscal year upon at least 60 days' written notice prior to the

[4] Most of the AllianceBernstein Mutual Portfolios, which the Adviser manages, were affected by the Adviser's settlement with the NYAG.

[5] The advisory fee of the Portfolio is based on the percentage of the Portfolio's average daily net assets and is paid on a monthly basis.

Strategies' prospectus update. Also, set forth below are the Strategies' annualized semi-annual gross expense ratios:[6]

Strategy	Expense Cap Pursuant to Expense Limitation Undertaking		Gross Expense Ratio[7]	Fiscal Year End
U.S. Market Neutral Strategy	Advisor	1.25%	24.65%	July 31 (ratios as of January 31, 2014)
	Class A	1.55%	22.19%	
	Class C	2.25%	23.20%	
	Class R	1.75%	27.88%	
	Class K	1.50%	28.73%	
	Class I	1.25%	27.31%	
Global Market Neutral Strategy	Advisor	1.30%	9.23%	July 31 (ratios as of January 31, 2014)
	Class A	1.60%	7.67%	
	Class C	2.30%	7.41%	
	Class R	1.80%	9.64%	
	Class K	1.55%	9.07%	
	Class I	1.30%	8.81%	

I. ADVISORY FEES CHARGED TO INSTITUTIONAL AND OTHER CLIENTS

The advisory fees charged to investment companies which the Adviser manages and sponsors are normally higher than those charged to similar sized institutional accounts, including pension plans and sub-advised investment companies. The fee differential reflects, among other things, different services provided to such clients, and different liabilities assumed. Services to be provided by the Adviser to the Strategies that are not provided to non-investment company clients include providing office space and personnel to serve as Fund Officers, who among other responsibilities make the certifications required under the Sarbanes–Oxley Act of 2002, and coordinating with and monitoring the Strategies' third party service providers such as Fund counsel, auditors, custodians, transfer agents and pricing services. The accounting, administrative, legal

[6] Semi-annual total expense ratios are unaudited.
[7] Annualized.

and compliance requirements for the Strategies are more costly than those for institutional assets due to the greater complexities and time required for investment companies, although as previously noted, the Adviser is entitled to be reimbursed for providing such services. The Adviser also believes that it incurs substantial entrepreneurial risk when offering a new mutual fund, since establishing a new mutual fund requires a large upfront investment and it may take a long time for the fund to achieve profitability since the fund must be priced to scale from inception in order to be competitive and assets are acquired one account at a time. In addition, managing the cash flow of an investment company may be more difficult than managing that of a stable pool of assets, such as an institutional account with little cash movement in either direction, particularly, if a fund is in net redemption and the Adviser is frequently forced to sell securities to raise cash for redemptions. However, managing a fund with positive cash flow may be easier at times than managing a stable pool of assets. Finally, in recent years, investment advisers have been sued by institutional clients and have suffered reputational damage both by the attendant publicity and outcomes other than complete victories. Accordingly, the legal and reputational risks associated with institutional accounts are greater than previously thought, although still not equal to those related to the mutual fund industry.

Notwithstanding the Adviser's view that managing an investment company is not comparable to managing other institutional accounts because the services provided are different, the Supreme Court has indicated consideration should be given to the advisory

fees charged to institutional accounts with a similar investment style as the Strategies.[8] In addition to the AllianceBernstein institutional fee schedule, set forth below are what would have been the effective advisory fees of the Strategies had the AllianceBernstein institutional fee schedules been applicable to the Strategies based on March 31, 2014 net assets:[9]

Strategy	Net Assets 3/31/14 ($MIL)	AllianceBernstein Institutional Fee Schedule	Effective AB Inst. Adv. Fee	Strategy Advisory Fee
U.S. Market Neutral Strategy	$4.1	Market Neutral – U.S. Two options: A flat fee of 1.00% or 0.50% plus 20% of returns above the benchmark (ML 3 Mo. T-Bill Index) *Minimum Account Size: $50m*	1.000% Or 0.500%	1.250%
Global Market Neutral Strategy	$13.2	Market Neutral – Global Two options: A flat fee of 1.00% or 0.50% plus 20% of returns above the benchmark (ML 3 Mo. T-Bill Index) *Minimum Account Size: $50m*	1.000% Or 0.650%	1.250%

