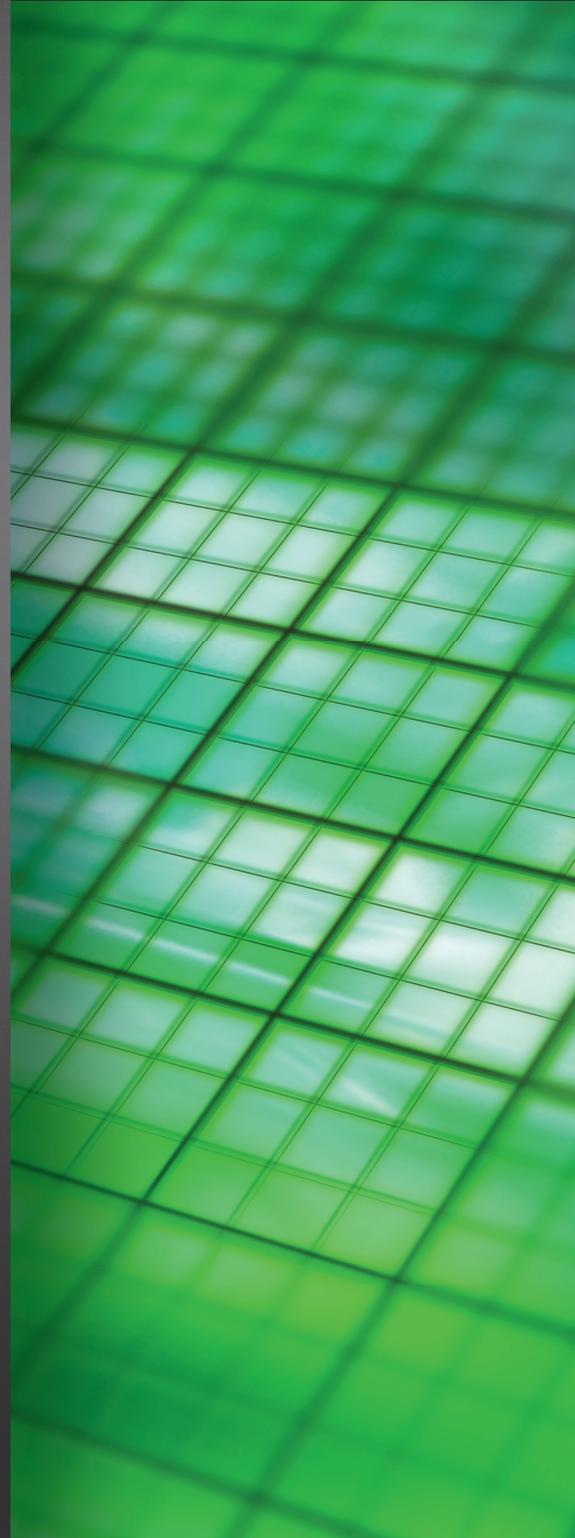


# Controversy Creates Opportunity

Our Approach to Value Investing

- A distinguished heritage that's made us synonymous with value investing
- The conviction to find value opportunities amid market controversy
- A global, research-driven approach combining fundamental and quantitative analysis





For more than three decades, Bernstein has been well-known for research-driven value investing. As seasoned value investors, we know that many investors let their emotions take over at the first sign of trouble. While others are selling to avoid the pain of loss, we replace emotion with a time-tested investment process that helps us to distinguish between a faltering stock and a real value opportunity.

Many investors overreact to bad news. For us, this is the best time to invest—it takes discipline to buy when others sell.

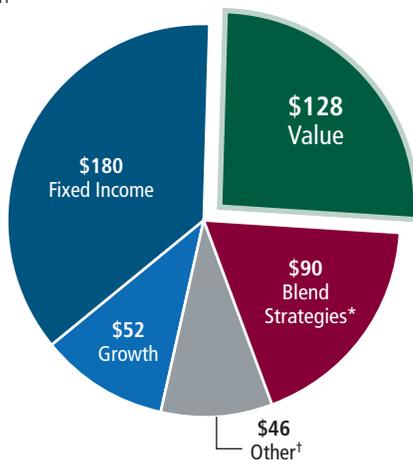
Our value approach uses a powerful combination of quantitative and fundamental analysis that draws on the strength of a world-class global research platform. We invite you to learn more about our distinctive style of managing value assets.

# Our Value Heritage

We've provided investors with an uncompromising and disciplined approach to value investing for more than three decades, starting with the launch of our first US service in 1973. Since then, we've steadily expanded our product lineup, adding international value in the early '90s and developing our first global value strategy in 1995. Today we offer a broad range of value investing solutions.

