AllianceBernstein Bond Inflation Strategy

Annual Report

October 31, 2012

ANNUAL REPORT

ALLIANCEBERNSTEIN

Investment Products Offered

- **Are Not FDIC Insured**
- **May Lose Value**
- **Are Not Bank Guaranteed**

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

This shareholder report must be preceded or accompanied by the Fund's prospectus for individuals who are not current shareholders of the Fund.

You may obtain a description of the Fund's proxy voting policies and procedures, and information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, without charge. Simply visit AllianceBernstein's website at www.alliancebernstein.com, or go to the Securities and Exchange Commission's (the "Commission") website at www.sec.gov, or call AllianceBernstein at (800) 227-4618.

The Fund files its complete schedule of portfolio holdings with the Commission for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the Commission's website at www.sec.gov. The Fund's Forms N-Q may also be reviewed and copied at the Commission's Public Reference Room in Washington, DC; information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330. AllianceBernstein publishes full portfolio holdings for the Fund monthly at www.alliancebernstein.com.

AllianceBernstein Investments, Inc. (ABI) is the distributor of the AllianceBernstein family of mutual funds. ABI is a member of FINRA and is an affiliate of AllianceBernstein L.P., the manager of the funds.

December 18, 2012

Annual Report

This report provides management's discussion of fund performance for AllianceBernstein Bond Inflation Strategy (the "Strategy") for the annual reporting period ended October 31, 2012.

Investment Objectives and Policies

The Strategy seeks to maximize real return without assuming what AllianceBernstein L.P. (the "Adviser") considers to be undue risk. Real return is the rate of return after adjusting for inflation.

The Strategy pursues its objective by investing principally in Treasury Inflation-Protected Securities ("TIPS") directly or by gaining indirect exposure to TIPS through derivatives transactions such as total return swaps linked to TIPS. In deciding whether to take direct or indirect exposure, the Adviser will consider the relative costs and efficiency of each method. In addition, in seeking to maximize real return, the Strategy may invest in other fixed income investments such as U.S. and non-U.S. government securities, corporate fixed-income securities and mortgage-related securities, as well as derivatives linked to such securities. Under normal circumstances, the Strategy invests at least 80% of its net assets in fixed-income securities. While the Strategy expects to invest principally in investment-grade securities, it may invest up to 15% of its total assets in fixed-income securities rated BB or B or the equivalent by at least one national rating agency (or deemed by the Adviser to be of comparable credit quality), which are not investment-grade ("junk bonds").

Inflation-protected securities are fixed-income securities structured to provide protection against inflation. Their principal value and/or the interest paid on them is adjusted to reflect official inflation measures. The inflation measure for TIPS is the Consumer Price Index for Urban Consumers. The Strategy may also invest in other inflation-indexed securities, issued by both U.S. and non-U.S. issuers, and in derivative instruments linked to these securities.

The Strategy may invest to the extent permitted by applicable law in derivatives, such as options, futures, forwards, or swaps. The Strategy intends to use leverage for investment purposes. To do this, the Strategy expects to enter into (i) reverse repurchase agreement transactions and use the cash made available from these transactions to make additional investments in fixed-income securities in accordance with the Strategy's investment policies and (ii) total return swaps. In determining when and to what extent to employ leverage or enter into derivatives transactions, the Adviser will consider factors such as the relative risks and returns expected of potential investments and the cost of such transactions. The Adviser will consider the impact of reverse repurchase agreements, swap agreements and other derivatives in making its assessments of the Strategy's risks. The resulting exposures to markets, sectors, issuers or specific securities will be continuously monitored by the Adviser.

The Adviser selects securities for purchase or sale based on its assessment of the securities' risk and return characteristics as well as the securities' impact on the overall risk and return characteristics of the Strategy. In making this assessment, the Adviser takes into account various factors including the credit quality and sensitivity to interest rates of the securities under consideration and of the Strategy's other holdings.

The Strategy may also invest in loan participations, structured securities, asset-backed securities, variable, floating, and inverse floating rate instruments, and preferred stock, and may use other investment techniques. The Strategy may invest in fixed-income securities of any maturity and duration. If the rating of a fixed-income security falls below investment-grade, the Strategy will not be obligated to sell the security and may continue to hold it if, in the Adviser's opinion, the investment is appropriate under the circumstances.

Investment Results

The table on page 6 shows the Strategy's performance compared to its benchmark, the Barclays Capital ("BC") 1-10 year TIPS Index, and to the Lipper TIPS Fund Average (the "Lipper Average") for the six- and 12-month periods ended October 31, 2012.

During both periods, the Strategy rose in absolute terms and outperformed its benchmark, yet underperformed the Lipper Average, before sales charges. Exposure to investment-grade corporates was a primary positive contributor, followed by exposure to both commercial mortgage-backed securities ("CMBS") and high-yield corporates. There were no material detractors for both periods.

During both periods, yield curve positioning and duration management had a positive impact on relative performance. The Strategy's longer-than-benchmark duration positioning and overweight in the 10-year area of the curve, where yields declined most, contributed positively for both periods. Derivatives in the form of Treasury futures and interest rate swaps were utilized in order to manage duration, country exposure and yield curve positioning of the Strategy for both periods.

The Strategy's overall currency positioning did not have a material impact on performance during either period. The Strategy utilized currency forwards for hedging back currency exposure on non-U.S. dollar positions and to manage currency exposure. The Strategy utilized leverage through reverse repurchase agreements at favorable rates, which contributed positively for both periods. As part of the Strategy's credit position, credit default swaps were utilized early in the 12-month period to as a substitute for corporate bonds. As market volatility increased during the year, credit default swaps were utilized as a hedge against credit risk. For both periods, the impact of credit default swaps was immaterial.

Market Review and Investment Strategy

Volatility continued throughout the 12-month period ended October 31, 2012, as global markets remained highly correlated with ongoing European debt sentiment and perceptions of the overall health of the global economy. The swings between "risk-on" and "risk off" throughout the period reflected uncertainty created by the protracted sovereign debt crisis in Europe, a looming fiscal policy crisis in the U.S., and questions as to whether emerging market economies such as China and Brazil were heading for a hard or soft economic landing.

Investor confidence improved dramatically in the first quarter of 2012, after the European Central Bank ("ECB") took decisive moves to stem the euro area crisis and after signs of improving economic momentum, particularly in the U.S., buoyed markets. In the second quarter of 2012, however, the pendulum swung back to "risk off" as the European debt crisis intensified, growth in China moderated and the pace of U.S. economic growth showed signs of slowing. Government yields fell dramatically, with U.S. Treasury and German bund yields setting new record lows.

Toward the end of the 12-month period global risk aversion eased once again, prompted by positive central bank policy initiatives. The ECB announced a bond purchase program to support financial market stability in the euro area. Yields on 10-year European government bonds, including those of countries at the center of the sovereign debt crisis, fell. In the U.S., a third round of quantitative easing by the Federal Reserve was also positive for broad-market sentiment. Federal Reserve officials also indicated that the current low-interest-rate regime would likely last until the middle of 2015; previously, it had been expected to run to the end of 2014.

TIPS yields declined across the maturity spectrum during the 12-month period. The rate shift resulted in positive absolute returns with the benchmark returning 5.17%. A high inflation accrual during the 12-month period and a widening of breakeven inflation rates (i.e., the difference between the yield on TIPS and a comparable maturity Treasury bond) resulted in TIPS outperforming Treasuries. TIPS in the 1-10 year maturity range outperformed comparable U.S. Treasuries by approximately 2.5%, as measured within the benchmark.

Despite the volatility, non-government sectors of the U.S. fixed-income market outperformed, as spreads narrowed during the 12-month period. As measured by Barclays Capital, U.S. investment-grade corporate securities returned a solid 10.21%, helped by a rebound in financials. Although spreads narrowed, corporate bonds remain fairly valued, and fundamentals and supply/demand factors remain positive, in the Global Fixed Income Investment Team's and Global Credit Investment Team's (the "Teams") view. In the U.S., company balance sheets remain solid and earnings, although somewhat softer, remain positive. Additionally, non-government net new issuance in 2012 is expected to fall well below the level seen in 2011; in a low-yield environment, this points to continued demand for corporate debt, in the Teams' view. CMBS securities provided solid returns at 10.74% as measured by Barclays Capital, benefiting from a stabilization of property fundamentals and investor appetite for yield.

DISCLOSURES AND RISKS

Benchmark Disclosure

The unmanaged BC 1-10 Year TIPS Index does not reflect fees and expenses associated with the active management of a fund portfolio. The BC 1-10 Year TIPS Index represents the performance of inflation-protected securities issued by the U.S. Treasury. An investor cannot invest directly in an index, and its results are not indicative of the performance for any specific investment, including the Strategy.

A Word About Risk

Market Risk: The value of the Strategy's assets will fluctuate as the bond market fluctuates. The value of the Strategy's investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.

Credit Risk: An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default, causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments in fixed-income securities with lower ratings tend to have a higher probability that an issuer will default or fail to meet its payment obligations.

Interest Rate Risk: Changes in interest rates will affect the value of investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tends to fall and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations.

Inflation Risk: This is the risk that the value of assets or income from investments will be less in the future as inflation decreases the value of money. As inflation increases, the value of the Strategy's assets can decline as can the value of the Strategy's distributions. This risk is significantly greater for fixed-income securities with longer maturities. Although the Strategy invests principally in inflation-protected securities, the value of its securities may be vulnerable to changes in expectations of inflation or interest rates.

Derivatives Risk: Investments in derivatives may be illiquid, difficult to price, and leveraged so that small changes may produce disproportionate losses for the Strategy, and may be subject to counterparty risk to a greater degree than more traditional investments.

Foreign (Non-U.S.) Risk: Investments in securities of non-U.S. issuers may involve more risk than those of U.S. issuers. These securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, regulatory or other factors.

Currency Risk: Fluctuations in currency exchange rates may negatively affect the value of the Strategy's investments or reduce its returns.

Leverage Risk: To the extent the Strategy uses leveraging techniques, its net asset value ("NAV") may be more volatile because leverage tends to exaggerate the effect of changes in interest rates and any increase or decrease in the value of the Strategy's investments.

Liquidity Risk: Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing the Strategy from selling out of these illiquid securities at an advantageous price. Derivatives and securities involving substantial market and credit risk tend to involve greater liquidity risk.

(Disclosures, Risks and Note about Historical Performance continued on next page)

DISCLOSURES AND RISKS

(continued from previous page)

Management Risk: The Strategy is subject to management risk because it is an actively managed investment fund. The Adviser will apply its investment techniques and risk analyses in making investment decisions, but there is no guarantee that its techniques will produce the intended results.

These risks are fully discussed in the Strategy's prospectus.

An Important Note About Historical Performance
The investment return and principal value of an investment in the Strategy will fluctuate, so that shares, when redeemed, may be worth more or less than their original cost. Performance shown on the following pages represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance information shown. You may obtain performance information current to the most recent month-end by visiting www.alliancebernstein.com. For Class 1 shares, click on "Private Clients", then "Investments", then "Stocks" or "Bonds", then "Mutual Fund Performance at a Glance".

All fees and expenses related to the operation of the Strategy have been deducted. NAV returns do not reflect sales charges; if sales charges were reflected, the Strategy's quoted performance would be lower. SEC returns reflect the applicable sales charges for each share class: a 4.25% maximum front-end sales charge for Class A shares; a 1% 1-year contingent deferred sales charge for Class C shares. Class 1 and Class 2 shares do not carry sales charges. Returns for the different share classes will vary due to different expenses associated with each class. Performance assumes reinvestment of distributions and does not account for taxes.

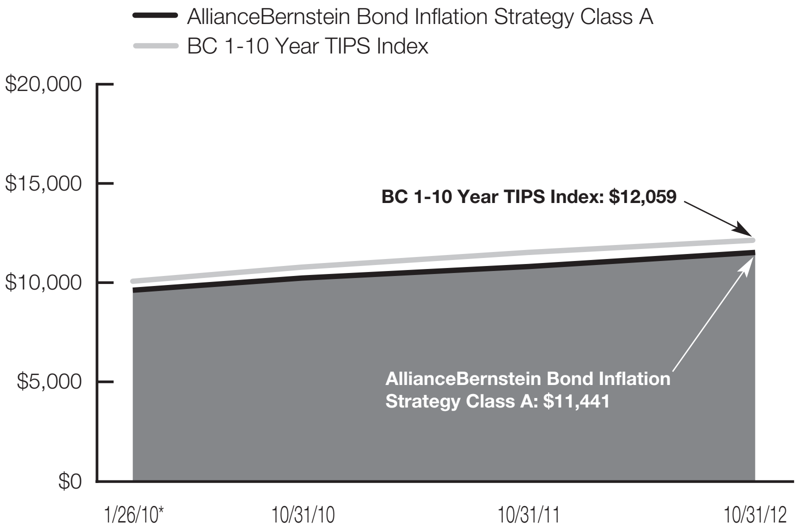
HISTORICAL PERFORMANCE

THE STRATEGY VS. ITS BENCHMARK PERIODS ENDED OCTOBER 31, 2012	NAV Returns 6 Months	12 Months
AllianceBernstein Bond Inflation Strategy		
Class 1*	3.27%	6.63%
Class 2*	3.39%	6.80%
Class A	3.18%	6.41%
Class C	2.84%	5.61%
Advisor Class**	3.35%	6.69%
Class R**	3.09%	6.18%
Class K**	3.28%	6.51%
Class I**	3.37%	6.65%
BC 1-10 Year TIPS Index	2.17%	5.17%
Lipper TIPS Fund Average	3.58%	6.87%

* *Class 1 shares are only available to private clients of Sanford C. Bernstein & Co., LLC. Class 2 shares are only available to private clients of Sanford C. Bernstein & Co., LLC and the Adviser's institutional clients or through other limited arrangements.*

** *Please note that these share classes are for investors purchasing shares through accounts established under certain fee-based programs sponsored and maintained by certain broker-dealers and financial intermediaries, institutional pension plans and/or investment advisory clients of, and certain other persons associated with, the Adviser and its affiliates or the Strategy.*

GROWTH OF A $10,000 INVESTMENT IN THE FUND
1/26/10* TO 10/31/12



This chart illustrates the total value of an assumed $10,000 investment in AllianceBernstein Bond Inflation Strategy Class A shares (from 1/26/10 to 10/31/12) as compared to the performance of the Strategy's composite benchmark. The chart reflects the deduction of the maximum 4.25% sales charge from the initial $10,000 investment in the Strategy and assumes the reinvestment of dividends and capital gains distributions.