The Adviser also manages and sponsors retail mutual funds, which are organized in jurisdictions outside the United States, generally Luxembourg and Japan, and sold to non-United States resident investors. The Adviser charges Market Neutral Portfolio, a Luxembourg fund that has a somewhat similar investment style as the Portfolio:

[8] The Supreme Court stated that "courts may give such comparisons the weight that they merit in light of the similarities and differences between the services that the clients in question require, but the courts must be wary of inapt comparisons." Among the significant differences the Supreme Court noted that may exist between services provided to mutual funds and institutional accounts are "higher marketing costs." *Jones v. Harris* at 1428.

[9] The Adviser has indicated that with respect to institutional accounts with assets greater than $300 million, it will negotiate a fee schedule. Discounts that are negotiated vary based upon each client relationship.

Portfolio	Luxembourg Fund	Fee[10]
Global Market Neutral Strategy	Market Neutral Portfolio Class A	1.50% plus 20% of the return above the benchmark (BoA ML 3 Month T-bill)
	Class I	0.70% plus 20% of the return above the benchmark (BoA ML 3 Month T-bill)

The Adviser represented that it does not provide sub-advisory investment services to other investment companies that have a substantially similar investment style as the Portfolio.

II. MANAGEMENT FEES CHARGED BY OTHER MUTUAL FUND COMPANIES FOR LIKE SERVICES.

Lipper, Inc. ("Lipper"), an analytical service that is not affiliated with the Adviser, compared the fees charged to the Strategies with fees charged to other investment companies for similar services offered by other investment advisers.[11] Lipper's analysis included the comparison of each Strategy's contractual management fee, estimated at the approximate current asset level of the Strategy, to the median of the

[10] Class A shares of the Luxembourg funds are charged an "all-in" fee, which covers investment advisory and distribution related services.

[11] The Supreme Court cautioned against accepting mutual fund fee comparisons without careful scrutiny since "these comparisons are problematic because these fees, like those challenged, may not be the product of negotiations conducted at arm's length." *Jones v. Harris* at 1429.

Strategy's Lipper Expense Group ("EG")[12] and the Strategy's contractual management fee ranking.[13]

Lipper describes an EG as a representative sample of comparable funds. Lipper's standard methodology for screening funds to be included in an EG entails the consideration of several fund criteria, including fund type, investment classification/objective, load type and similar 12b-1/non-12b-1 service fees, asset (size) comparability, expense components and attributes. An EG will typically consist of seven to twenty funds.

Strategy	Contractual Management Fee (%)[14]	Lipper EG Median (%)	Lipper EG Rank
U.S. Market Neutral Strategy	1.250	1.250	5/9
Global Market Neutral Strategy	1.250	1.200	5/7

Lipper also compared the Strategies' total expense ratios to the medians of the Strategies' Lipper Expense Universes ("EU"). The EU is a broader group compared to the EG, consisting of all funds that have the same investment classification/objective and load type as the subject Strategy.[15] Set forth below is Lipper's comparison of the

[12] Lipper does not consider average account size when constructing EGs. Funds with relatively small average account sizes tend to have higher transfer agent expense ratio than comparable sized funds that have relatively large average account sizes. There are limitations to Lipper expense category data because different funds categorize expenses differently.

[13] The contractual management fee is calculated by Lipper using the Strategy's contractual management fee rate at a hypothetical asset level. The hypothetical asset level is based on the combined net assets of all classes of the Strategy, rounded up to the next $25 million. Lipper's total expense ratio information is based on the most recent annual report except as otherwise noted. A ranking of "1" would mean that Fund had the lowest effective fee rate in the Lipper peer group.