## Our Value Business

**Assets Under Management**  
\$496 Billion



As of December 31, 2009

\* Includes \$5 billion of Fixed Income AUM utilized in Blend Strategies.

† Includes Index, Structured and Asset Allocation Services and non-actively managed AUM.

## A Commitment to Value Investing

When it comes to value investing, we have to be versatile: we serve investors with diverse appetites for risk and return and currency exposures. To meet their needs, we've developed a broad suite of services that gives value investors access to a wide variety of market caps, countries and risk profiles.

Today, value stocks account for nearly 25% of AllianceBernstein's assets under management, and our value services are as diverse as the markets we cover.

## Controversy Creates Opportunity

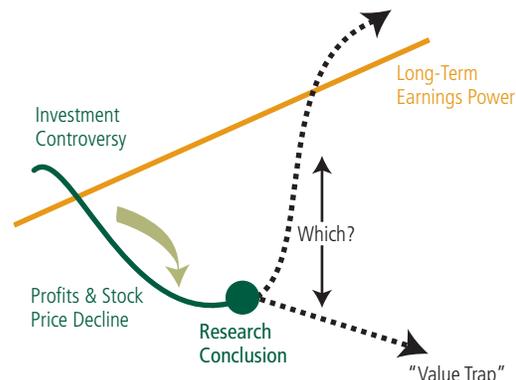
Human behaviour isn't always rational, especially when it's influenced by fear. Investors tend to over-react to negative short-term events and assume they'll persist long into the future. Companies that are suffering from temporary troubles will often see their stock prices tumble as fearful investors rush to sell. But good value investors can turn this irrational behaviour into opportunity. We use rigorous, objective research to identify stocks that have bright prospects but are selling at a discount. If we believe that these companies will recover, they can present compelling opportunities—just like the ones we found in commodities (see below). As a company's earnings revive, the market's anxiety fades and the stock price generally improves.

## Avoiding the Value Trap

Before we buy a stock, we have to answer the following question: Is it a value opportunity—or a value trap? A trap is a company that's unlikely to recover and a stock that's likely to continue its decline.

It's not easy to find opportunities while avoiding traps—that's why we dedicate so much effort to intensive research. This commitment gives us the conviction to be different: our conclusions may differ from the prevailing view, but our value services have delivered strong results over time.

## Separating Value Opportunities from Value Traps



It's never easy going against the grain when controversies are at their peak. But that's when the value opportunity is the greatest—and when intensive research offers the biggest advantage.

## Commodities: A Case Study in Value Investing

### Controversy (2003–2005):

A weak economy and slowing demand left commodities companies with too much capacity, weighing down earnings and causing a slump across the sector.

**Our Insights:** A reduction in capacity and increasing demand from emerging markets would lead to stronger pricing power for commodities producers—and recovery for well-positioned companies.

### Opportunity Realized

**(2006–2007):** Our insights were accurate, resulting in investment gains within the commodities sector.

Historical analysis does not guarantee future results. The investment results obtained during this time are not representative of any other time period, either prior to 2003 or beyond 2007. There is no guarantee that these positive results will be replicated any time in the future.

# Using Knowledge Better

In a market filled with emotion, we follow a disciplined, research-driven process to ensure that we select only our highest-conviction stocks for the portfolio. But with so many stocks to choose from, how do we make the right choice? Some value managers focus on either fundamental or quantitative research. We've designed a process that integrates both.

## A Powerful Combination

We believe that combining fundamental and quantitative research is particularly effective in the value arena, where focused, independent research is the key to accurately valuing securities.

Let's face it: there are a lot of stocks in the market, and it's essential to focus on the most promising ones. This is one place where our quantitative analysis comes in—evaluating stock characteristics to point our fundamental research analysts toward the best opportunities.

Our fundamental analysts then look at each high-potential opportunity. They find out what went wrong and determine whether the company can recover. To do this, they conduct thousands of in-depth interviews each year with company managers, suppliers and competitors around the world.

Our quantitative research sweeps the market for the best opportunities, while our fundamental analysts get to know each company inside and out.

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## Understanding True Earnings Power

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### FUNDAMENTAL ANALYSIS:

- Why is the stock's price being punished?
- How are industry dynamics affecting the company?
- How reliable is management's plan or strategy?
- What is the long-term value of the security?

### QUANTITATIVE ANALYSIS:

- Is the stock likely to outperform the market?
  - Is now the right time?
  - What are the risks of owning the security?
-

## We Look at More than Simple Value Factors

Whether we're using fundamental or quantitative analysis, our goal is always the same: to invest in stocks with the maximum amount of earnings at the lowest possible prices. To determine if a stock is attractively priced, we examine traditional value attributes, including price-to-earnings ratios and price-to-book-value ratios.