* *Inception date: 1/26/2010.*

See Disclosures, Risks and Note about Historical Performance on pages 4-5.
(Historical Performance continued on next page)

HISTORICAL PERFORMANCE

(continued from previous page)

AVERAGE ANNUAL RETURNS AS OF OCTOBER 31, 2012

	NAV Returns	SEC Returns	SEC Yields‡
Class 1 Shares†			5.74%
1 Year	6.63%	6.63%	
Since Inception*	6.91%	6.91%	
Class 2 Shares†			6.17%
1 Year	6.80%	6.80%	
Since Inception*	6.99%	6.99%	
Class A Shares			5.18%
1 Year	6.41%	1.88%	
Since Inception*	6.64%	4.99%	
Class C Shares			4.69%
1 Year	5.61%	4.61%	
Since Inception*	5.90%	5.90%	
Advisor Class Shares††			5.91%
1 Year	6.69%	6.69%	
Since Inception*	6.98%	6.98%	
Class R Shares††			4.99%
1 Year	6.18%	6.18%	
Since Inception*	6.46%	6.46%	
Class K Shares††			5.30%
1 Year	6.51%	6.51%	
Since Inception*	6.71%	6.71%	
Class I Shares††			5.64%
1 Year	6.65%	6.65%	
Since Inception*	6.98%	6.98%	

The Strategy's prospectus fee table shows the Strategy's total annual operating expense ratios as 1.20%, 1.84%, 1.87%, 2.84%, 1.80%, 2.16%, 2.39% and 1.90% for Class 1, Class 2, Class A, Class C, Advisor Class, Class R, Class K and Class I shares, respectively, gross of any fee waivers or expense reimbursements. Contractual fee waivers and/or expense reimbursements limit the Strategy's annual operating expenses (exclusive of interest expense) to 0.55%, 0.45%, 0.75%, 1.45%, 0.45%, 0.95%, 0.70% and 0.45% for Class 1, Class 2, Class A, Class C, Advisor Class, Class R, Class K and Class I shares, respectively. These waivers/reimbursements extend through January 31, 2013 and may be extended by the Adviser for additional one-year terms. Absent reimbursements or waivers, performance would have been lower. The Financial Highlights section of this report sets forth expense ratio data for the current reporting period; the expense ratios shown above may differ from the expense ratios in the Financial Highlights sections since they are based on different time periods.

‡ *SEC yields are calculated based on SEC guidelines for the 30-day period ended October 31, 2012.*

† *Class 1 shares are only available to private clients of Sanford C. Bernstein & Co., LLC. Class 2 shares are only available to private clients of Sanford C. Bernstein & Co., LLC and the Adviser's institutional clients or through other limited arrangements. These share classes do not carry front end sales charges; therefore their respective NAV and SEC returns are the same.*

* *Inception date: 1/26/2010.*

†† *These share classes are offered at NAV to eligible investors and their SEC returns are the same as the NAV returns. Please note that these share classes are for investors purchasing shares through accounts established under certain fee-based programs sponsored and maintained by certain broker-dealers and financial intermediaries, institutional pension plans and/or investment advisory clients of, and certain other persons associated with, the Adviser and its affiliates or the Strategy. The inception date for these share classes are listed above.*

See Disclosures, Risks and Note about Historical Performance on pages 4-5.

(Historical Performance continued on next page)

HISTORICAL PERFORMANCE

(continued from previous page)

SEC AVERAGE ANNUAL RETURNS (WITH ANY APPLICABLE SALES CHARGES) AS OF THE MOST RECENT CALENDAR QUARTER-END (SEPTEMBER 30, 2012)

	SEC Returns
Class 1 Shares†	
1 Year	7.68%
Since Inception*	6.92%
Class 2 Shares†	
1 Year	7.77%
Since Inception*	6.97%
Class A Shares	
1 Year	2.88%
Since Inception*	4.95%
Class C Shares	
1 Year	5.74%
Since Inception*	5.88%
Advisor Class Shares††	
1 Year	7.76%
Since Inception*	6.96%
Class R Shares††	
1 Year	7.31%
Since Inception*	6.46%
Class K Shares††	
1 Year	7.60%
Since Inception*	6.72%
Class I Shares††	
1 Year	7.82%
Since Inception*	6.99%

† *Class 1 shares are only available to private clients of Sanford C. Bernstein & Co., LLC. Class 2 shares are only available to private clients of Sanford C. Bernstein & Co., LLC and the Adviser's institutional clients or through other limited arrangements.*

* *Inception date: 1/26/2010.*

†† *These share classes are offered at NAV to eligible investors and their SEC returns are the same as the NAV returns. Please note that these share classes are for investors purchasing shares through accounts established under certain fee-based programs sponsored and maintained by certain broker- dealers and financial intermediaries, institutional pension plans and/or investment advisory clients of, and certain other persons associated with, the Adviser and its affiliates or the Strategy. The inception date for these share classes are listed above.*

See Disclosures, Risks and Note about Historical Performance on pages 4-5.

FUND EXPENSES

(unaudited)

As a shareholder of a mutual fund, you may incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments, contingent deferred sales charges on redemptions and (2) ongoing costs, including management fees; distribution (12b-1) fees; and other fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period as indicated below.

Actual Expenses
The table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes
The table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed annual rate of return of 5% before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds by comparing this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), or contingent deferred sales charges on redemptions. Therefore, the hypothetical example is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value May 1, 2012	Ending Account Value October 31, 2012	Expenses Paid During Period*	Annualized Expense Ratio*
Class A				
Actual	$ 1,000	$ 1,031.80	$ 4.24	0.83%
Hypothetical**	$ 1,000	$ 1,020.96	$ 4.22	0.83%
Class C				
Actual	$ 1,000	$ 1,028.40	$ 7.80	1.53%
Hypothetical**	$ 1,000	$ 1,017.44	$ 7.76	1.53%
Advisor Class				
Actual	$ 1,000	$ 1,033.50	$ 2.71	0.53%
Hypothetical**	$ 1,000	$ 1,022.47	$ 2.69	0.53%
Class R				
Actual	$ 1,000	$ 1,030.90	$ 5.26	1.03%
Hypothetical**	$ 1,000	$ 1,019.96	$ 5.23	1.03%
Class K				
Actual	$ 1,000	$ 1,032.80	$ 3.99	0.78%
Hypothetical**	$ 1,000	$ 1,021.22	$ 3.96	0.78%

	Beginning Account Value May 1, 2012	Ending Account Value October 31, 2012	Expenses Paid During Period*	Annualized Expense Ratio*
Class I				
Actual	$ 1,000	$ 1,033.70	$ 2.71	0.53%
Hypothetical**	$ 1,000	$ 1,022.47	$ 2.69	0.53%
Class 1				
Actual	$ 1,000	$ 1,032.70	$ 3.22	0.63%
Hypothetical**	$ 1,000	$ 1,021.97	$ 3.20	0.63%
Class 2				
Actual	$ 1,000	$ 1,033.90	$ 2.71	0.53%
Hypothetical**	$ 1,000	$ 1,022.47	$ 2.69	0.53%

* *Expenses are equal to the classes' annualized expense ratios, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).*

** *Assumes 5% return before expenses.*

PORTFOLIO SUMMARY

October 31, 2012 (unaudited)

PORTFOLIO STATISTICS

Net Assets ($mil): $275.0
Total Investments ($mil): $347.9

INFLATION PROTECTION BREAKDOWN*

U.S. Inflation-Protected Exposure	98.9%
Non-U.S.	—
Non-Inflation Exposure	1.1%
	100.0%

SECTOR BREAKDOWN OF NET PORTFOLIO ASSETS, EXCLUDING TREASURY SECURITIES, TIPS, INTEREST RATE DERIVATIVES AND NET CASH EQUIVALENTS*

Corporates – Investment Grades	16.8%
Asset-Backed Securities	5.5%
Commercial Mortgage-Backed Securities	4.5%
Mortgage Pass-Throughs	2.1%
Corporates – Non-Investment Grades	1.0%
Agencies	0.7%
Quasi-Sovereigns	0.6%
Governments – Sovereign Bonds	0.2%

SECTOR BREAKDOWN OF TOTAL PORTFOLIO INVESTMENTS, EXCLUDING DERIVATIVES**

Inflation-Linked Securities	78.2%
Corporates – Investment Grades	10.5%
Asset-Backed Securities	4.4%
Commercial Mortgage-Backed Securities	3.5%
Mortgage Pass-Throughs	1.7%
Corporates – Non-Investment Grades	0.5%
Agencies	0.5%
Quasi-Sovereigns	0.5%
Governments – Sovereign Bonds	0.2%

* *All data are as of October 31, 2012. The Strategy's sector and inflation protection exposure breakdowns are expressed as an approximate percentage of the Strategy's total net assets (and may vary over time) inclusive of derivative exposure except as noted, based on the Adviser's internal classification.*

** *The Strategy's sector breakdown is expressed, based on the Adviser's internal classification, as a percentage of total investments and may vary over time. The Strategy also enters into derivative transactions (not reflected in the table), which may be used for hedging or investment purposes or to adjust the risk profile or exposures of the Strategy (see "Portfolio of Investments" section of the report for additional details). Derivative transactions may result in a form of leverage for the Strategy. The Strategy uses leverage for investment purposes by entering into reverse repurchase agreements. As a result, the Strategy's total investments will generally exceed its net assets.*

PORTFOLIO OF INVESTMENTS
October 31, 2012

	Principal Amount (000)	U.S. $ Value
INFLATION-LINKED SECURITIES – 98.9%		
United States – 98.9%		
U.S. Treasury Inflation Index		
0.125%, 1/15/22-7/15/22 (TIPS)	U.S.$ 31,205	$ 34,147,409
0.625%, 7/15/21 (TIPS)	21,804	24,948,486
1.125%, 1/15/21 (TIPS)	2,822	3,337,156
1.25%, 7/15/20 (TIPS)[a]	19,698	23,491,112
1.375%, 7/15/18-1/15/20 (TIPS)	18,411	21,623,975
1.625%, 1/15/15-1/15/18 (TIPS)[a]	11,030	11,973,891
1.875%, 7/15/13 (TIPS)	4,584	4,688,374
1.875%, 7/15/15-7/15/19 (TIPS)[a]	27,785	31,511,560
2.00%, 7/15/14 (TIPS)[a]	43,655	46,246,887
2.00%, 1/15/16 (TIPS)	4,480	4,982,864
2.125%, 1/15/19 (TIPS)	4,839	5,914,322
2.375%, 1/15/17-1/15/25 (TIPS)	5,906	6,959,196
2.50%, 7/15/16 (TIPS)	14,953	17,241,214
2.625%, 7/15/17 (TIPS)[a]	29,146	35,009,302
Total Inflation-Linked Securities (cost $262,514,487)		272,075,748
CORPORATES - INVESTMENT GRADES – 13.3%		
Industrial – 7.0%		
Basic – 0.6%		
Alcoa, Inc.		
5.40%, 4/15/21	265	274,324
AngloGold Ashanti Holdings PLC		
5.375%, 4/15/20	225	236,808
ArcelorMittal		
5.75%, 3/01/21	110	106,210
6.125%, 6/01/18	100	99,669
Dow Chemical Co. (The)		
5.25%, 11/15/41	185	211,596
7.60%, 5/15/14	25	27,562
8.55%, 5/15/19	67	90,859
Vale SA		
5.625%, 9/11/42	595	637,425
		1,684,453
Capital Goods – 0.3%		
ADT Corp. (The)		
3.50%, 7/15/22[b]	129	131,271
CRH America, Inc.		
5.75%, 1/15/21	230	253,714
Embraer SA		
5.15%, 6/15/22	147	160,671
Republic Services, Inc.		
3.80%, 5/15/18	8	8,854
5.25%, 11/15/21	150	179,320
		733,830

		Principal Amount (000)	U.S. $ Value
Communications - Media – 1.3%			
CBS Corp.			
3.375%, 3/01/22	U.S.$	137	$ 143,991
5.75%, 4/15/20		325	392,463
8.875%, 5/15/19		25	34,406
Comcast Corp.			
5.15%, 3/01/20		210	254,270
DirecTV Holdings LLC/DirecTV Financing Co., Inc.			
3.80%, 3/15/22		280	291,738
4.60%, 2/15/21		140	155,158
Globo Comunicacao e Participacoes SA			
5.307%, 5/11/22[(b)(c)]		215	237,037
NBCUniversal Media LLC			
4.375%, 4/01/21		205	234,709
News America, Inc.			
6.15%, 3/01/37-2/15/41		331	420,026
Omnicom Group, Inc.			
3.625%, 5/01/22		163	174,334
Reed Elsevier Capital, Inc.			
8.625%, 1/15/19		460	616,471
Time Warner Cable, Inc.			
4.125%, 2/15/21		180	200,802
5.00%, 2/01/20		35	41,201
7.50%, 4/01/14		70	76,557
8.75%, 2/14/19		25	34,360
WPP Finance 2010			
4.75%, 11/21/21		227	249,091
			3,556,614
Communications - Telecommunications – 1.4%			
American Tower Corp.			
4.70%, 3/15/22		395	436,328
5.05%, 9/01/20		35	39,329
AT&T, Inc.			
3.00%, 2/15/22		215	228,504
5.35%, 9/01/40		280	343,411
Bell Canada			
4.85%, 6/30/14	CAD	25	26,276
British Telecommunications PLC			
2.00%, 6/22/15	U.S.$	208	213,346
5.95%, 1/15/18		316	379,421
Deutsche Telekom International Finance BV			
4.875%, 3/06/42[(b)]		425	462,946
8.75%, 6/15/30		150	231,492
Koninklijke KPN NV			
5.00%, 11/13/12	EUR	50	64,871
Telecom Italia Capital SA			
7.175%, 6/18/19	U.S.$	170	195,075

