Our thematic portfolios seek to identify and exploit powerful themes that may drive profits across industries.

Our current themes target opportunities associated with major trends like climate change, high-speed Internet and genomic medicine.

Thematic investing may provide an attractive diversification element to an overall portfolio, potentially enhancing returns while reducing overall portfolio risk.
Big Changes May Lead to Big Opportunities

Portfolios built on innovative ideas that can transform the investing landscape allow investors to participate in some of the world’s most promising investments.

Searching the Horizon for Promising Themes

We’re living in a period of extraordinary change. High-speed Internet access has spread like wildfire across the globe, altering the way we spend our time—at work and at play. Many believe rising temperatures are threatening our very future on this planet—and inspiring people around the world to “think green.” Revolutionary discoveries in genetics will soon allow us to diagnose and treat many of the diseases that afflict us, prolonging our lives. Disruptive ideas, innovations and economic forces like these are constantly reshaping our world. We believe the companies that can exploit them will become the next great investment opportunities. Thematic investing uses these ideas as a guide to help build portfolios of companies with unusual promise, positioned to capitalize on exciting long-term trends.

Research Leads Us to Opportunity

Identifying the right themes isn’t easy. The investment world is full of promising ideas that go nowhere. It takes teams of analysts with deep expertise in a variety of industries to see through the hype. We’ve spent two decades building one of the largest research efforts in the investment world—and we believe this helps us build thematic portfolios that include companies of unusual promise.

In this brochure, we’ll discuss how we approach thematic investing and how the themes that drive our investments will reshape our world and create the potential for major opportunities for investors.

A thematic approach can help identify companies poised to exploit the bold new ideas of tomorrow.
Research Drives Our Investment Themes

Our thematic research team tries to identify and exploit profound economic or technological changes that are powerful enough to drive profits across many different industries.

Leveraging Research Insights from Across Our Firm
To find the themes that will drive tomorrow’s markets, we draw heavily on our firm’s research strength. Analysts from our Research on Strategic Change group help us identify and define long-term themes like climate change and genomic medicine. The themes we choose to invest in must be powerful enough to create and disrupt business opportunities.

To target the industries most likely to benefit from each theme, we build a profound understanding of all the underlying market dynamics. For example, after studying the economics of producing solar energy, we concluded that investors should focus less on renewable energy stocks such as wind and solar, and more on nuclear power, plug-in hybrids and clean coal technologies.

Targeting the Right Companies
But simply identifying these transformational themes and their impact is only part of the story: we must also identify companies that will reap the benefits. To do so, we focus on the strategic advantages of a company’s business plan over our three- to five-year investment time horizon.

Our Early Stage Growth team helps us target innovations on the cusp of being commercially viable, and our growth and value analysts give us deep insight into company fundamentals.

We refine our portfolio selections with the help of our economic analysts, who identify the cyclical forces that may affect our themes in the next 12 to 18 months. In addition, we constantly balance the risk/reward trade-offs of the stocks held in our portfolios with tools developed by our quantitative research group.
Capitalizing on Tomorrow’s Trends Today

Here are five key themes that we currently believe will transform industries and create enormous opportunities for our clients.

**A Changing Climate Will Inspire Massive New Investment Around the World**

The threat of catastrophic changes in the world’s climate is leading people around the world to “think green.” Support continues to grow for strong regulatory efforts to reduce greenhouse gas emissions like CO2. This concerted effort by governments, corporations and global movement should lead to strict new policies and may alter the way businesses operate. Much of the world has already adopted regulations with this goal in mind, and we expect them to become stricter and more widespread.

This redefined regulatory regime will promote existing and developing technologies, allowing us to control carbon emissions in many new ways. Electric power plants, the largest source of these emissions, will be retooled so that they channel their emissions underground. Efforts that promote energy efficiency, nuclear energy and plug-in hybrids will also help.

