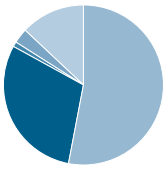
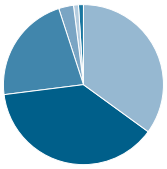
Short Duration Diversified Municipal Bonds

Portfolio Characteristics*

Sectors



Quality‡
Highest of S&P/Moody's



* Holdings are expressed as a percentage of total investments and may vary over time.

† Insured bonds without at least one AA-rating are included in their underlying sector.

‡ A measure of the quality and safety of a bond or portfolio, based on the issuer's financial condition. AAA is highest (best) and D is lowest (worst). If applicable, the pre-refunded category includes bonds which are secured by US Government Securities and therefore have been deemed high-quality investment grade by the Advisor. If applicable, Not Applicable (N/A) includes non credit worthy investments; such as, equities, currency contracts, futures and options. If applicable, the Not Rated category includes bonds that are not rated by a Nationally Recognized Statistical Rating Organization.

§ The Short Duration Diversified Municipal Bond Portfolio of the Sanford C. Bernstein Fund, Inc., is offered by Sanford C. Bernstein & Co., LLC, a member of FINRA and a subsidiary of AllianceBernstein L.P.

¶ Bernstein Global Wealth Management, a unit of AllianceBernstein L.P.

^ **The minimum investment for separately managed municipal portfolios is $3 million. The Short Duration Diversified Municipal Bond Portfolio (the "Portfolio") of the Sanford C. Bernstein Fund, Inc. (the "Fund"), is available for clients who cannot meet this minimum. The Fund is offered by Sanford C. Bernstein & Co., LLC, a subsidiary of AllianceBernstein L.P.**

The Short Duration Diversified Municipal Bond Portfolio§ is designed to provide safety of principal and a moderate rate of return after taking account of federal taxes. Bernstein¶ invests at least 80% of the portfolio in municipal securities and will invest no more than 25% of its total assets in municipal securities of issuers located in any one state. We may invest up to 20% of the portfolio's net assets in fixed income securities of US issuers that are not municipal securities if, in our opinion, these securities will enhance the after-tax return for investors. We seek to maintain an effective duration of about one-half year to two and one-half years under normal market conditions. Our separately managed short duration bond portfolios^ are tailored to each client's investment goals and tax circumstances.

The Active-Management Performance Premium

We actively manage bond portfolios, which means that compared with a traditional buy-and-hold approach, we seek to add meaningful extra return, after fees, without increasing risk. We strive to do this by capitalizing systematically on our research:

- We seek out *undervalued* bonds. Picking bonds offering the highest prospective after-tax returns without undue risk demands extensive and intensive research into every aspect of the local market and of the bonds themselves. We calculate the expected return of each and every bond using both its sector and individual security characteristics.
- Credit research is one of our most critical building blocks. Although the default risk for municipals has been low (less than 0.1% of issues per year, on average, nationally), the credit ratings of municipalities around the nation fluctuate regularly, providing opportunities for a research-driven firm like ours. By scrutinizing each issuer's finances and economic environment, our analysts can take advantage of impending upgrades while seeking to avoid downgrades, both of which have significant financial consequences (*see top chart, over*). Overall, our diversified portfolios are of high credit quality.
- We've developed quantitative models to enhance potential returns *after* tax. And, in seeking to optimize after-tax returns, we look beyond tax-exempt bonds: The after-tax return on taxable bonds may at times exceed that on municipal bonds for even top-bracket investors.
- We aim to increase the after-tax returns of municipal bonds by realizing losses and ensuring that capital gains are realized only when it pays to do so. (Most municipal bonds' interest income is tax-exempt, but their capital gains are taxable.) As such, tax considerations are a critical part of our dynamic investment process.
- Finally, we strive to bolster after-tax returns by positioning our portfolios at what our research tells us is the optimum combination of maturities, at any given time, for generating return without exposing the client to extra interest rate risk.

Why Invest in Bonds Outside Your Own State?