		Principal Amount (000)	U.S. $ Value
Telefonica Emisiones SAU			
5.462%, 2/16/21	U.S.$	165	$ 167,681
United States Cellular Corp.			
6.70%, 12/15/33		110	115,300
Verizon Communications, Inc.			
7.35%, 4/01/39		300	462,011
Vodafone Group PLC			
6.15%, 2/27/37		335	460,240
			3,826,231
Consumer Cyclical - Automotive – 0.2%			
Ford Motor Credit Co. LLC			
5.00%, 5/15/18		440	485,339
Harley-Davidson Funding Corp.			
5.75%, 12/15/14[(b)]		30	32,966
			518,305
Consumer Cyclical - Other – 0.1%			
Marriott International, Inc./DE			
3.00%, 3/01/19		263	268,934
Series J			
5.625%, 2/15/13		125	126,588
			395,522
Consumer Cyclical - Retailers – 0.2%			
Macy's Retail Holdings, Inc.			
3.875%, 1/15/22		410	450,584
Consumer Non-Cyclical – 0.8%			
Ahold Finance USA LLC			
6.875%, 5/01/29		25	32,153
Altria Group, Inc.			
4.75%, 5/05/21		195	225,887
Bunge Ltd. Finance Corp.			
5.10%, 7/15/15		125	134,497
8.50%, 6/15/19		75	96,773
Delhaize Group SA			
5.875%, 2/01/14		205	214,575
Kroger Co. (The)			
3.40%, 4/15/22		414	441,774
Laboratory Corp. of America Holdings			
2.20%, 8/23/17		116	119,555
Reynolds American, Inc.			
3.25%, 11/01/22		284	287,245
Tyson Foods, Inc.			
4.50%, 6/15/22		430	455,800
Watson Pharmaceuticals, Inc.			
3.25%, 10/01/22		215	221,555
			2,229,814

		Principal Amount (000)		U.S. $ Value
Energy – 1.1%				
Encana Corp.				
3.90%, 11/15/21	U.S.$	430	$	463,723
Marathon Petroleum Corp.				
3.50%, 3/01/16		9		9,643
5.125%, 3/01/21		265		312,472
Nabors Industries, Inc.				
9.25%, 1/15/19		175		234,799
Noble Energy, Inc.				
4.15%, 12/15/21		127		139,995
8.25%, 3/01/19		175		232,219
Phillips 66				
4.30%, 4/01/22(b)		435		487,931
Southwestern Energy Co.				
4.10%, 3/15/22(b)		118		127,660
Transocean, Inc.				
2.50%, 10/15/17		263		266,361
Valero Energy Corp.				
6.125%, 2/01/20		211		260,627
Weatherford International Ltd./Bermuda				
5.125%, 9/15/20		305		339,545
9.625%, 3/01/19		70		92,737
				2,967,712
Technology – 0.7%				
Agilent Technologies, Inc.				
5.00%, 7/15/20		7		8,103
Hewlett-Packard Co.				
4.65%, 12/09/21		165		165,163
Intel Corp.				
4.80%, 10/01/41		225		265,846
Motorola Solutions, Inc.				
3.75%, 5/15/22		320		332,858
7.50%, 5/15/25		195		260,908
Oracle Corp.				
3.875%, 7/15/20		205		235,655
Telefonaktiebolaget LM Ericsson				
4.125%, 5/15/22		495		519,632
Xerox Corp.				
2.95%, 3/15/17		74		76,248
8.25%, 5/15/14		195		215,576
				2,079,989
Transportation - Airlines – 0.0%				
Southwest Airlines Co.				
5.25%, 10/01/14		35		37,432
Transportation - Railroads – 0.2%				
CSX Corp.				
4.75%, 5/30/42		400		447,277

		Principal Amount (000)		U.S. $ Value
Transportation - Services – 0.1%				
Asciano Finance Ltd.				
5.00%, 4/07/18(b)	U.S.$	47	$	50,658
Ryder System, Inc.				
3.15%, 3/02/15		105		108,625
5.85%, 11/01/16		105		119,494
7.20%, 9/01/15		10		11,530
				290,307
				19,218,070
Financial Institutions – 4.2%				
Banking – 2.3%				
Bank of America Corp.				
5.00%, 5/13/21		90		101,527
Bank of Scotland PLC				
5.625%, 5/23/13	EUR	50		66,577
Barclays Bank PLC				
6.625%, 3/30/22(b)		370		524,953
BBVA US Senior SAU				
3.25%, 5/16/14	U.S.$	265		265,057
Capital One Financial Corp.				
4.75%, 7/15/21		265		304,050
5.25%, 2/21/17		150		170,857
Citigroup, Inc.				
4.50%, 1/14/22		651		718,670
5.375%, 8/09/20		143		167,259
DNB Bank ASA				
3.20%, 4/03/17(b)		450		474,547
Fifth Third Bancorp				
3.50%, 3/15/22		166		176,048
Goldman Sachs Group, Inc. (The)				
5.75%, 1/24/22		240		278,610
6.00%, 6/15/20		120		140,886
HSBC Holdings PLC				
4.00%, 3/30/22		225		246,478
5.10%, 4/05/21		180		212,237
ING Bank NV				
2.00%, 9/25/15(b)		600		600,278
JPMorgan Chase & Co.				
4.25%, 10/15/20		55		60,661
4.40%, 7/22/20		105		116,687
4.50%, 1/24/22		365		412,375
Macquarie Group Ltd.				
7.625%, 8/13/19(b)		65		76,785
Morgan Stanley				
4.75%, 3/22/17		45		48,699
Series G				
5.50%, 7/28/21		456		506,810

		Principal Amount (000)		U.S. $ Value
National Capital Trust II				
5.486%, 3/23/15(b)	U.S.$	45	$	45,472
UBS AG/Stamford CT				
7.625%, 8/17/22		465		501,459
Vesey Street Investment Trust I				
4.404%, 9/01/16		191		206,967
				6,423,949
Finance – 0.2%				
SLM Corp.				
7.25%, 1/25/22		265		292,162
Series A				
5.375%, 1/15/13		155		155,648
				447,810
Insurance – 1.4%				
Allstate Corp. (The)				
6.125%, 5/15/37		37		38,341
American International Group, Inc.				
4.875%, 6/01/22		325		366,542
6.40%, 12/15/20		205		251,760
Coventry Health Care, Inc.				
5.45%, 6/15/21		415		485,257
Hartford Financial Services Group, Inc.				
5.125%, 4/15/22		275		313,137
5.50%, 3/30/20		24		27,807
6.10%, 10/01/41		165		200,289
Humana, Inc.				
6.45%, 6/01/16		40		45,639
7.20%, 6/15/18		155		191,860
Lincoln National Corp.				
8.75%, 7/01/19		175		231,733
Markel Corp.				
7.125%, 9/30/19		189		229,571
Marsh & McLennan Cos., Inc.				
5.375%, 7/15/14		207		222,230
MetLife, Inc.				
5.70%, 6/15/35		90		111,485
7.717%, 2/15/19		180		237,476
Nationwide Financial Services, Inc.				
5.375%, 3/25/21(b)		165		173,855
Nationwide Mutual Insurance Co.				
9.375%, 8/15/39(b)		125		181,207
WellPoint, Inc.				
3.30%, 1/15/23		212		219,290
XL Group PLC				
5.25%, 9/15/14		151		160,647
				3,688,126

		Principal Amount (000)	U.S. $ Value
Other Finance – 0.0%			
ORIX Corp.			
4.71%, 4/27/15	U.S.$	37	$ 39,292
REITS – 0.3%			
HCP, Inc.			
5.375%, 2/01/21		394	456,045
Health Care REIT, Inc.			
5.25%, 1/15/22		410	468,188
			924,233
			11,523,410
Utility – 1.9%			
Electric – 0.5%			
Allegheny Energy Supply Co. LLC			
5.75%, 10/15/19[(b)]		130	143,788
Constellation Energy Group, Inc.			
5.15%, 12/01/20		91	106,957
FirstEnergy Solutions Corp.			
6.05%, 8/15/21		80	92,444
6.80%, 8/15/39		80	93,425
MidAmerican Energy Holdings Co.			
6.125%, 4/01/36		340	447,018
Nisource Finance Corp.			
6.125%, 3/01/22		95	116,930
6.15%, 3/01/13		57	57,955
6.80%, 1/15/19		75	91,824
Ohio Power Co.			
Series F			
5.50%, 2/15/13		16	16,222
Pacific Gas & Electric Co.			
4.50%, 12/15/41		160	179,495
TECO Finance, Inc.			
4.00%, 3/15/16		45	48,267
			1,394,325
Natural Gas – 1.4%			
DCP Midstream LLC			
4.75%, 9/30/21[(b)]		405	431,109
9.75%, 3/15/19[(b)]		20	26,156
Energy Transfer Partners LP			
5.95%, 2/01/15		150	165,620
6.125%, 2/15/17		145	169,758
Enterprise Products Operating LLC			
5.20%, 9/01/20		145	175,103
EQT Corp.			
4.875%, 11/15/21		370	400,564
8.125%, 6/01/19		62	77,726
Kinder Morgan Energy Partners LP			
3.95%, 9/01/22		321	350,792
4.15%, 3/01/22		104	114,853

		Principal Amount (000)	U.S. $ Value
ONEOK, Inc.			
4.25%, 2/01/22	U.S.$	425	$ 469,886
Spectra Energy Capital LLC			
6.20%, 4/15/18		265	322,675
8.00%, 10/01/19		25	33,415
Talent Yield Investments Ltd.			
4.50%, 4/25/22(b)		480	523,017
Williams Partners LP			
5.25%, 3/15/20		400	470,997
			3,731,671
			5,125,996
Non Corporate Sectors – 0.2%			
Agencies - Not Government Guaranteed – 0.2%			
Gazprom OAO Via Gaz Capital SA			
6.212%, 11/22/16(b)		320	356,550
Petrobras International Finance Co. – Pifco			
5.75%, 1/20/20		270	311,440
			667,990
Total Corporates - Investment Grades (cost $34,177,544)			36,535,466
ASSET-BACKED SECURITIES – 5.5%			
Autos - Fixed Rate – 3.2%			
AmeriCredit Automobile Receivables Trust			
Series 2011-3, Class A2			
0.84%, 11/10/14		369	369,310
Series 2011-4, Class A2			
0.92%, 3/09/15		110	109,846
Series 2012-3, Class A3			
0.96%, 1/09/17		655	659,018
Series 2012-4, Class A2			
0.49%, 4/08/16		880	880,225
Avis Budget Rental Car Funding AESOP LLC			
Series 2012-3A, Class A			
2.10%, 3/20/19(b)		420	427,261
Bank of America Auto Trust			
Series 2012-1, Class A4			
1.03%, 12/15/16		380	384,463
CarMax Auto Owner Trust			
Series 2011-3, Class A3			
1.07%, 6/15/16		171	172,247
Exeter Automobile Receivables Trust			
Series 2012-1A, Class A			
2.02%, 8/15/16(b)		225	226,560
Series 2012-2A, Class A			
1.30%, 6/15/17(b)		557	556,544

		Principal Amount (000)		U.S. $ Value
Ford Credit Auto Lease Trust				
Series 2011-A, Class A2				
0.74%, 9/15/13	U.S.$	97	$	97,346
Series 2011-B, Class A2				
0.82%, 1/15/14		320		320,402
Ford Credit Floorplan Master Owner Trust				
Series 2012-4, Class A1				
0.74%, 9/15/16		1,350		1,350,966
Huntington Auto Trust				
Series 2011-1A, Class A3				
1.01%, 1/15/16(b)		187		188,029
Hyundai Auto Lease Securitization Trust				
Series 2011-A, Class A2				
0.69%, 11/15/13(b)		39		39,107
Hyundai Auto Receivables Trust				
Series 2012-B, Class C				
1.95%, 10/15/18		165		165,672
Mercedes-Benz Auto Lease Trust				
Series 2011-B, Class A2				
0.90%, 1/15/14(b)		302		302,003
Navistar Financial Corp. Owner Trust				
Series 2012-A, Class A2				
0.85%, 3/18/15(b)		665		665,858
Nissan Auto Lease Trust				
Series 2012-A, Class A2A				
0.68%, 7/15/14		400		400,942
Porsche Innovative Lease Owner Trust				
Series 2011-1, Class A3				
1.09%, 9/22/14(b)		450		451,185
Santander Drive Auto Receivables Trust				
Series 2012-6, Class A2				
0.47%, 9/15/15		595		595,197
SMART Trust/Australia				
Series 2011-2USA, Class A2A				
1.22%, 11/14/13(b)		112		111,878
Series 2012-4US, Class A2A				
0.67%, 6/14/15		395		395,146
				8,869,205
Credit Cards - Floating Rate – 0.8%				
American Express Credit Account Master Trust				
Series 2011-1, Class A				
0.384%, 4/17/17(d)		680		681,487
Discover Card Master Trust				
Series 2012-A4, Class A4				
0.59%, 5/15/19(d)		530		532,074
Penarth Master Issuer PLC				
Series 2010-2A, Class A2				
0.963%, 12/18/14(b)(d)		480		480,224

		Principal Amount (000)	U.S. $ Value
Series 2012-1A, Class A1			
0.783%, 3/18/14(b)(d)	U.S.$	514	$ 514,495
			2,208,280
Credit Cards - Fixed Rate – 0.6%			
GE Capital Credit Card Master Note Trust			
Series 2012-6, Class A			
1.36%, 8/17/20		645	649,828
Series 2012-7, Class A			
1.76%, 9/15/22		555	554,852
World Financial Network Credit Card Master Trust			
Series 2012-B, Class A			
1.76%, 5/17/21		370	371,730
			1,576,410
Autos - Floating Rate – 0.4%			
BMW Floorplan Master Owner Trust			
Series 2012-1A, Class A			
0.619%, 9/15/17(b)(d)		809	809,352
Hyundai Floorplan Master Owner Trust			
Series 2009-1A, Class A			
1.464%, 11/17/14(b)(d)		160	160,070
			969,422
Other ABS - Fixed Rate – 0.3%			
CIT Canada Equipment Receivables Trust			
Series 2012-1A, Class A1			
1.705%, 7/22/13(b)	CAD	194	193,836
CIT Equipment Collateral			
Series 2012-VT1, Class A3			
1.10%, 8/22/16(b)	U.S.$	262	262,555
CNH Equipment Trust			
Series 2012-A, Class A3			
0.94%, 5/15/17		340	342,762
GE Equipment Midticket LLC			
Series 2011-1, Class A3			
1.00%, 8/24/15		145	145,598
			944,751
Other ABS - Floating Rate – 0.2%			
GE Dealer Floorplan Master Note Trust			
Series 2012-3, Class A			
0.701%, 6/20/17(d)		600	602,871
Total Asset-Backed Securities (cost $15,122,549)			15,170,939