[14] The contractual management fee does not reflect any expense reimbursements made by the Strategies to the Adviser for certain clerical, legal, accounting, administrative, and other services. In addition, the contractual management fee does not reflect any advisory fee waivers for expense caps.

[15] Except for asset (size) comparability, Lipper uses the same criteria for selecting an EG when selecting an EU. Unlike the EG, the EU allows for the same adviser to be represented by more than just one fund.

Strategies' total expense ratios and the medians of the Strategies' EGs and EUs. The Strategies' total expense ratio rankings are also shown.[16]

Strategy	Total Expense Ratio (%)[17]	Lipper EG Median (%)	Lipper EG Rank	Lipper EU Median (%)	Lipper EU Rank
U.S. Market Neutral Strategy	1.558	1.600	4/9	1.558	7/13
Global Market Neutral Strategy	1.609	1.600	5/7	1.600	8/13

Based on this analysis, U.S. Market Neutral Strategy has a more favorable ranking on a total expense ratio basis than on contractual management fee basis and Global Market Neutral Strategy which has equally favorable rankings on a contractual management fee basis and on a total expense ratio basis.

III. COSTS TO THE ADVISER AND ITS AFFILIATES OF SUPPLYING SERVICES PURSUANT TO THE MANAGEMENT FEE ARRANGEMENT, EXCLUDING ANY INTRA-CORPORATE PROFIT.

The Adviser utilizes two profitability reporting systems, which operate independently but are aligned with each other, to estimate the Adviser's profitability in connection with investment advisory services provided to the Strategies. The Senior Officer has retained a consultant to provide independent advice regarding the alignment of the two profitability systems as well as the methodologies and allocations utilized by both profitability systems. See Section IV for additional discussion.

[16] The total expense ratios shown below were estimated by Lipper using rounded Form-NSAR data. Accordingly, there may be slight differences in the total expense ratios estimated by Lipper and that of the Adviser on page 4.

[17] Projected total expense ratio information pertains to the Strategy's Class A shares.

IV. PROFIT MARGINS OF THE ADVISER AND ITS AFFILIATES FOR SUPPLYING SUCH SERVICES.

The Strategies' profitability information, prepared by the Adviser for the Board of Directors, was reviewed by the Senior Officer and the consultant. The Adviser's profitability from providing investment advisory services to the Strategies was negative during calendar years 2013.

In addition to the Adviser's direct profits from managing the Strategies, certain of the Adviser's affiliates have business relationships with the Strategies and may earn a profit from providing other services to the Strategies. The courts have referred to this type of business opportunity as "fall-out benefits" to the Adviser and indicated that such benefits should be factored into the evaluation of the total relationship between the Strategies and the Adviser. Neither case law nor common business practice precludes the Adviser's affiliates from earning a reasonable profit on this type of relationship provided the affiliates' charges and services are competitive and the relationship otherwise complies with the 40 Act restrictions. These affiliates provide transfer agent, distribution and brokerage related services to the Strategies and receive transfer agent fees, Rule 12b-1 payments, front-end sales loads, contingent deferred sales charges ("CDSC") and brokerage commissions. In addition, the Adviser benefits from soft dollar arrangements which offset expenses the Adviser would otherwise incur.

AllianceBernstein Investments, Inc. ("ABI"), an affiliate of the Adviser, is the Fund's principal underwriter. ABI and the Adviser have disclosed in the Strategies' prospectus that they may make revenue sharing payments from their own resources, in addition to resources derived from sales loads and Rule 12b-1 fees, to firms that sell shares of the Strategies. The total amount paid to a financial intermediary associated

with the sale of shares will generally not exceed the sum of (a) 0.25% of the current year's fund sales by that firm and (b) 0.10% of the average daily net assets attributable to that firm over the year. In 2013, ABI paid approximately 0.05% of the average monthly assets of the AllianceBernstein Mutual Funds or approximately $19.4 million for distribution services and educational support (revenue sharing payments).