What's the logic of investing in some other state's bonds when your home state taxes the interest on those bonds but not the interest you earn on its own bonds? The reason is that you may well come out ahead after taxes and also reduce your risk.

Impact of Rating Changes*

A $1 million intermediate bond increases in value when upgraded...

AA	→	**AAA**	=	+	$600
A	→	**AA**	=	+	$3,900
BBB	→	**A**	=	+	$14,600

...and decreases by an equivalent amount when downgraded

AAA	→	**AA**	=	–	$600
AA	→	**A**	=	–	$3,900
A	→	**BBB**	=	–	$14,600

* Based on yields of two-year bonds as of December 31, 2013
Source: Municipal Market Data Corp. and AllianceBernstein

A Word About Risk

Price fluctuations may be caused by changes in the general level of interest rates or changes in bond credit quality ratings. Changes in interest rates have a greater effect on bonds with longer maturities than on those with shorter maturities. The portfolio can invest up to 20% of its assets in non-investment-rated bonds, which are subject to greater risk of loss of principal and interest, as well as the possibility of greater market risk, than higher-rated bonds. While the portfolio invests principally in bonds and other fixed income securities, in order to achieve its investment objectives, the portfolio may at times use certain types of investment derivatives, such as options, futures, forwards, and swaps. These instruments involve risks different from, and in certain cases greater than, the risks presented by more traditional investments. These risks are fully discussed in the prospectus.

Risk factors to consider include changes in interest rates; the potential for holdings to be called prior to their maturity; changes in the credit profile of the issuer or guarantor; the possibility that the credit rating of the portfolio's investments may be downgraded; political and economic uncertainties related to investments in municipal securities; inflation; and pricing, valuation, and correlation inconsistencies with regard to derivatives. For these reasons, we suggest that this portfolio constitute only a portion of your entire investment portfolio. This portfolio may contain municipal securities issued by the Commonwealth of Puerto Rico as well as other economic regions whose current economic conditions could exacerbate the risks associated with investing in these securities. For further details, please read the prospectus carefully before investing.

Prices for comparable bonds can vary from state to state in response to supply and demand. High-tax states like Maryland and New Jersey generate greater demand for tax-exempt bonds than low- or no-income-tax states like Texas. And this can drive up prices—and force down yields—of high-tax-state bonds. When you consider this initial disadvantage versus out-of-state bonds and the ability to deduct taxes you pay on out-of-state bond income on your federal income tax return, you'll find that the tax benefit of in-state bond investing is limited and can often be easily overcome by taking advantage of the opportunities available in the broader market.

Moreover, diversifying out of a single state's bonds has tended to reduce risk. You're no longer hostage to the fortunes of a single—and, in many cases, shallow and therefore volatile—state market. Most states represent just 1%–2% of the national municipal market, so investing across the country gives you that much more opportunity to find attractive bonds and helps spread your risk.

That's why diversifying among several states' markets in our customized diversified bond portfolios makes sense for many private customers. But we also offer separate, customized New York and California municipal portfolios. For high-net-worth investors living in these two states, investing at home can be advantageous, since both are high-tax states and offer exceptionally broad bond markets that allow for ample in-state diversification.

About AllianceBernstein and Its Bernstein Global Wealth Management Unit

Bernstein Global Wealth Management is the private client wealth management unit of AllianceBernstein L.P. Tracing its roots back to 1967, Bernstein oversees $72 billion in private client assets.

Bernstein's investment services cover every major asset class and are customized to meet each client's financial goals and level of risk tolerance. Each account is tailored to the client's specific needs. Because most clients share similar goals of achieving relatively steady returns in the short term and superior returns in the long run, we encourage clients to diversify among bonds, foreign stocks, and real estate securities as well as US stocks, in proportions suitable to their particular goals and constraints. In addition, where appropriate, we manage tax consequences in light of a client's overall invested capital. We follow disciplined investment approaches to the markets, supported by a global research effort that's among the largest and most respected in the world.

BERNSTEIN
Global Wealth Management

14-0437
BER-SDDM-6057-1213

www.bernstein.com