		Principal Amount (000)		U.S. $ Value
COMMERCIAL MORTGAGE-BACKED SECURITIES – 4.5%				
Non-Agency Fixed Rate CMBS – 4.0%				
Banc of America Merrill Lynch Commercial Mortgage, Inc.				
Series 2006-5, Class A4 5.414%, 9/10/47	U.S.$	990	$	1,127,590
Series 2007-5, Class A4 5.492%, 2/10/51		1,000		1,163,926
Bear Stearns Commercial Mortgage Securities				
Series 2006-PW12, Class A4 5.712%, 9/11/38		75		86,086
Commercial Mortgage Pass Through Certificates				
Series 2006-C8, Class A4 5.306%, 12/10/46		55		63,242
Credit Suisse First Boston Mortgage Securities Corp.				
Series 2005-C1, Class A4 5.014%, 2/15/38		380		411,342
CW Capital Cobalt Ltd.				
Series 2007-C3, Class A4 5.804%, 5/15/46		895		1,048,573
Greenwich Capital Commercial Funding Corp.				
Series 2005-GG3, Class A4 4.799%, 8/10/42		530		569,834
Series 2007-GG9, Class A4 5.444%, 3/10/39		760		875,476
GS Mortgage Securities Corp. II				
Series 2006-GG6, Class A2 5.506%, 4/10/38		19		19,081
Series 2012-GCJ7, Class A4 3.377%, 5/10/45		1,000		1,082,254
JP Morgan Chase Commercial Mortgage Securities Corp.				
Series 2006-CB15, Class A4 5.814%, 6/12/43		503		578,768
Series 2006-CB16, Class A4 5.552%, 5/12/45		80		92,329
Series 2007-LD11, Class A4 5.813%, 6/15/49		885		1,036,279
Series 2007-LDPX, Class A3 5.42%, 1/15/49		435		503,718
Series 2010-C2, Class A1 2.749%, 11/15/43[(b)]		374		390,802
LB-UBS Commercial Mortgage Trust				
Series 2004-C4, Class A4 5.271%, 6/15/29		70		74,648

		Principal Amount (000)	U.S. $ Value
Series 2006-C1, Class A4 5.156%, 2/15/31	U.S.$	38	$ 43,030
Series 2006-C4, Class A4 5.866%, 6/15/38		60	69,402
Series 2007-C1, Class A4 5.424%, 2/15/40		1,100	1,280,603
Merrill Lynch Mortgage Trust Series 2005-CIP1, Class A2 4.96%, 7/12/38		281	286,730
Merrill Lynch/Countrywide Commercial Mortgage Trust Series 2006-3, Class A4 5.414%, 7/12/46		25	28,832
Series 2007-9, Class A4 5.70%, 9/12/49		125	146,727
			10,979,272
Non-Agency Floating Rate CMBS – 0.5%			
Wachovia Bank Commercial Mortgage Trust Series 2006-WL7A, Class A2 0.334%, 9/15/21[(b)(d)]		1,400	1,352,988
Total Commercial Mortgage-Backed Securities (cost $11,774,526)			12,332,260
MORTGAGE PASS-THROUGHS – 2.1%			
Agency Fixed Rate 30-Year – 1.9%			
Federal National Mortgage Association 6.00%, 10/01/38-5/01/41		4,838	5,380,333
Agency ARMs – 0.2%			
Federal Home Loan Mortgage Corp. 4.225%, 11/01/35[(d)]		478	510,427
Total Mortgage Pass-Throughs (cost $5,837,892)			5,890,760
CORPORATES - NON-INVESTMENT GRADES – 0.7%			
Industrial – 0.6%			
Basic – 0.2%			
LyondellBasell Industries NV 5.75%, 4/15/24		405	468,787
Capital Goods – 0.2%			
B/E Aerospace, Inc. 5.25%, 4/01/22		260	271,050
Ball Corp. 5.00%, 3/15/22		255	269,025
			540,075

		Principal Amount (000)	U.S. $ Value
Consumer Cyclical - Other – 0.1%			
Host Hotels & Resorts LP			
5.25%, 3/15/22	U.S.$	175	$ 193,375
Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp.			
5.375%, 3/15/22[b]		260	268,450
			461,825
Consumer Cyclical - Retailers – 0.0%			
Dollar General Corp.			
4.125%, 7/15/17		94	98,230
Energy – 0.1%			
Cimarex Energy Co.			
5.875%, 5/01/22		134	143,045
			1,711,962
Utility – 0.1%			
Electric – 0.1%			
CMS Energy Corp.			
5.05%, 3/15/22		144	160,855
Total Corporates - Non-Investment Grades (cost $1,730,061)			1,872,817
AGENCIES – 0.7%			
Agency Debentures – 0.7%			
Federal Home Loan Mortgage Corp.			
2.375%, 1/13/22 (cost $1,751,485)		1,761	1,845,560
QUASI-SOVEREIGNS – 0.6%			
Quasi-Sovereign Bonds – 0.6%			
Indonesia – 0.2%			
Perusahaan Listrik Negara PT			
5.50%, 11/22/21[b]		355	400,262
Kazakhstan – 0.1%			
KazMunayGas National Co.			
7.00%, 5/05/20[b]		324	398,125
Malaysia – 0.1%			
Petronas Capital Ltd.			
5.25%, 8/12/19[b]		310	371,181
South Korea – 0.2%			
Korea National Oil Corp.			
3.125%, 4/03/17[b]		450	472,922
Total Quasi-Sovereigns (cost $1,507,066)			1,642,490

		Principal Amount (000)	U.S. $ Value
GOVERNMENTS - SOVEREIGN BONDS – 0.2%			
Poland – 0.0%			
Poland Government International Bond 3.875%, 7/16/15	U.S.$	16	$ 17,144
Qatar – 0.2%			
State of Qatar 4.50%, 1/20/22[(b)]		360	412,200
Russia – 0.0%			
Russian Foreign Bond - Eurobond 7.50%, 3/31/30[(b)]		74	93,231
Total Governments - Sovereign Bonds (cost $454,699)			522,575
Total Investments – 126.5% (cost $334,870,309)			347,888,615
Other assets less liabilities – (26.5)%			(72,894,588)
Net Assets – 100.0%			**$ 274,994,027**

FUTURES CONTRACTS (see Note D)

Type	Number of Contracts	Expiration Month	Original Value	Value at October 31, 2012	Unrealized Appreciation/ (Depreciation)
Sold Contracts					
U.S. T-Bond 30 Yr Futures	23	December 2012	$ 3,432,711	$ 3,434,187	$ (1,476)
U.S. T-Note 2 Yr Futures	25	December 2012	5,510,896	5,508,203	2,693
U.S. T-Note 5 Yr Futures	15	December 2012	1,861,733	1,863,750	(2,017)
U.S. T-Note 10 Yr Futures	102	December 2012	13,512,441	13,569,188	(56,747)
					$ (57,547)

FORWARD CURRENCY EXCHANGE CONTRACTS (see Note D)

Counterparty	Contracts to Deliver (000)		In Exchange For (000)		Settlement Date	Unrealized Appreciation/ (Depreciation)
State Street Bank & Trust Co.	CAD	1,615	USD	1,640	11/09/12	$ 22,690
State Street Bank & Trust Co.	USD	31	CAD	30	11/09/12	(144)
State Street Bank & Trust Co.	JPY	218,667	USD	2,766	11/16/12	26,291
State Street Bank & Trust Co.	USD	1,402	MXN	18,078	12/05/12	(25,091)
State Street Bank & Trust Co.	EUR	2,633	USD	3,436	12/06/12	21,717
						$ 45,463

INTEREST RATE SWAP CONTRACTS (see Note D)

Swap Counterparty	Notional Amount (000)	Termination Date	Rate Type: Payments made by the Fund	Rate Type: Payments received by the Fund	Unrealized Appreciation/ (Depreciation)
Barclays Bank PLC	$7,310	6/7/13	0.627%	3 Month LIBOR	$ (26,600)
Barclays Bank PLC	1,000	11/17/13	1.059%	3 Month LIBOR	(11,466)
Barclays Bank PLC	850	1/17/22	2.05%	3 Month LIBOR	(37,561)
JPMorgan Chase Bank NA	7,780	10/13/13	0.687%	3 Month LIBOR	(27,725)
Morgan Stanley Capital Services Inc.	9,790	3/12/14	0.563%	3 Month LIBOR	(30,155)
Morgan Stanley Capital Services Inc.	1,100	2/21/42	2.813%	3 Month LIBOR	(58,535)
Morgan Stanley Capital Services Inc.	830	3/6/42	2.804%	3 Month LIBOR	(41,816)
					$ (233,858)

CREDIT DEFAULT SWAP CONTRACTS (see Note D)

SwapCounterparty & Referenced Obligation	Fixed Rate (Pay) Receive	Implied Credit Spread at October 31, 2012	Notional Amount (000)	Market Value	Upfront Premiums Paid (Received)	Unrealized Appreciation/ (Depreciation)
Sale Contracts						
Bank of America NA:						
CDX-NAHYS19V1-5 Year, 12/20/17*	5.00%	5.17%	$ 800	$ (833)	$ (5,000)	$ 4,167
CDX-NAIGS19V1-5 Year, 12/20/17*	1.00	0.99	3,200	4,914	3,147	1,767
CDX-NAIGS19V1-5 Year, 12/20/17*	1.00	0.99	5,750	8,830	12,368	(3,538)
Barclays Bank PLC:						
Bank of America Corp., 5.65% 5/01/18, 9/20/17*	1.00	1.54	350	(8,526)	(23,731)	15,205
Deutsche Bank AG:						
Anadarko Petroleum Corp., 5.95% 9/15/16, 9/20/17*	1.00	1.58	440	(11,586)	(15,129)	3,543
				$ (7,201)	$ (28,345)	$ 21,144

* *Termination date*

REVERSE REPURCHASE AGREEMENTS (see Note D)

Broker	Interest Rate	Maturity	U.S. $ Value at October 31, 2012
Barclays+	0.47%	—	$ 34,779,655
Barclays	0.26%	11/08/12	4,712,117
Barclays	0.28%	11/05/12	11,493,706
Barclays	0.28%	12/13/12	16,101,759
Goldman	0.25%	11/06/12	7,661,413
Warburg+	0.23%	—	1,594,737
			$ 76,343,387

\+ *The reverse repurchase agreement matures on demand. Interest rate resets daily and the rate shown is the rate in effect on October 31, 2012*

(a) *Position, or a portion thereof, has been segregated to collateralize reverse repurchase agreements. The market value of the collateral amounted to $76,834,324.*

(b) *Security is exempt from registration under Rule 144A of the Securities Act of 1933. These securities are considered liquid and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At October 31, 2012, the aggregate market value of these securities amounted to $14,637,304 or 5.3% of net assets.*

(c) *Coupon rate adjusts periodically based upon a predetermined schedule. Stated interest rate in effect at October 31, 2012.*

(d) *Floating Rate Security. Stated interest rate was in effect at October 31, 2012.*

Currency Abbreviations:

CAD – Canadian Dollar
EUR – Euro
JPY – Japanese Yen
MXN – Mexican Peso
USD – United States Dollar

Glossary:

ABS – Asset-Backed Securities
ARMs – Adjustable Rate Mortgages
CDX-NAHY – North American High Yield Credit Default Swap Index
CDX-NAIG – North American Investment Grade Credit Default Swap Index
CMBS – Commercial Mortgage-Backed Securities
LIBOR – London Interbank Offered Rates
REIT – Real Estate Investment Trust
TIPS – Treasury Inflation Protected Security

See notes to financial statements.

STATEMENT OF ASSETS & LIABILITIES

October 31, 2012

Assets	
Investments in securities, at value (cost $334,870,309)	$ 347,888,615
Cash	190,475[(a)]
Receivable for capital stock sold	24,019,798
Interest and dividends receivable	1,690,597
Unrealized appreciation of forward currency exchange contracts	70,698
Unrealized appreciation on credit default swap contracts	24,682
Premium paid on credit default swap contracts	15,515
Receivable for investment securities sold	12,360
Total assets	373,912,740
Liabilities	
Due to custodian	18,883,721
Payable for reverse repurchase agreements	76,343,387
Payable for investment securities purchased	2,406,133
Payable for capital stock redeemed	608,399
Unrealized depreciation on interest rate swap contracts	233,858
Advisory fee payable	81,606
Payable for variation margin on futures contracts	57,391
Premium received on credit default swap contracts	43,860
Distribution fee payable	27,549
Unrealized depreciation of forward currency exchange contracts	25,235
Administrative fee payable	20,372
Transfer Agent fee payable	7,842
Unrealized depreciation on credit default swap contracts	3,538
Accrued expenses	175,822
Total liabilities	98,918,713
Net Assets	**$ 274,994,027**
Composition of Net Assets	
Capital stock, at par	$ 242,684
Additional paid-in capital	261,858,376
Undistributed net investment income	2,903
Accumulated net realized gain on investment and foreign currency transactions	95,919
Net unrealized appreciation on investments and foreign currency denominated assets and liabilities	12,794,145
	$ 274,994,027

Net Asset Value Per Share—24 billion shares of capital stock authorized, $.01 par value

Class	Net Assets	Shares Outstanding	Net Asset Value
A	$ 17,627,247	1,551,316	$ 11.36*
C	$ 7,990,691	708,558	$ 11.28
Advisor	$ 5,498,694	482,857	$ 11.39
R	$ 538,668	47,512	$ 11.34
K	$ 2,007,002	176,856	$ 11.35
I	$ 266,884	23,552	$ 11.33
1	$ 193,864,538	17,110,115	$ 11.33
2	$ 47,200,303	4,167,682	$ 11.33

(a) *An amount of $190,475 has been segregated to collateralize margin requirements for open futures contracts outstanding at October 31, 2012.*

* *The maximum offering price per share for Class A shares was $11.86 which reflects a sales charge of 4.25%.*

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended October 31, 2012

Investment Income		
Interest	$ 3,908,222	
Dividends—Affiliated issuers	2,515	$ 3,910,737
Expenses		
Advisory fee (see Note B)	975,802	
Distribution fee—Class A	38,902	
Distribution fee—Class C	76,360	
Distribution fee—Class R	2,659	
Distribution fee—Class K	3,563	
Distribution fee—Class 1	145,976	
Transfer agency—Class A	12,982	
Transfer agency—Class C	8,139	
Transfer agency—Advisor Class	2,859	
Transfer agency—Class R	1,305	
Transfer agency—Class K	2,464	
Transfer agency—Class I	213	
Transfer agency—Class 1	11,187	
Transfer agency—Class 2	1,803	
Registration fees	171,708	
Custodian	164,702	
Administrative	65,684	
Audit	54,250	
Legal	42,932	
Printing	34,883	
Directors' fees	10,859	
Miscellaneous	14,078	
Total expenses before interest expense	1,843,310	
Interest expense	122,664	
Total expenses	1,965,974	
Less: expenses waived and reimbursed by the Adviser (see Note B)	(694,739)	
Net expenses		1,271,235
Net investment income		2,639,502
Realized and Unrealized Gain (Loss) on Investment and Foreign Currency Transactions		
Net realized gain (loss) on:		
Investment transactions		1,778,863
Futures contracts		(687,167)
Swap contracts		20,299
Foreign currency transactions		(209,704)
Net change in unrealized appreciation/depreciation of:		
Investments		9,480,234
Futures contracts		(113,091)
Swap contracts		(108,598)
Foreign currency denominated assets and liabilities		76,787
Net gain on investment and foreign currency transactions		10,237,623
Net Increase in Net Assets from Operations		**$ 12,877,125**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended October 31, 2012	Year Ended October 31, 2011
Increase (Decrease) in Net Assets from Operations		
Net investment income	$ 2,639,502	$ 2,284,417
Net realized gain (loss) on investment and foreign currency transactions	902,291	(736,597)
Net change in unrealized appreciation/depreciation of investments and foreign currency denominated assets and liabilities	9,335,332	2,672,677
Net increase in net assets from operations	12,877,125	4,220,497
Dividends to Shareholders from		
Net investment income		
Class A	(169,106)	(157,776)
Class C	(72,700)	(134,028)
Advisor Class	(43,444)	(57,766)
Class R	(5,628)	(11,992)
Class K	(17,250)	(11,295)
Class I	(2,972)	(359)
Class 1	(2,173,375)	(1,251,995)
Class 2	(350,510)	(519,549)
Capital Stock Transactions		
Net increase	123,231,891	121,908,504
Total increase	133,274,031	123,984,241
Net Assets		
Beginning of period	141,719,996	17,735,755
End of period (including undistributed net investment income of $2,903 and $352,468, respectively)	**$ 274,994,027**	**$ 141,719,996**

See notes to financial statements.