During the Strategies' most recently completed fiscal year, ABI received from U.S. Market Neutral Strategy $26, $12,117 and $642, and from Global Market Neutral Strategy $228, $15,931 and $319, in front-end sales charges, Rule 12b-1 and CDSC fees, respectively.

Fees and reimbursements for out of pocket expenses charged by AllianceBernstein Investor Services, Inc. ("ABIS"), the affiliated transfer agent for the Strategies, are charged on a per account basis, based on the level of service provided and the class of share held by the account. ABIS also receives a fee per shareholder sub-account for each account maintained by an intermediary on an omnibus basis. During the Strategies' most recently completed fiscal year, ABIS received $17,985 and $17,985 in fees from the U.S. Market Neutral Strategy and Global Market Neutral Strategy, respectively.

The Strategies effected brokerage transactions during the most recently completed fiscal year through the Adviser's affiliate, Sanford C. Bernstein & Co., LLC ("SCB & Co.") and/or its U.K. affiliate, Sanford C. Bernstein Limited ("SCB Ltd."), collectively "SCB," and paid commissions for such transactions. The Adviser represented that SCB's profitability from any business conducted with the Strategies is comparable to the profitability of SCB's dealings with other similar third party clients. In the ordinary

course of business, SCB receives and pays liquidity rebates from electronic communications networks ("ECNs") derived from trading for its clients. These credits and charges are not being passed onto any SCB client. The Adviser also receives certain soft dollar benefits from brokers that execute agency trades for its clients. These soft dollar benefits reduce the Adviser's cost of doing business and increase its profitability.

V. POSSIBLE ECONOMIES OF SCALE

The Adviser has indicated that economies of scale are being shared with shareholders through pricing to scale, breakpoints, fee reductions/waivers and enhancement to services.

In May 2012, an independent consultant, retained by the Senior Officer, provided the Board of Directors information on the Adviser's firm-wide average costs from 2005 through 2011 and the potential economies of scale. The independent consultant noted that from 2005 through 2007 the Adviser experienced significant growth in assets under management ("AUM"). During this period, operating expenses increased, in part to keep up with growth, and in part reflecting market returns. However, from 2008 through the first quarter of 2009, AUM rapidly and significantly decreased due to declines in market value and client withdrawals. When AUM rapidly decreased, some operating expenses categories, including base compensation and office space, adjusted more slowly during this period, resulting in an increase in average costs. Since 2009, AUM has experienced less significant changes. The independent consultant noted that changes in operating expenses reflect changes in business composition and business practices in response to changes in financial markets. Finally, the independent consultant concluded that the increase in average cost and the decline in net operating margin across the Adviser since

late 2008 are inconsistent with the view that there are currently reductions in average costs due to economies of scale that can be shared with the AllianceBernstein Mutual Funds managed by the Adviser through lower fees.

Previously, in February 2008, the independent consultant provided the Board of Directors an update of the Deli[18] study on advisory fees and various fund characteristics.[19] The independent consultant first reiterated the results of his previous two dimensional comparison analysis (fund size and family size) with the Board of Directors.[20] The independent consultant then discussed the results of the regression model that was utilized to study the effects of various factors on advisory fees. The regression model output indicated that the bulk of the variation in fees predicted were explained by various factors, but substantially by fund AUM, family AUM, index fund indicator and investment style. The independent consultant also compared the advisory fees of the AllianceBernstein Mutual Funds to similar funds managed by 19 other large asset managers, regardless of the fund size and each Adviser's proportion of mutual fund assets to non-mutual fund assets.

[18] The Deli study, originally published in 2002 based on 1997 data and updated for the February 2008 Presentation, may be of diminished value due to the age of the data used in the presentation and the changes experienced in the industry over the last four years.

[19] As mentioned previously, the Supreme Court cautioned against accepting mutual fund fee comparisons without careful scrutiny since the fees may not be the product of negotiations conducted at arm's length. See *Jones V. Harris* at 1429.