But our research has taught us that value investing involves a lot more than simple value factors. To increase our odds of success, we also look at “success factors,” including return on equity, price momentum and earnings revisions.

We believe this broader perspective on value investing can help us do a better job of distinguishing value opportunities from value traps—and in the long run that helps us build better value portfolios for investors.

## Finding the Right Companies

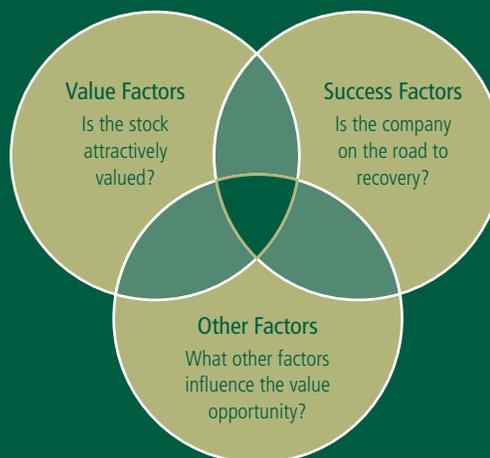
In the end, value investing comes down to finding the right stocks—and having the conviction to hold on to them.

Our research-driven culture thrives on healthy debate that ensures only our highest-conviction stocks are selected for the portfolios. Senior team members thoroughly review all company research and challenge our analysts' assumptions in order to answer a single question: Is this the best stock that we can add to the portfolio? When we're satisfied that the answer is yes, we again use quantitative analysis to structure value portfolios designed to deliver the highest expected return with the least potential risk.



To be successful, we have to select good companies *and* hold on to them even as their stock prices fluctuate. It's not always easy, but the courage of our conviction allows us to stick with these companies as they work through their problems.

## A Broader Value Perspective



Source: AllianceBernstein

## A Seasoned Team with a Global Perspective

The search for value requires commitment and skill—qualities embodied by our value investment team. Unlike firms with “investment generalists,” we boast more than 30 senior value investment professionals and more than 60 fundamental and quantitative research analysts devoted solely to our value services.<sup>1</sup> We believe this intense focus on a single investment discipline gives us a research advantage and leads to sharper insights.

### There’s No Substitute for Experience

What’s more, through AllianceBernstein’s value services, investors can access one of the deepest and most experienced research teams in the industry. We’ve assembled our research organization carefully, emphasizing highly skilled analysts with extensive experience in the industries they cover. It’s this experience that we believe contributes to a greater understanding of the dynamics of individual industries.

#### Industry Insiders with a Mastery of Their Field

Analysts	Industry	Number of Analysts	Average Years’ Experience
<b>Fundamental</b>	Consumer	13	15
	Commodities	12	16
	Financials	12	14
	Technology & Telecom	6	17
	Industrials	9	15
<b>Quantitative</b>		9	11

Effective January 2010

### Guided by Hands-On, Senior Professionals

While our research analysts identify attractive investment opportunities, our Investment Policy Group reviews and challenges the analysts’ estimates, ultimately deciding which stocks should be part of the portfolios. This group—made up of our Chief Investment Officers and Directors of Research, along with other senior investment professionals—serves as a forum for deep and broad discussion on research and investment decisions. The members are seasoned professionals, averaging 20 years of investment experience and 11 years with AllianceBernstein.

We apply the same investment process to every value portfolio around the world. This centralized decision making helps ensure that every client with the same risk/return objective and investment guidelines gets the same portfolio, which reflects the best thinking of our most seasoned value team members.

It takes conviction born of deep industry experience to separate companies with temporary setbacks from those with fundamental flaws.

<sup>1</sup> As of December 31, 2009

## It's a Small, Small World

In today's global marketplace, experience alone isn't enough. Markets are increasingly interconnected and industries can be affected by developments anywhere in the world. That's why we've organized our value research analysts into global sector teams. Our analysts examine local issues and trends in detail and develop their own regional perspectives. The global sector teams use these insights to develop a broader understanding of the factors that drive earnings around the world.

For example, a research analyst focusing on real estate in Canada might collaborate closely with our global energy analyst to understand how increased oil and gas development activity might affect demand and affordability of housing in Alberta. The collaboration may also lead to insights about real estate opportunities in other regions that have similar development activity. This combination of local and global perspectives enhances the quality of our research.



Value opportunities span the globe, and so do our value products. We've designed our value research organization to enable us to identify and capitalize on attractively valued stocks regardless of borders.

## A Global Approach



As of December 31, 2009

# Building a World-Class Value Investing Platform

Over the years, we've worked tirelessly to develop a world-class value organization with one goal in mind—to help investors achieve their investment goals.