The capital expenditures needed to push CO2 concentrations below dangerous levels will be massive and will likely occur over decades. We believe that the investment implications will be profound for a wide variety of industries—from electric utilities and power equipment makers to pipeline operators and construction & engineering firms.

New expenditures to control climate change have profound investment implications.

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**A new generation of global power plants will use clean coal, nuclear and renewable energy.**

**Capital Expenditures of Global Power Generation**

USD Billions

![Graph showing capital expenditures of global power generation.](image)

Neither current analysis nor estimates nor performance guarantees future results.

Source: Energy Information Association, International Energy Agency, Oak Ridge National Laboratory, World Resources Institute and AllianceBernstein
Innovative Companies Have prospered as the World Goes Online

High-speed networks have made enormous strides in the first decade of the 21st century. Just 15 years ago, few people had Internet access in their homes; these days, many of us carry it with us on our cell phones. The developed world’s thirst for high-speed Internet access is now spreading to the emerging markets. Some of the companies that helped build the infrastructure for this revolution are facing slower growth, but other companies are poised to take advantage of the new ability to connect to the information superhighway almost anytime—and anywhere.

Consumers are spending more time online, and as they expand their Internet use to bandwidth-intensive activities like streaming video such as YouTube and high-definition TV, demand for additional capacity will grow dramatically. We believe this will create attractive investment opportunities in companies that support, organize and secure data. We believe the evolution of consumers’ online preferences will also include a surge in multi-player games, online virtual worlds and other new forms of entertainment, which are already attracting new users by the millions. Some innovative new companies in this sector have learned how to capitalize on the many different sources of revenue from trends, such as cloud computing.

The dramatic increase in broadband capacity has also led to a huge increase in trading volumes at financial exchanges, which has helped them lower costs, increase efficiencies and produce strong revenue growth. At the same time, the efficiencies of global networks are encouraging other companies to divest themselves of non-core businesses and outsource to firms that can produce goods and services at lower cost.

Promising new companies are learning how to exploit the global increase in broadband capacity.

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What will drive the next wave of IT spending?

**US Capital Expenditures on Investment Technology Annualized Growth Rate**

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<td>25</td>
<td>-5</td>
<td>5</td>
<td>15</td>
<td>20</td>
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Current analysis does not guarantee future results.
Through 30 June 2009
*Rolling three-year average, inflation adjusted
Source: Bureau of Economic Analysis and AllianceBernstein
A Promising New Age of Genomic Medicine Is About to Begin

Technological advances often lead to scientific discoveries that change how we treat illnesses, creating breakthrough investment opportunities. Improvements in microscopes during the 1850s helped us understand how bacteria contribute to disease, leading to vaccines and improvements in hygiene. In the 1940s, our ability to manipulate chemistry fueled the development of antibiotics and the birth of the pharmaceutical industry.

Science is now crossing a new medical milestone with the mapping of the human genome—the basic genetic information contained in our DNA. As methods for decoding this map become faster and the tools utilized become cheaper, companies will be able to develop tests and medicines tailored to our specific needs. Doctors hope to eventually be able to predict the diseases that will affect us and prescribe medical treatments for some of our most challenging illnesses—from heart disease to cancer.

These exciting developments will help us live longer, more productive lives. They will also transform the way medicine is practiced and open up vast new opportunities in the healthcare and insurance industries. We’re now identifying which companies we believe are positioned to thrive in this new era of medicine—and which may be left behind.

New genetic therapies will redefine how we practice medicine and open up vast new opportunities.

Knowledge of the genetic origins of disease is increasing at an exponential rate.

Cumulative Genomic Associations with Human Disease

Historical analysis does not guarantee future results.
*As of 31 May 2009
Source: UBS and AllianceBernstein
A Powerful Middle Class Is Growing Around the World

The rapid growth of emerging economies—particularly in China and elsewhere in Asia—has given birth to a new and rapidly growing middle class.

These consumers are spending more on discretionary items such as personal luxuries, name-brand products and entertainment. Firms selling products in these surging markets are moving production centers closer in an effort to reduce manufacturing costs—and have been reaping sizable profits.