STATEMENT OF CASH FLOWS

Year Ended October 31, 2012

Increase (Decrease) in Cash from Operating Activities:		
Interest and dividends received	$ 4,022,199	
Interest expense paid	(122,664)	
Operating expenses paid	(965,659)	
Purchases of long-term investments	(258,114,550)	
Proceeds from disposition of long-term investments	84,202,439	
Purchases of short-term investments, net	(27,192)	
Proceeds from swap contracts, net	205,110	
Variation margin paid on futures contracts	(816,804)	
Net decrease in cash from operating activities		$ (171,617,121)
Financing Activities:		
Cash dividends paid (net of dividend reinvestments)	(1,594,324)	
Subscriptions of capital stock, net	99,344,529	
Increase in reverse repurchase agreements	55,222,278	
Net increase in cash from financing activities		152,972,483
Effect of exchange rate on cash		(162,540)
Net decrease in cash		(18,807,178)
Cash at beginning of period		113,932
Cash at end of period		**$ (18,693,246)**
Reconciliation of Net Increase in Net Assets from Operations to Net Decrease in Cash from Operating Activities:		
Net increase in net assets from operations		$ 12,877,125
Adjustments:		
Increase in interest and dividends receivable	$ (794,505)	
Net accretion of bond discount and amortization of bond premium	3,933,635	
Inflation Index Income	(3,027,668)	
Increase in accrued expenses	182,912	
Purchases of long-term investments	(258,114,550)	
Proceeds from disposition of long-term investments	84,202,439	
Purchases of short-term investments, net	(27,192)	
Proceeds on swap contracts, net	205,110	
Variation margin paid on futures contracts	(816,804)	
Net realized gain on investment and foreign currency transactions	(902,291)	
Net change in unrealized appreciation/depreciation of investments and foreign currency denominated assets and liabilities	(9,335,332)	
Total adjustments		(184,494,246)
Net decrease in cash from operating activities		**$ (171,617,121)**

In accordance with U.S. GAAP, the Strategy has included a Statement of Cash Flows as a result of its substantial investments in reverse repurchase agreements throughout the period.

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

October 31, 2012

NOTE A
Significant Accounting Policies

AllianceBernstein Bond Fund, Inc. (the “Fund”) is registered under the Investment Company Act of 1940 as an open-end management investment company. The Fund, which is a Maryland corporation, operates as a series company currently comprised of five portfolios: the Intermediate Bond Portfolio, the Bond Inflation Strategy Portfolio, the Municipal Bond Inflation Strategy Portfolio, the Real Asset Strategy Portfolio and the Limited Duration High Income Portfolio. They are each diversified Portfolios, with the exception of the Limited Duration High Income Portfolio, which is non-diversified. The Limited Duration High Income Portfolio commenced operations on December 7, 2011. Each Portfolio is considered to be a separate entity for financial reporting and tax purposes. This report relates only to the Bond Inflation Strategy Portfolio (the “Strategy”). The Strategy offers Class A, Class C, Advisor Class, Class R, Class K, Class I, Class 1 and Class 2 shares. Class 1 shares are sold only to the private clients of Sanford C. Bernstein & Co. LLC by its registered representatives. Class A shares are sold with a front-end sales charge of up to 4.25% for purchases not exceeding $1,000,000. With respect to purchases of $1,000,000 or more, Class A shares redeemed within one year of purchase may be subject to a contingent deferred sales charge of 1%. Class C shares are subject to a contingent deferred sales charge of 1% on redemptions made within the first year after purchase. Class R, Class K, and Class 1 shares are sold without an initial or contingent deferred sales charge. Advisor Class, Class I, and Class 2 shares are sold without an initial or contingent deferred sales charge and are not subject to ongoing distribution expenses. All eight classes of shares have identical voting, dividend, liquidation and other rights, except that the classes bear different distribution and transfer agency expenses. Each class has exclusive voting rights with respect to its distribution plan. The financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) which require management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Strategy.

1. Security Valuation

Portfolio securities are valued at their current market value determined on the basis of market quotations or, if market quotations are not readily available or are deemed unreliable, at “fair value” as determined in accordance with procedures established by and under the general supervision of the Fund’s Board of Directors.

In general, the market value of securities which are readily available and deemed reliable are determined as follows: Securities listed on a national securities exchange (other than securities listed on the NASDAQ Stock Market, Inc.

("NASDAQ")) or on a foreign securities exchange are valued at the last sale price at the close of the exchange or foreign securities exchange. If there has been no sale on such day, the securities are valued at the last traded price from the previous day. Securities listed on more than one exchange are valued by reference to the principal exchange on which the securities are traded; securities listed only on NASDAQ are valued in accordance with the NASDAQ Official Closing Price; listed or over the counter ("OTC") market put or call options are valued at the mid level between the current bid and ask prices. If either a current bid or current ask price is unavailable, AllianceBernstein L.P. (the "Adviser") will have discretion to determine the best valuation (e.g. last trade price in the case of listed options); open futures contracts are valued using the closing settlement price or, in the absence of such a price, the most recent quoted bid price. If there are no quotations available for the day of valuation, the last available closing settlement price is used; U.S. government securities and other debt instruments having 60 days or less remaining until maturity are valued at amortized cost if their original maturity was 60 days or less; or by amortizing their fair value as of the 61st day prior to maturity if their original term to maturity exceeded 60 days; fixed-income securities, including mortgage backed and asset backed securities, may be valued on the basis of prices provided by a pricing service or at a price obtained from one or more of the major broker/dealers. In cases where broker/dealer quotes are obtained, the Adviser may establish procedures whereby changes in market yields or spreads are used to adjust, on a daily basis, a recently obtained quoted price on a security. Swaps and other derivatives are valued daily, primarily using independent pricing services, independent pricing models using market inputs, as well as third party broker-dealers or counterparties. Investments in money market funds are valued at their net asset value each day.

Securities for which market quotations are not readily available (including restricted securities) or are deemed unreliable are valued at fair value. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the issuer, analysts, analysis of the issuer's financial statements or other available documents. In addition, the Strategy may use fair value pricing for securities primarily traded in non-U.S. markets because most foreign markets close well before the Strategy values its securities at 4:00 p.m., Eastern Time. The earlier close of these foreign markets gives rise to the possibility that significant events, including broad market moves, may have occurred in the interim and may materially affect the value of those securities.

2. Fair Value Measurements

In accordance with U.S. GAAP regarding fair value measurements, fair value is defined as the price that the Strategy would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a framework for measuring fair value, and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset (including those valued based on their market values as described in Note 1 above) or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Strategy. Unobservable inputs reflect the Strategy's own assumptions about the assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. Each investment is assigned a level based upon the observability of the inputs which are significant to the overall valuation. The three-tier hierarchy of inputs is summarized below.

- Level 1—quoted prices in active markets for identical investments
- Level 2—other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3—significant unobservable inputs (including the Strategy's own assumptions in determining the fair value of investments)

The fair value of debt instruments, such as bonds, and over-the-counter derivatives is generally based on market price quotations, recently executed market transactions (where observable) or industry recognized modeling techniques and are generally classified as Level 2. Pricing vendor inputs to Level 2 valuations may include quoted prices for similar investments in active markets, interest rates, coupon rates, yield curves, option adjusted spreads, default rates, credit spreads and other unique security features in order to estimate the relevant cash flows which is then discounted to calculate fair values. If these inputs are unobservable and significant to the fair value, these investments will be classified as Level 3.

Valuations of mortgage-backed or other asset backed securities, by pricing vendors, are based on both proprietary and industry recognized models and discounted cash flow techniques. Significant inputs to the valuation of these instruments are value of the collateral, the rates and timing of delinquencies, the rates and timing of prepayments, and default and loss expectations, which are driven in part by housing prices for residential mortgages. Significant inputs are determined based on relative value analyses, which incorporate comparisons to instruments with similar collateral and risk profiles, including relevant indices. Mortgage and asset backed securities for which management has collected current observable data through brokers or pricing services are generally categorized within Level 2. Those investments for which current data has not been provided are classified as Level 3.

Other fixed income investments, including non-U.S. government and corporate debt, are generally valued using quoted market prices, if available, which are typically impacted by current interest rates, maturity dates and any perceived credit risk of the issuer. Additionally, in the absence of quoted market prices, these inputs are used by pricing vendors to derive a valuation based upon industry or proprietary models which incorporate issuer specific data with relevant yield/spread comparisons with more widely quoted bonds with similar key characteristics. Those investments for which there are observable inputs are classified as Level 2. Where the inputs are not observable, the investments are classified as Level 3.

The following table summarizes the valuation of the Strategy's investments by the above fair value hierarchy levels as of October 31, 2012:

Investments in Securities:	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Inflation-Linked Securities	$ – 0 –	$ 272,075,748	$ – 0 –	$ 272,075,748
Corporates – Investment Grades	– 0 –	36,535,466	– 0 –	36,535,466
Asset-Backed Securities	– 0 –	14,226,188	944,751	15,170,939
Commercial Mortgage-Backed Securities	– 0 –	9,942,993	2,389,267	12,332,260
Mortgage Pass-Throughs	– 0 –	5,890,760	– 0 –	5,890,760
Corporates – Non-Investment Grades	– 0 –	1,872,817	– 0 –	1,872,817
Agencies	– 0 –	1,845,560	– 0 –	1,845,560
Quasi-Sovereigns	– 0 –	1,642,490	– 0 –	1,642,490
Governments – Sovereign Bonds	– 0 –	522,575	– 0 –	522,575
Total Investments in Securities	– 0 –	344,554,597	3,334,018	347,888,615
Other Financial Instruments*:				
Assets:				
Futures Contracts	2,693	– 0 –	– 0 –	2,693#
Forward Currency Exchange Contracts	– 0 –	70,698	– 0 –	70,698
Credit Default Swap Contracts	– 0 –	24,682	– 0 –	24,682
Liabilities:				
Futures Contracts	(60,240)	– 0 –	– 0 –	(60,240)#
Forward Currency Exchange Contracts	– 0 –	(25,235)	– 0 –	(25,235)
Interest Rate Swap Contracts	– 0 –	(233,858)	– 0 –	(233,858)
Credit Default Swap Contracts	– 0 –	(3,538)	– 0 –	(3,538)
Total+	**$ (57,547)**	**$ 344,387,346**	**$ 3,334,018**	**$ 347,663,817**

* *Other financial instruments are derivative instruments, such as futures, forwards and swap contracts, which are valued at the unrealized appreciation/depreciation on the instrument.*

\# *Only variation margin receivable/payable at period end is reported within the statement of assets and liabilities. This amount reflects cumulative appreciation/(depreciation) of futures contracts as reported in the portfolio of investments.*

\+ *There were no transfers between Level 1 and Level 2 during the reporting period.*

The Strategy recognizes all transfers between levels of the fair value hierarchy assuming the financial instruments were transferred at the beginning of the reporting period.

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value.

	Asset-Backed Securities	Commercial Mortgage-Backed Securities	Collateralized Mortgage Obligations
Balance as of 10/31/11	**$ 144,901**	**$ 438,694**	**$ 2,014**
Accrued discounts/(premiums)	7	(7,868)	3
Realized gain (loss)	3,375	– 0 –	193
Change in unrealized appreciation/depreciation	8,142	62,583	(183)
Purchases	893,693	2,334,552	– 0 –
Sales	(105,367)	– 0 –	(2,027)
Transfers in to Level 3	– 0 –	– 0 –	– 0 –
Transfers out of Level 3	– 0 –	(438,694)	– 0 –
Balance as of 10/31/12++	**$ 944,751**	**$ 2,389,267**	**$ – 0 –**
Net change in unrealized appreciation/depreciation from Investments held as of 10/31/12*	$ 8,142	$ 62,583	$ – 0 –

	Total
Balance as of 10/31/11	**$ 585,609**
Accrued discounts/(premiums)	(7,858)
Realized gain (loss)	3,568
Change in unrealized appreciation/depreciation	70,542
Purchases	3,228,245
Sales	(107,394)
Transfers in to Level 3	– 0 –
Transfers out of Level 3	(438,694)
Balance as of 10/31/12	**$ 3,334,018**
Net change in unrealized appreciation/depreciation from Investments held as of 10/31/12*	$ 70,725

* *The unrealized appreciation/depreciation is included in net change in unrealized appreciation/depreciation of investments in the accompanying statement of operations.*

++ *There were de minimis transfers under 1% of net assets during the reporting period.*

The following presents information about significant unobservable inputs related to the Strategy with material categories of Level 3 investments at October 31, 2012:

Quantitative Information about Level 3 Fair Value Measurements

	Fair Value at 10/31/2012	Valuation Technique	Unobservable Input	Range
Asset-backed Securities	$ 750,915	Third Party Vendor	Evaluated Quotes	$100.30 – $100.83
	193,836	Indicative Market Quotations	Broker Quote	$100.15
Commercial Mortgage-Backed Securities	$2,389,267	Third Party Vendor	Evaluated Quotes	$ 96.64 –$117.09

The Adviser has established a Valuation Committee (the "Committee") which is responsible for overseeing the pricing and valuation of all securities held in the Strategy. The Committee operates under pricing and valuation policies and procedures established by the Adviser and approved by the Board, including pricing policies which set forth the mechanisms and processes to be employed on a daily basis to implement these policies and procedures. In particular, the pricing policies describe how to determine market quotations for securities and other instruments. The Committee's responsibilities include: 1) fair value and liquidity determinations (and oversight of any third parties to whom any responsibility for fair value and liquidity determinations is delegated), and 2) regular monitoring of the Adviser's pricing and valuation policies and procedures and modification or enhancement of these policies and procedures (or recommendation of the modification of these policies and procedures) as the Committee believes appropriate.