[20] The two dimensional analysis showed patterns of lower advisory fees for funds with larger asset sizes and funds from larger family sizes compared to funds with smaller asset sizes and funds from smaller family sizes, which according to the independent consultant is indicative of a sharing of economies of scale and scope. However, in less liquid and active markets, such is not the case, as the empirical analysis showed potential for diseconomies of scale in those markets. The empirical analysis also showed diminishing economies of scale and scope as funds surpassed a certain high level of assets.

VI. NATURE AND QUALITY OF THE ADVISER'S SERVICES, INCLUDING THE PERFORMANCE OF THE FUND

With assets under management of approximately $454 billion as of March 31, 2014, the Adviser has the investment experience to manage and provide non-investment services (described in Section I) to the Strategies.

The information prepared by Lipper shows the 1 and 3 year performance return and rankings[21] of each Strategy relative to the Strategy's Lipper Performance Group ("PG") and Lipper Performance Universe ("PU") for the period ended February 28, 2014.[22, 23]

	Strategy (%)	PG Median (%)	PU Median (%)	PG Rank	PU Rank
U.S. Market Neutral Strategy					
1 year	1.40	1.70	1.97	7/9	15/18
3 year	1.94	1.53	1.74	3/7	7/14
Global Market Neutral Strategy					
1 year	1.88	1.93	1.97	5/7	11/18
3 year	1.28	1.21	1.74	3/6	9/14

Set forth below are the 1 and 3 year and since inception performance returns of the Strategies (in bold)[24] versus their benchmarks.[25] Strategy and benchmark volatility and reward-to-variability ratio ("Sharpe Ratio") information is also shown.[26]

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[21] The performance returns and rankings of the Strategy are for the Strategy's Class A shares. The performance returns of the Strategies were provided by Lipper.

[22] The Strategies' PGs are identical to their EGs. The Strategies' PUs are not identical to their EUs, as the criteria for including/excluding a fund from a PU is somewhat different from that of an EU.

[23] The current Lipper investment classification/objective dictates the PG and PU throughout the life of each Strategy even if a Strategy had a different investment classification/objective at a different point in time.

[24] The performance returns and risk measures shown in the table are for the Class A shares of the Strategies.

[25] The Adviser provided Strategy and benchmark performance return information for periods through February 28, 2014.

[26] Strategy and benchmark volatility and Sharpe Ratio information was obtained through Lipper LANA, a database maintained by Lipper. Volatility is a statistical measure of the tendency of a market price or yield

	Periods Ending February 28, 2014 Annualized Performance					
	1 Year (%)	3 Year (%)	Since Inception (%)	Annualized Volatility (%)	Sharpe (%)	Risk Period (Year)
U.S. Market Neutral Strategy	**1.40**	**1.94**	**0.71**	**3.25**	**0.57**	**3**
ML 3 Month Treasury Bill	0.08	0.09	0.10	0.03	N/A	3
S&P 500 Index	25.37	14.35	17.67	N/A	N/A	N/A
Inception Date: August 3, 2010						
Global Market Neutral Strategy	**1.88**	**1.28**	**1.61**	**2.27**	**0.53**	**3**
ML 3 Month Treasury Bill	0.08	0.09	0.10	0.03	N/A	3
S&P 500 Index	25.37	14.35	17.67	N/A	N/A	N/A
Inception Date: August 3, 2010						

CONCLUSION:

Based on the factors discussed above the Senior Officer's conclusion is that the proposed advisory fee for the Fund is reasonable and within the range of what would have been negotiated at arm's-length in light of all the surrounding circumstances. This conclusion in respect of the Fund is based on an evaluation of all of these factors and no single factor was dispositive.

Dated: June 5, 2014

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to vary over time. The Sharpe Ratio is a risk adjusted measure of return that divides a fund's return in excess of the riskless return by the fund's standard deviation. A strategy with a greater volatility would be viewed as more risky than a strategy with equivalent performance but lower volatility; for that reason, a greater return would be demanded for the more risky strategy. A strategy with a higher Sharpe Ratio would be viewed as better performing than a strategy with a lower Sharpe Ratio.