The ranks of the middle class are growing in the developed markets as well. Economic changes and new policy decisions are helping to change consumer spending patterns and opening up additional new investment opportunities, particularly in Europe and the Americas.

Stimulus Efforts Have Led Us to a Reshaped Environment of Cyclical Opportunities

We believe the massive stimulus efforts in progress will help revive the global economy. But we also believe they may lead to a more volatile business cycle.

To combat potential inflation, governments will be forced to take drastic measures to remove the excess liquidity from the system. As a result, we may see a return to the shorter and sharper economic cycles of the 1970s and early 1980s, which were driven largely by monetary and fiscal policy.

This intensely cyclical environment is likely to lead to many new investment opportunities. Companies with strong balance sheets should be able to capture market share from weaker rivals, becoming more efficient. At the same time, active managers may have the opportunity to capitalize on companies arising from the various economic scenarios that may occur.

When per-capita GDP reaches USD 6,000, consumption growth in emerging markets has historically taken off.

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<th>US Dollars</th>
<th>Consumer Contribution to GDP* (Percent)</th>
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<td>0</td>
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<td>10,000</td>
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<td>40,000</td>
<td>70</td>
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<tr>
<td>50,000</td>
<td>80</td>
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- Infrastructure Buildout
- Rise in Consumption

Historical analysis does not guarantee future results.
As of 30 June 2009
*Consumption % GDP vs. per-capita GDP in USD purchasing power of parity terms
Source: Nomura and Alliance Bernstein estimates

Dramatic growth in the money supply could lead to higher inflation.

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<tr>
<th>Periods of Recession</th>
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<tbody>
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<td>1929</td>
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<td>2009</td>
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Historical analysis does not guarantee future results.
Through 31 July 2009
Source: Bloomberg, FactSet and Alliance Bernstein

Growth of Monetary Base Year over Year* (Percent)

- India
- China
- Global Trend (1955–now)
Change Is Constant; Opportunities Aren’t

Big investment themes are never static: they continue to evolve as the world changes. Our portfolios are designed to adapt to these changes.

Building portfolios on the basis of promising investment themes forces us to keep watch on how new events are affecting our investments. Our interest in opportunities associated with the Internet is a good example. Our initial efforts targeted manufacturers of high-speed Internet technology, but as more people started using it to watch streaming video, play games and interact online in new ways, we changed our focus to follow companies that can exploit these new trends.

Sometimes themes that begin as separate ideas converge. Other times, themes need to be redefined to capture the new directions they’re taking. We also adjust the portfolio weightings we assign to each theme depending on the investment opportunities we see.

We try to identify the most dynamic economic and technological trends and then find companies poised to benefit from them.

Our investment themes evolve over time.

Investment themes and weights are subject to change.
As of 30 June 2009
* Now part of Web 2.0
† Now part of (re)Emerging Middle Class
‡ Now part of Genomic Age
Source: AllianceBernstein
Unique Insights Lead to Diversified Portfolios

Unique insights from our global team of research analysts allow investors to diversify their global stock portfolio, potentially enhancing returns while reducing risk.

Drawing on Our Research Strength

AllianceBernstein’s approach to thematic investing is supported by more than 150 fundamental and quantitative analysts from across the firm. Our analysts, who have an average of 14 years of investment experience, have the deep insights required to understand and challenge the market’s view of a company.

Our thematic research often leads us to unique insights—and as a result, our thematic portfolios don’t look or perform like others. They span sector and country borders with no regard for industry-defined style. Thematic companies may behave like growth stocks during one phase and value stocks in another. Because thematic portfolios aren’t highly correlated with style or index-sensitive holdings, they can help diversify an overall portfolio, enhance return potential and reduce overall risk.

Thematic portfolios may be a good complement to traditional style- and benchmark-driven investments.

Diversification does not eliminate the risk of loss.