The Committee is also responsible for monitoring the implementation of the pricing policies by the Adviser's Pricing Group (the "Pricing Group") and a third party which performs certain pricing functions in accordance with the pricing policies. The Pricing Group is responsible for the oversight of the third party on a day-to-day basis. The Committee and the Pricing Group perform a series of activities to provide reasonable comfort over the accuracy of prices including: 1) periodic vendor due diligence meetings, review methodologies, new developments, process at vendors, 2) daily compare of security valuation versus prior day for all fixed income securities that exceed established thresholds, 3) monthly multi-source pricing compares, reviewed and submitted to the Committee, and 4) daily review of unpriced, stale, and variance reports with exceptions reviewed by senior management and the Committee.

In addition, there are several processes outside of the pricing process that are used to monitor valuation issues including: 1) monitoring of performance and performance attribution reports for anomalous impacts based upon benchmark performance, and 2) review by portfolio managers, of all portfolios for performance and analytics (which are generated using the Adviser's prices).

3. Currency Translation
Assets and liabilities denominated in foreign currencies and commitments under forward currency exchange contracts are translated into U.S. dollars at the mean of the quoted bid and ask prices of such currencies against the U.S. dollar. Purchases and sales of portfolio securities are translated into U.S. dollars at the rates of exchange prevailing when such securities were acquired or sold. Income and expenses are translated into U.S. dollars at rates of exchange prevailing when accrued.

Net realized gain or loss on foreign currency transactions represents foreign exchange gains and losses from sales and maturities of foreign fixed income investments, foreign currency exchange contracts, holding of foreign currencies, currency gains or losses realized between the trade and settlement dates on foreign investment transactions, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the Strategy's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized currency gains and losses from valuing foreign currency denominated assets and liabilities at period end exchange rates are reflected as a component of net unrealized appreciation or depreciation of foreign currency denominated assets and liabilities.

4. Taxes
It is the Strategy's policy to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its investment company taxable income and net realized gains, if any, to shareholders. Therefore, no provisions for federal income or excise taxes are required. The Strategy may be subject to taxes imposed by countries in which it invests. Such taxes are generally based on income and/or capital gains earned or repatriated. Taxes are accrued and applied to net investment income, net realized gains and net unrealized appreciation/depreciation as such income and/or gains are earned.

In accordance with U.S. GAAP requirements regarding accounting for uncertainties in income taxes, management has analyzed the Strategy's tax positions taken or expected to be taken on federal and state income tax returns for all open tax years (all years since inception of the Strategy) and has concluded that no provision for income tax is required in the Strategy's financial statements.

5. Investment Income and Investment Transactions
Dividend income is recorded on the ex-dividend date or as soon as the Strategy is informed of the dividend. Interest income is accrued daily. Investment transactions are accounted for on the date the securities are purchased or sold. Investment gains or losses are determined on the identified cost basis. The Strategy amortizes premiums and accretes discounts as adjustments to interest income.

6. Class Allocations

All income earned and expenses incurred by the Strategy are borne on a pro-rata basis by each outstanding class of shares, based on the proportionate interest in the Strategy represented by the net assets of such class, except for class specific expenses which are allocated to the respective class. Expenses of the Fund are charged to each Strategy in proportion to each Strategy's respective net assets. Realized and unrealized gains and losses are allocated among the various share classes based on respective net assets.

7. Dividends and Distributions

Dividends and distributions to shareholders, if any, are recorded on the ex-dividend date. Income dividends and capital gains distributions are determined in accordance with federal tax regulations and may differ from those determined in accordance with U.S. GAAP. To the extent these differences are permanent, such amounts are reclassified within the capital accounts based on their federal tax basis treatment; temporary differences do not require such reclassification.

NOTE B
Advisory Fee and Other Transactions with Affiliates

Under the terms of the investment advisory agreement, the Strategy pays the Adviser an advisory fee at an annual rate of .50% of the first $2.5 billion, .45% of the next $2.5 billion and .40% in excess of $5 billion, of the Strategy's average daily net assets. The Adviser has agreed to waive its fees and bear certain expenses to the extent necessary to limit total operating expenses on an annual basis to .75%, 1.45%, .45%, .95%, .70%, .45%, .55% and .45% of the daily average net assets for the Class A, Class C, Advisor Class, Class R, Class K, Class I, Class 1, and Class 2 shares, respectively. Under the agreement, fees waived and expenses borne by the Adviser are subject to repayment by the Strategy until January 26, 2013. No repayment will be made that would cause the Strategy's total annualized operating expenses to exceed the net fee percentage set forth above, or would have exceeded the amount of offering expenses as recorded by the Strategy before January 26, 2011. This fee waiver and/or expense reimbursement agreement will remain in effect until January 31, 2013 and then may be extended by the Adviser for additional one-year terms. For the year ended October 31, 2012, such reimbursement amounted to $694,739, which is subject to repayment, not to exceed the amount of offering expenses.

Pursuant to the investment advisory agreement, the Strategy may reimburse the Adviser for certain legal and accounting services provided to the Strategy by the Adviser. For the year ended October 31, 2012, the reimbursement for such services amounted to $65,684.

The Strategy compensates AllianceBernstein Investor Services, Inc. ("ABIS"), a wholly-owned subsidiary of the Adviser, under a Transfer Agency Agreement for providing personnel and facilities to perform transfer agency services for the Strategy. ABIS may make payments to intermediaries that provide omnibus account services, sub-accounting services and/or networking services. Such compensation retained by ABIS amounted to $18,005 for the year ended October 31, 2012.

AllianceBernstein Investments, Inc. (the "Distributor"), a wholly-owned subsidiary of the Adviser, serves as the distributor of the Strategy's shares. The Distributor has advised the Strategy that it has retained front-end sales charges of $5,095 from the sale of Class A shares and received $671 in contingent deferred sales charges imposed upon redemptions by shareholders of Class C shares for the year ended October 31, 2012.

The Strategy may invest in the AllianceBernstein Fixed-Income Shares, Inc.—Government STIF Portfolio ("Government STIF Portfolio"), an open-end management investment company managed by the Adviser. The Government STIF Portfolio is offered as a cash management option to mutual funds and other institutional accounts of the Adviser, and is not available for direct purchase by members of the public. The Government STIF Portfolio pays no investment management fees but does bear its own expenses. A summary of the Strategy's transactions in shares of the Government STIF Portfolio for the year ended October 31, 2012 is as follows:

Market Value October 31, 2011 (000)	Purchases at Cost (000)	Sales Proceeds (000)	Market Value October 31, 2012 (000)	Dividend Income (000)
$ 195	$ 131,987	$ 132,182	$ –0–	$ 3

Brokerage commissions paid on investment transactions for the year ended October 31, 2012 amounted to $2,285, of which $0 and $0, respectively, was paid to Sanford C. Bernstein & Co. LLC and Sanford C. Bernstein Limited, affiliates of the Adviser.

NOTE C
Distribution Services Agreement

The Strategy has adopted a Distribution Services Agreement (the "Agreement") pursuant to Rule 12b-1 under the Investment Company Act of 1940. Under the Agreement, the Strategy pays distribution and servicing fees to the Distributor at an annual rate of up to .30% of the Strategy's average daily net assets attributable to Class A shares, 1% of the Strategy's average daily net assets attributable to Class C shares, .50% of the Strategy's average daily net assets attributable to Class R shares , .25% of the Strategy's average daily net assets attributable to Class K shares and .10% of the Strategy's average daily net assets attributable to Class 1 shares. There are no distribution and servicing fees on the Advisor Class,

Class I, and Class 2 shares. The fees are accrued daily and paid monthly. The Agreement provides that the Distributor will use such payments in their entirety for distribution assistance and promotional activities. Since the commencement of the Strategy's operations, the Distributor has incurred expenses in excess of the distribution costs reimbursed by the Strategy in the amounts of $217,171, $14,733, $13,267 and $772,061 for Class C, Class R, Class K and Class 1 shares, respectively. While such costs may be recovered from the Strategy in future periods so long as the Agreement is in effect, the rate of the distribution and servicing fees payable under the Agreement may not be increased without a shareholder vote. In accordance with the Agreement, there is no provision for recovery of unreimbursed distribution costs incurred by the Distributor beyond the current fiscal year for Class A shares. The Agreement also provides that the Adviser may use its own resources to finance the distribution of the Strategy's shares.

NOTE D
Investment Transactions

Purchases and sales of investment securities (excluding short-term investments) for the year ended October 31, 2012 were as follows:

	Purchases	Sales
Investment securities (excluding U.S. government securities)	$ 66,179,329	$ 24,287,657
U.S. government securities	192,268,558	55,407,710

The cost of investments for federal income tax purposes, gross unrealized appreciation and unrealized depreciation (excluding futures, foreign currency and swap transactions) are as follows:

Cost	$ 334,900,378
Gross unrealized appreciation	$ 13,060,714
Gross unrealized depreciation	(72,477)
Net unrealized appreciation	$ 12,988,237

1. Derivative Financial Instruments

The Strategy may use derivatives in an effort to earn income and enhance returns, to replace more traditional direct investments, to obtain exposure to otherwise inaccessible markets (collectively, "investment purposes"), or to hedge or adjust the risk profile of its portfolio.

The principal types of derivatives utilized by the Strategy, as well as the methods in which they may be used are:

- **Futures Contracts**

  The Strategy may buy or sell futures contracts for investment purposes or for the purpose of hedging its portfolio against adverse effects of potential movements in the market or for investment purposes. The Strategy bears the market risk that arises from changes in the value of these instruments and the imperfect correlation between movements in the price of the futures contracts and movements in the price of the assets, reference rates or indices which they are designed to track. Among other things, the Strategy may purchase or sell futures contracts for foreign currencies or options thereon for non-hedging purposes as a means of making direct investment in foreign currencies, as described below under "Currency Transactions".

At the time the Strategy enters into a futures contract, the Strategy deposits and maintains as collateral an initial margin with the broker, as required by the exchange on which the transaction is effected. Pursuant to the contract, the Strategy agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in the value of the contract. Such receipts or payments are known as variation margin and are recorded by the Strategy as unrealized gains or losses. Risks may arise from the potential inability of a counterparty to meet the terms of the contract. The credit/counterparty risk for exchange-traded futures contracts is generally less than privately negotiated futures contracts, since the clearinghouse, which is the issuer or counterparty to each exchange-traded future, provides a guarantee of performance. This guarantee is supported by a daily payment system (i.e., margin requirements). When the contract is closed, the Strategy records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the time it was closed.

Use of long futures contracts subjects the Strategy to risk of loss in excess of the amounts shown on the statement of assets and liabilities, up to the notional value of the futures contracts. Use of short futures contracts subjects the Strategy to unlimited risk of loss. Under some circumstances, futures exchanges may establish daily limits on the amount that the price of a futures contract can vary from the previous day's settlement price, which could effectively prevent liquidation of unfavorable positions.

During the year ended October 31, 2012, the Strategy held futures contracts for hedging and non-hedging purposes.

- **Forward Currency Exchange Contracts**

The Strategy may enter into forward currency exchange contracts in order to hedge its exposure to changes in foreign currency exchange rates on its foreign portfolio holdings, to hedge certain firm purchase and sale commitments denominated in foreign currencies and for non-hedging purposes as a means of making direct investments in foreign currencies, as described below under "Currency Transactions".

A forward currency exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contract and the closing of such contract would be included in net realized gain or loss on foreign currency transactions. Fluctuations in the value of open forward currency exchange contracts are recorded for financial reporting purposes as unrealized appreciation and/or depreciation by the Strategy. Risks may arise from the potential inability of a counterparty to meet the terms of a contract and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar.

During the year ended October 31, 2012, the Strategy held forward currency exchange contracts for hedging and non-hedging purposes.

- **Swap Agreements**

The Strategy may enter into swaps to hedge its exposure to interest rates, credit risk, or currencies. The Strategy may also enter into swaps for non-hedging purposes as a means of gaining market exposures, including by making direct investments in foreign currencies, as described below under "Currency Transactions". A swap is an agreement that obligates two parties to exchange a series of cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified amount of an underlying asset. The payment flows are usually netted against each other, with the difference being paid by one party to the other. In addition, collateral may be pledged or received by the Strategy in accordance with the terms of the respective swap agreements to provide value and recourse to the Strategy or its counterparties in the event of default, bankruptcy or insolvency by one of the parties to the swap agreement.

Risks may arise as a result of the failure of the counterparty to the swap contract to comply with the terms of the swap contract. The loss incurred by the failure of a counterparty is generally limited to the net interim payment to be received by the Strategy, and/or the termination value at the end of the contract. Therefore, the Strategy considers the creditworthiness of each counterparty to a swap contract in evaluating potential counterparty risk. This risk is mitigated by having a netting arrangement between the Strategy and the counterparty and by the posting of collateral by the counterparty to the Strategy to cover the Strategy's exposure to the counterparty. Additionally, risks may arise from unanticipated movements in interest rates or in the value of the underlying securities. The Strategy accrues for the interim payments on swap contracts on a daily basis, with the net amount recorded within unrealized appreciation/depreciation of swap contracts on the statement of assets and liabilities, where applicable. Once the interim payments are settled in cash, the net amount is recorded as realized gain/(loss) on swaps on the statement of operations, in addition to any realized gain/(loss) recorded upon the termination of swap contracts. Upfront premiums paid or received are recognized as cost or proceeds on the statement of assets and liabilities and are amortized on a straight line basis over the life of the contract. Amortized upfront premiums are included in net realized gain/(loss) from swaps on the statement of operations. Fluctuations in the value of swap contracts are recorded as a component of net change in unrealized appreciation/depreciation of swap contracts on the statement of operations.

Interest Rate Swaps:
The Strategy is subject to interest rate risk exposure in the normal course of pursuing its investment objectives. Because the Strategy holds fixed rate bonds, the value of these bonds may decrease if interest rates rise. To help hedge against this risk and to maintain its ability to generate income at prevailing market rates, the Strategy may enter into interest rate swap contracts. Interest rate swaps are agreements between two parties to exchange cash flows based on a notional amount. The Strategy may elect to pay a fixed rate and receive a floating rate, or, receive a fixed rate and pay a floating rate on a notional amount.