## A Global Approach to Value Investing

The world is becoming an ever-smaller place when it comes to value investing—borders are disappearing, opportunities and risks are evolving, and investors want a value manager who can provide a global approach to value investing.

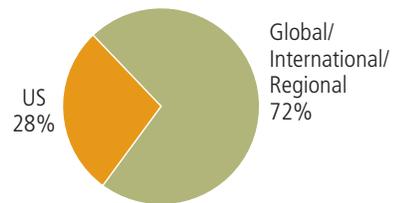
Our value assets under management reflect how effectively our firm has evolved to meet that challenge. More than half of the value assets that investors have entrusted to us are invested in international or global value services.

## Building a More Powerful Value Organization

As the world evolves, the value arena evolves and our clients' needs evolve. Over the years, we've constantly refined, enhanced and expanded both our process and global reach to stay at the leading edge of value investing.

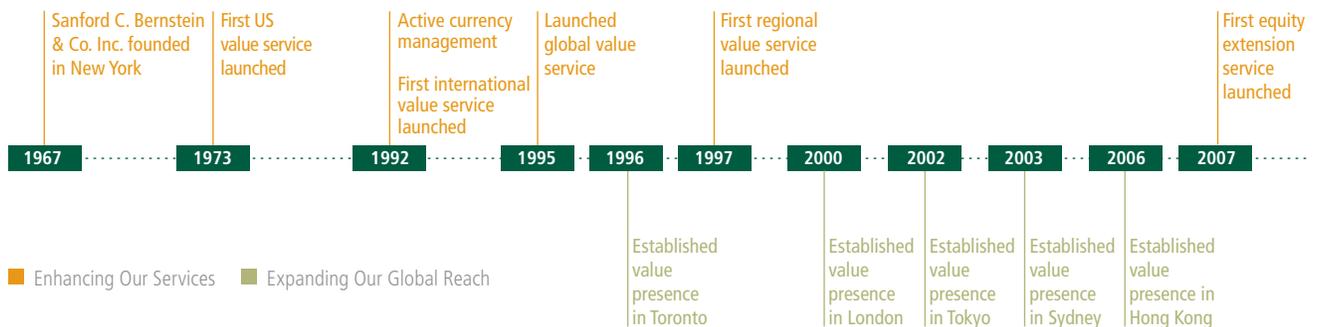
### Our Assets Reflect Our Global Value Efforts

Value Assets by Mandate



As of December 31, 2009  
Does not include the value portion of Blend Strategies.

### Staying at the Forefront of Value Investing



As of December 31, 2009

# Value Capabilities

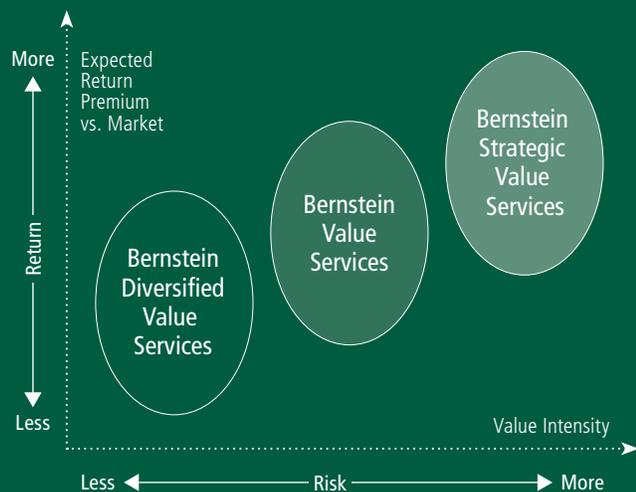
AllianceBernstein L.P. is one of the world's leading investment managers. Our worldwide presence, breadth of services and depth of research allow us to meet the full array of our clients' diverse needs, from single-asset-class strategies to comprehensive solutions, both packaged and customized. As of December 31, 2009, our firm managed US\$501 billion in assets, including US\$297 billion for

institutions. These include pension plans, defined contribution plans, foundations and endowments, insurance companies, central banks, and governments in more than 45 countries.

We provide comprehensive global and regional value-focused investment services that span the risk/reward spectrum.

## Bernstein Value Equities Investment Platform

### Return and Risk Profile



### Bernstein Investment Strategies

	Diversified	Value	Strategic
<b>Global Strategies</b>			
Global	•	•	•
Global Extension	•		•
Global REITs		•	
EAFE	•	•	•
EAFE Extension			•
Emerging Markets		•	
<b>Local Strategies</b>			
US Large Cap	•		•
US Extension	•		•
US Small/SMID Cap		•	
US REITs		•	
Europe		•	•
UK		•*	•*
Japan		•	•
Asia ex Japan		•	
Canada		•	
Australia		•	

\*Service currently closed to new investors

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