In addition, the Strategy may also enter into interest rate swap transactions to preserve a return or spread on a particular investment or portion of its portfolio, or protecting against an increase in the price of securities the Strategy anticipates purchasing at a later date. Interest rate swaps involve the exchange by a Strategy with another party of their respective commitments to pay or receive interest (*e.g.*, an exchange of floating rate payments for fixed rate payments) computed based on a contractually-based principal (or "notional") amount. Interest rate swaps are entered into on a net basis (*i.e.*, the two payment streams are netted out, with the Strategy receiving or paying, as the case may be, only the net amount of the two payments).

During the year ended October 31, 2012, the Strategy held interest rate swaps for hedging and non-hedging purposes.

Credit Default Swaps:
The Strategy may enter into credit default swaps, including to manage its exposure to the market or certain sectors of the market, to reduce its risk exposure to defaults by corporate and sovereign issuers held by the Strategy, or to create exposure to corporate or sovereign issuers to which it is not otherwise exposed. The Strategy may purchase credit protection ("Buy Contract") or provide credit protection ("Sale Contract") on the referenced obligation of the credit default swap. During the term of the swap agreement, the Strategy receives/(pays) fixed payments from/(to) the respective counterparty, calculated at the agreed upon rate applied to the notional amount. If the Strategy is a buyer/(seller) of protection and a credit event occurs, as defined under the terms of the swap agreement, the

Strategy will either (i) receive from the seller/(pay to the buyer) of protection an amount equal to the notional amount of the swap contract (the "Maximum Payout Amount") and deliver/(take delivery of) the referenced obligation or (ii) receive/(pay) a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation.

Credit default swaps may involve greater risks than if a Strategy had invested in the referenced obligation directly. Credit default swaps are subject to general market risk, liquidity risk, counterparty risk and credit risk. If the Strategy is a buyer of protection and no credit event occurs, it will lose the payments it made to its counterparty. If the Strategy is a seller of protection and a credit event occurs, the value of the referenced obligation received by the Strategy coupled with the periodic payments previously received, may be less than the Maximum Payout Amount it pays to the buyer, resulting in a net loss to the Strategy.

During the year ended October 31, 2012, the Strategy held credit default swaps for non-hedging purposes.

Implied credit spreads utilized in determining the market value of credit default swaps on issuers as of period end are disclosed in the portfolio of investments. The implied spreads serve as an indicator of the current status of the payment/performance risk and typically reflect the likelihood of default by the issuer of the referenced obligation. The implied credit spread of a particular reference obligation also reflects the cost of buying/selling protection and may reflect upfront payments required to be made to enter into the agreement. Widening credit spreads typically represent a deterioration of the referenced obligation's credit soundness and greater likelihood of default or other credit event occurring as defined under the terms of the agreement. A credit spread identified as "Defaulted" indicates a credit event has occurred for the referenced obligation.

At October 31, 2012, the Strategy had Sale Contracts outstanding with Maximum Payout Amounts aggregating $10,540,000, with net unrealized appreciation/(depreciation) of $21,144, and terms of less than 5 years, as reflected in the portfolio of investments.

In certain circumstances Maximum Payout Amounts may be partially offset by recovery values of the respective referenced obligations, upfront premium received upon entering into the agreement, or net amounts received from settlement of buy protection credit default swap agreements entered into by the Strategy for the same reference obligation with the same counterparty.

Documentation governing the Strategy's OTC derivatives may contain provisions for early termination of such transaction in the event the net assets of the Strategy decline below specific levels set forth in the documentation ("net asset contingent features"). If these levels are triggered, the Strategy's counterparty has the right to terminate such transaction and require the Strategy to pay or receive a settlement amount in connection with the terminated transaction. As of October 31, 2012, the Strategy had OTC derivatives with contingent features in net liability positions in the amount of $253,970. If a trigger event had occurred at October 31, 2012, for those derivatives in a net liability position, an amount of $253,970 would be required to be posted by the Strategy.

At October 31, 2012, the Strategy had entered into the following derivatives:

	Asset Derivatives		Liability Derivatives	
Derivative Type	**Statement of Assets and Liabilities Location**	**Fair Value**	**Statement of Assets and Liabilities Location**	**Fair Value**
Foreign exchange contracts	Unrealized appreciation of forward currency exchange contracts	$ 70,698	Unrealized depreciation of forward currency exchange contracts	$ 25,235
Credit contracts	Unrealized appreciation on credit default swap contracts	24,682	Unrealized depreciation on credit default swap contracts	3,538
Interest rate contracts			Unrealized depreciation on interest rate swap contracts	233,858
Interest rate contracts			Receivable/Payable for variation margin on futures contracts	57,547*
Total		$ 95,380		$ 320,178

* *Only variation margin receivable/payable at period end is reported within the statement of assets and liabilities. This amount reflects cumulative appreciation/(depreciation) of futures contracts as reported in the portfolio of investments.*

The effect of derivative instruments on the statement of operations for the year ended October 31, 2012:

Derivative Type	Location of Gain or (Loss) on Derivatives	Realized Gain or (Loss) on Derivatives	Change in Unrealized Appreciation or (Depreciation)
Foreign exchange contracts	Net realized gain (loss) on foreign currency transactions; Net change in unrealized appreciation/depreciation of foreign currency denominated assets and liabilities	$109,849	$75,904

Derivative Type	Location of Gain or (Loss) on Derivatives	Realized Gain or (Loss) on Derivatives	Change in Unrealized Appreciation or (Depreciation)
Credit contracts	Net realized gain (loss) on swap contracts; Net change in unrealized appreciation/ depreciation of swap contracts	$ 50,741	$ 67,893
Interest rate contracts	Net realized gain (loss) on swap contracts; Net change in unrealized appreciation/ depreciation of swap contracts	(30,442)	(176,491)
Interest rate contracts	Net realized gain (loss) on futures contracts; Net change in unrealized appreciation/ depreciation of futures contracts	(687,167)	(113,091)
Total		$(557,019)	$(145,785)

The following table represents the volume of the Portfolios' derivative transactions during the year ended October 31, 2012:

Forward Currency Exchange Contracts:	
Average principal amount of buy contracts	$ 3,516,594
Average principal amount of sale contracts	$ 5,941,615
Credit Default Swap Contracts:	
Average notional amount of buy contracts	$ 1,812,871[(a)]
Average notional amount of sale contracts	$ 5,684,377
Interest Rate Swap Contracts:	
Average notional amount	$25,896,299
Futures Contracts:	
Average original value of sale contracts	$19,645,948

(a) *Positions were open four months during the year.*

2. Currency Transactions

The Strategy may invest in non-U.S. Dollar securities on a currency hedged or unhedged basis. The Strategy may seek investment opportunities by taking long or short positions in currencies through the use of currency-related derivatives, including forward currency exchange contracts, futures and options on futures, swaps, and other options. The Strategy may enter into transactions for investment opportunities when it anticipates that a foreign currency will appreciate or depreciate in value but securities denominated in that currency are not held by the Strategy and do not present attractive investment opportunities. Such transactions may also be used when the Adviser believes that it may be more efficient than a direct investment in a foreign currency-denominated security. The Strategy may also conduct currency exchange contracts on a spot basis (i.e., for cash at the spot rate prevailing in the currency exchange market for buying or selling currencies).

3. Dollar Rolls

The Strategy may enter into dollar rolls. Dollar rolls involve sales by the Strategy of securities for delivery in the current month and the Strategy's simultaneously contracting to repurchase substantially similar (same type and coupon) securities on a specified future date. During the roll period, the Strategy forgoes principal and interest paid on the securities. The Strategy is compensated by the difference between the current sales price and the lower forward price for the future purchase (often referred to as the "drop") as well as by the interest earned on the cash proceeds of the initial sale. Dollar rolls involve the risk that the market value of the securities the Strategy is obligated to repurchase under the agreement may decline below the repurchase price. Dollar rolls are speculative techniques and may be considered to be borrowings by the Strategy. For the year ended October 31, 2012, the Strategy earned drop income of $7,292 which is included in interest income in the accompanying statement of operations.

4. Reverse Repurchase Agreements

Under a reverse repurchase agreement, the Strategy sells securities and agrees to repurchase them at a mutually agreed upon date and price. At the time the Strategy enters into a reverse repurchase agreement, it will establish a segregated account with the custodian containing liquid assets having a value at least equal to the repurchase price. For the year ended October 31, 2012, the average amount of reverse repurchase agreements outstanding was $54,144,957 and the daily weighted average interest rate was 0.22%.

NOTE E
Capital Stock

Each class consists of 3,000,000,000 authorized shares. Transactions in capital shares for each class were as follows:

	Shares		Amount	
	Year Ended October 31, 2012	Year Ended October 31, 2011	Year Ended October 31, 2012	Year Ended October 31, 2011
Class A				
Shares sold	1,042,221	1,032,165	$ 11,534,637	$ 10,994,239
Shares issued in reinvestment of dividends	11,093	10,506	122,370	111,667
Shares redeemed	(401,845)	(332,822)	(4,422,997)	(3,567,603)
Net increase	**651,469**	**709,849**	**$ 7,234,010**	**$ 7,538,303**
Class C				
Shares sold	270,491	408,141	$ 2,967,544	$ 4,291,840
Shares issued in reinvestment of dividends	5,874	11,342	64,433	120,164
Shares redeemed	(197,224)	(111,834)	(2,173,211)	(1,193,140)
Net increase	**79,141**	**307,649**	**$ 858,766**	**$ 3,218,864**

	Shares		Amount	
	Year Ended October 31, 2012	Year Ended October 31, 2011	Year Ended October 31, 2012	Year Ended October 31, 2011
Advisor Class				
Shares sold	320,367	126,758	$ 3,594,822	$ 1,352,392
Shares issued in reinvestment of dividends	3,053	3,896	33,730	41,346
Shares redeemed	(55,346)	(20,362)	(612,792)	(218,302)
Net increase	**268,074**	**110,292**	**$ 3,015,760**	**$ 1,175,436**
Class R				
Shares sold	15,489	51,419	$ 170,492	$ 537,332
Shares issued in reinvestment of dividends	506	1,103	5,572	11,705
Shares redeemed	(13,755)	(8,250)	(151,862)	(87,747)
Net increase	**2,240**	**44,272**	**$ 24,202**	**$ 461,290**
Class K				
Shares sold	162,857	38,162	$ 1,791,997	$ 406,275
Shares issued in reinvestment of dividends	1,565	1,059	17,250	11,180
Shares redeemed	(39,960)	(61,443)	(444,246)	(629,566)
Net increase (decrease)	**124,462**	**(22,222)**	**$ 1,365,001**	**$ (212,111)**
Class I				
Shares sold	30,641	8,810	$ 336,899	$ 94,772
Shares issued in reinvestment of dividends	256	– 0 –[(a)]	2,811	1
Shares redeemed	(14,391)	(2,764)	(158,308)	(29,936)
Net increase	**16,506**	**6,046**	**$ 181,402**	**$ 64,837**
Class 1				
Shares sold	9,636,851	10,366,559	$ 106,547,271	$ 110,542,299
Shares issued in reinvestment of dividends	72,723	4,503	800,249	47,964
Shares redeemed	(2,355,054)	(616,467)	(26,093,698)	(6,605,107)
Net increase	**7,354,520**	**9,754,595**	**$ 81,253,822**	**$ 103,985,156**
Class 2				
Shares sold	3,454,039	1,614,483	$ 38,509,286	$ 17,013,084
Shares issued in reinvestment of dividends	17,669	19,819	194,246	209,346
Shares redeemed	(840,121)	(1,091,207)	(9,404,604)	(11,545,701)
Net increase	**2,631,587**	**543,095**	**$ 29,298,928**	**$ 5,676,729**

(a) *Share amount is less than one full share.*

NOTE F
Risks Involved in Investing in the Strategy

Interest Rate Risk and Credit Risk—Interest rate risk is the risk that changes in interest rates will affect the value of the Strategy's investments in fixed-income debt securities such as bonds or notes. Increases in interest rates may cause the value of the Strategy's investments to decline. Credit risk is the risk that the issuer or guarantor of a debt security, or the counterparty to a derivative contract, will be unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. The degree of risk for a particular security may be reflected in its credit risk rating. Credit risk is greater for medium quality and lower-rated securities. Lower-rated debt securities and similar unrated securities (commonly known as "junk bonds") have speculative elements or are predominantly speculative risks.

Foreign Securities Risk—Investing in securities of foreign companies or foreign governments involves special risks which include changes in foreign currency exchange rates and the possibility of future political and economic developments which could adversely affect the value of such securities. Moreover, securities of many foreign companies or foreign governments and their markets may be less liquid and their prices more volatile than those of comparable U.S. companies or of the U.S. government.

Inflation Risk—This is the risk that the value of assets or income from investments will be less in the future as inflation decreases the value of money. As inflation increases, the real value of the Strategy's assets can decline as can the real value of the Strategy's distributions.

Currency Risk—This is the risk that changes in foreign currency exchange rates may negatively affect the value of the Strategy's investments or reduce the returns of the Strategy. For example, the value of the Strategy's investments in foreign currency-denominated securities or currencies may decrease if the U.S. Dollar is strong (*i.e.*, gaining value relative to other currencies) and other currencies are weak (*i.e.*, losing value relative to the U.S. Dollar). Currency markets are generally not as regulated as securities markets. Independent of the Strategy's investments denominated in foreign currencies, the Strategy's positions in various foreign currencies may cause the Strategy to experience investment losses due to the changes in exchange rates and interest rates.

Derivatives Risk—The Strategy may enter into derivative transactions such as forwards, options, futures and swaps. Derivatives may be illiquid, difficult to price, and leveraged so that small changes may produce disproportionate losses for the Strategy, and subject to counterparty risk to a greater degree than more traditional investments. Derivatives may result in significant losses, including losses that are far greater than the value of the derivatives reflected in the statement of assets and liabilities.

Leverage Risk—When the Strategy borrows money or otherwise leverages its portfolio, it may be volatile because leverage tends to exaggerate the effect of any increase or decrease in the value of the Strategy's investments. The Strategy may create leverage through the use of reverse repurchase arrangements, forward currency exchange contracts, forward commitments, dollar rolls or futures contracts or by borrowing money. The use of derivative instruments by the Strategy, such as forwards, futures, options and swaps, may also result in a form of leverage. Leverage may result in higher returns to the Strategy than if the Strategy were not leveraged, but may also adversely affect returns, particularly if the market is declining.

Indemnification Risk—In the ordinary course of business, the Strategy enters into contracts that contain a variety of indemnifications. The Strategy's maximum exposure under these arrangements is unknown. However, the Strategy has not had prior claims or losses pursuant to these indemnification provisions and expects the risk of loss thereunder to be remote. Therefore, the Strategy has not accrued any liability in connection with these indemnification provisions.

NOTE G
Joint Credit Facility

A number of open-end mutual funds managed by the Adviser, including the Strategy, participate in a $140 million revolving credit facility (the "Facility") intended to provide short-term financing, if necessary, subject to certain restrictions in connection with abnormal redemption activity. Commitment fees related to the Facility are paid by the participating funds and are included in miscellaneous expenses in the statement of operations. The Strategy did not utilize the Facility during the year ended October 31, 2012.

NOTE H
Distributions to Shareholders

The tax character of distributions paid during the fiscal years ended October 31, 2012 and October 31, 2011 were as follows:

	2012	2011
Distributions paid from:		
Ordinary income	$2,834,985	$2,144,760
Total taxable distributions paid	2,834,985	2,144,760

As of October 31, 2012, the components of accumulated earnings/(deficit) on a tax basis were as follows:

Undistributed ordinary income	$ 45,794
Undistributed capital gains	38,486[(a)]
Unrealized appreciation/(depreciation)	12,817,147[(b)]
Total accumulated earnings/(deficit)	$12,901,427[(c)]

(a) *During the fiscal year ended October 31, 2012, the Strategy utilized $904,494 of capital loss carryforwards to offset current year net realized gains.*

[(b)] *The differences between book-basis and tax-basis unrealized appreciation/(depreciation) are attributable primarily to the tax deferral of losses on wash sales, the tax treatment of swaps, the realization for tax purposes of gains/losses on certain derivative instruments, and the tax treatment of Treasury inflation-protected securities.*

[(c)] *The difference between book-basis and tax-basis components of accumulated earnings/(deficit) is attributable primarily to the amortization of offering costs.*

For tax purposes, net capital losses may be carried over to offset future capital gains, if any. Under the Regulated Investment Company Modernization Act of 2010, funds are permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an indefinite period. These post-enactment capital losses must be utilized prior to the pre-enactment capital losses, which are subject to expiration. Post-enactment capital loss carryforwards will retain their character as either short-term or long-term capital losses rather than being considered short-term as under previous regulation. As of October 31, 2012, the Strategy did not have any capital loss carryforwards.

During the current fiscal year, permanent differences primarily due to the tax treatment of swaps, foreign currency reclassifications, reclassifications of consent fees and paydown gains/losses, and the tax treatment of Treasury inflation-protected securities resulted in a net decrease in undistributed net investment income and a net decrease in accumulated net realized loss on investment and foreign currency transactions. These reclassifications had no effect on net assets.

NOTE I
Recent Accounting Pronouncement

In December 2011, the Financial Accounting Standards Board issued an Accounting Standards Update ("ASU") related to disclosures about offsetting assets and liabilities in financial statements. The amendments in this update require an entity to disclose both gross and net information for derivatives and other financial instruments that are either offset in the statement of assets and liabilities or subject to an enforceable master netting arrangement or similar agreement. The ASU is effective during interim or annual reporting periods beginning on or after January 1, 2013. At this time, management is evaluating the implication of this ASU and its impact on the financial statements has not been determined.

NOTE J
Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure in the financial statements through the date the financial statements are issued. Management has determined that there are no material events that would require disclosure in the Strategy's financial statements through this date.

FINANCIAL HIGHLIGHTS

Selected Data For A Share Of Capital Stock Outstanding Throughout Each Period

	Class A		
	Year Ended October 31, 2012	Year Ended October 31, 2011	January 26, 2010[a] to October 31, 2010
Net asset value, beginning of period	$ 10.81	$ 10.53	$ 10.00
Income From Investment Operations			
Net investment income[b][c]	.13	.38	.14
Net realized and unrealized gain on investment and foreign currency transactions	.56	.21	.47
Net increase in net asset value from operations	.69	.59	.61
Less: Dividends and Distributions			
Dividends from net investment income	(.14)	(.31)	(.08)
Tax return of capital	– 0 –	– 0 –	(.00)[d]
Total dividends and distributions	(.14)	(.31)	(.08)
Net asset value, end of period	**$ 11.36**	**$ 10.81**	**$ 10.53**
Total Return			
Total investment return based on net asset value[e]	6.41 %	5.75 %	6.15 %
Ratios/Supplemental Data			
Net assets, end of period (000's omitted)	$17,627	$9,732	$2,000
Ratio to average net assets of:			
Expenses, net of waivers/reimbursements	.81 %	.78 %	.80 %[f][g]
Expenses, net of waivers/reimbursements, excluding interest expense	.75 %	.75 %	.75 %[f][g]
Expenses, before waivers/reimbursements	1.25 %	1.87 %	4.63 %[f][g]
Expenses, before waivers/reimbursements, excluding interest expense	1.18 %	1.83 %	4.58 %[f][g]
Net investment income[c]	1.20 %	3.59 %	1.76 %[f][g]
Portfolio turnover rate	32 %	38 %	34 %

See footnote summary on page 61.

Selected Data For A Share Of Capital Stock Outstanding Throughout Each Period

	Class C		
	Year Ended October 31,		January 26, 2010[a] to October 31,
	2012	2011	2010
Net asset value, beginning of period	$ 10.78	$ 10.50	$ 10.00
Income From Investment Operations			
Net investment income[b][c]	.04	.30	.08
Net realized and unrealized gain on investment and foreign currency transactions	.56	.22	.48
Net increase in net asset value from operations	.60	.52	.56
Less: Dividends and Distributions			
Dividends from net investment income	(.10)	(.24)	(.06)
Tax return of capital	– 0 –	– 0 –	(.00)[d]
Total dividends and distributions	(.10)	(.24)	(.06)
Net asset value, end of period	**$ 11.28**	**$ 10.78**	**$ 10.50**
Total Return			
Total investment return based on net asset value[e]	5.61 %	5.03 %	5.61 %
Ratios/Supplemental Data			
Net assets, end of period (000's omitted)	$7,991	$6,782	$3,378
Ratio to average net assets of:			
Expenses, net of waivers/reimbursements	1.51 %	1.49 %	1.50 %[f][g]
Expenses, net of waivers/reimbursements, excluding interest expense	1.45 %	1.45 %	1.45 %[f][g]
Expenses, before waivers/reimbursements	1.96 %	2.84 %	4.80 %[f][g]
Expenses, before waivers/reimbursements, excluding interest expense	1.90 %	2.80 %	4.75 %[f][g]
Net investment income[c]	.39 %	2.82 %	1.12 %[f][g]
Portfolio turnover rate	32 %	38 %	34 %

See footnote summary on page 61

Selected Data For A Share Of Capital Stock Outstanding Throughout Each Period

	Advisor Class		
	Year Ended October 31,		January 26, 2010[a] to October 31,
	2012	2011	2010
Net asset value, beginning of period	$ 10.83	$ 10.55	$ 10.00
Income From Investment Operations			
Net investment income[b][c]	.16	.39	.17
Net realized and unrealized gain on investment and foreign currency transactions	.56	.24	.47
Net increase in net asset value from operations	.72	.63	.64
Less: Dividends and Distributions			
Dividends from net investment income	(.16)	(.35)	(.09)
Tax return of capital	– 0 –	– 0 –	(.00)[d]
Total dividends and distributions	(.16)	(.35)	(.09)
Net asset value, end of period	**$ 11.39**	**$ 10.83**	**$ 10.55**
Total Return			
Total investment return based on net asset value[e]	6.69 %	6.07 %	6.46 %
Ratios/Supplemental Data			
Net assets, end of period (000's omitted)	$5,499	$2,325	$1,102
Ratio to average net assets of:			
Expenses, net of waivers/reimbursements	.51 %	.49 %	.50 %[f][g]
Expenses, net of waivers/reimbursements, excluding interest expense	.45 %	.45 %	.45 %[f][g]
Expenses, before waivers/reimbursements	.95 %	1.80 %	4.50 %[f][g]
Expenses, before waivers/reimbursements, excluding interest expense	.89 %	1.76 %	4.44 %[f][g]
Net investment income[c]	1.52 %	3.70 %	2.13 %[f][g]
Portfolio turnover rate	32 %	38 %	34 %

See footnote summary on page 61

Selected Data For A Share Of Capital Stock Outstanding Throughout Each Period

	Class R		
	Year Ended October 31,		January 26, 2010[a] to October 31,
	2012	2011	2010
Net asset value, beginning of period	$ 10.79	$ 10.50	$ 10.00
Income From Investment Operations			
Net investment income[b][c]	.11	.43	.12
Net realized and unrealized gain on investment and foreign currency transactions	.55	.15	.48
Net increase in net asset value from operations	.66	.58	.60
Less: Dividends and Distributions			
Dividends from net investment income	(.11)	(.29)	(.09)
Tax return of capital	– 0 –	– 0 –	(.01)
Total dividends and distributions	(.11)	(.29)	(.10)
Net asset value, end of period	**$ 11.34**	**$ 10.79**	**$ 10.50**
Total Return			
Total investment return based on net asset value[e]	6.18 %	5.59 %	6.04 %
Ratios/Supplemental Data			
Net assets, end of period (000's omitted)	$539	$488	$11
Ratio to average net assets of:			
Expenses, net of waivers/reimbursements	1.01 %	.98 %	1.00 %[f][g]
Expenses, net of waivers/reimbursements, excluding interest expense	.95 %	.95 %	.95 %[f][g]
Expenses, before waivers/reimbursements	1.60 %	2.16 %	5.74 %[f][g]
Expenses, before waivers/reimbursements, excluding interest expense	1.54 %	2.13 %	5.69 %[f][g]
Net investment income[c]	.98 %	4.16 %	1.53 %[f][g]
Portfolio turnover rate	32 %	38 %	34 %

See footnote summary on page 61

Selected Data For A Share Of Capital Stock Outstanding Throughout Each Period

	Class K		
	Year Ended October 31,		January 26, 2010[a] to October 31,
	2012	2011	2010
Net asset value, beginning of period	$ 10.79	$ 10.50	$ 10.00
Income From Investment Operations			
Net investment income[b][c]	.13	.28	.09
Net realized and unrealized gain on investment and foreign currency transactions	.57	.31	.53
Net increase in net asset value from operations	.70	.59	.62
Less: Dividends and Distributions			
Dividends from net investment income	(.14)	(.30)	(.12)
Tax return of capital	– 0 –	– 0 –	(.00)[d]
Total dividends and distributions	(.14)	(.30)	(.12)
Net asset value, end of period	**$ 11.35**	**$ 10.79**	**$ 10.50**
Total Return			
Total investment return based on net asset value[e]	6.51 %	5.75 %	6.22 %
Ratios/Supplemental Data			
Net assets, end of period (000's omitted)	$2,007	$566	$784
Ratio to average net assets of:			
Expenses, net of waivers/reimbursements	.77 %	.75 %	.75 %[f][g]
Expenses, net of waivers/reimbursements, excluding interest expense	.70 %	.70 %	.70 %[f][g]
Expenses, before waivers/reimbursements	1.27 %	2.39 %	3.53 %[f][g]
Expenses, before waivers/reimbursements, excluding interest expense	1.21 %	2.34 %	3.48 %[f][g]
Net investment income[c]	1.19 %	2.76 %	1.12 %[f][g]
Portfolio turnover rate	32 %	38 %	34 %

See footnote summary on page 61

Selected Data For A Share Of Capital Stock Outstanding Throughout Each Period

	Class I		
	Year Ended October 31,		January 26, 2010[a] to October 31,
	2012	2011	2010
Net asset value, beginning of period	$ 10.78	$ 10.51	$ 10.00
Income From Investment Operations			
Net investment income[b][c]	.18	.27	.16
Net realized and unrealized gain on investment and foreign currency transactions	.53	.36	.48
Net increase in net asset value from operations	.71	.63	.64
Less: Dividends and Distributions			
Dividends from net investment income	(.16)	(.36)	(.12)
Tax return of capital	– 0 –	– 0 –	(.01)
Total dividends and distributions	(.16)	(.36)	(.13)
Net asset value, end of period	**$ 11.33**	**$ 10.78**	**$ 10.51**
Total Return			
Total investment return based on net asset value[e]	6.65 %	6.11 %	6.46 %
Ratios/Supplemental Data			
Net assets, end of period (000's omitted)	$267	$76	$11
Ratio to average net assets of:			
Expenses, net of waivers/reimbursements	.52 %	.50 %	.49 %[f][g]
Expenses, net of waivers/reimbursements, excluding interest expense	.45 %	.45 %	.45 %[f][g]
Expenses, before waivers/reimbursements	.95 %	1.91 %	5.19 %[f][g]
Expenses, before waivers/reimbursements, excluding interest expense	.89 %	1.86 %	5.16 %[f][g]
Net investment income[c]	1.54 %	3.67 %	2.03 %[f][g]
Portfolio turnover rate	32 %	38 %	34 %

See footnote summary on page 61

Selected Data For A Share Of Capital Stock Outstanding Throughout Each Period

	Class 1		
	Year Ended October 31,		January 26, 2010[a] to October 31,
	2012	2011	2010
Net asset value, beginning of period	$ 10.78	$ 10.51	$ 10.00
Income From Investment Operations			
Net investment income[b][c]	.16	.34	.15
Net realized and unrealized gain on investment and foreign currency transactions	.55	.28	.48
Net increase in net asset value from operations	.71	.62	.63
Less: Dividends and Distributions			
Dividends from net investment income	(.16)	(.35)	(.11)
Tax return of capital	– 0 –	– 0 –	(.01)
Total dividends and distributions	(.16)	(.35)	(.12)
Net asset value, end of period	**$ 11.33**	**$ 10.78**	**$ 10.51**
Total Return			
Total investment return based on net asset value[e]	6.63 %	6.01 %	6.39 %
Ratios/Supplemental Data			
Net assets, end of period (000's omitted)	$193,864	$105,201	$11
Ratio to average net assets of:			
Expenses, net of waivers/reimbursements	.61 %	.58 %	.58 %[f][g]
Expenses, net of waivers/reimbursements, excluding interest expense	.55 %	.55 %	.55 %[f][g]
Expenses, before waivers/reimbursements	.96 %	1.20 %	5.29 %[f][g]
Expenses, before waivers/reimbursements, excluding interest expense	.89 %	1.18 %	5.25 %[f][g]
Net investment income[c]	1.41 %	3.24 %	1.93 %[f][g]
Portfolio turnover rate	32 %	38 %	34 %

See footnote summary on page 61

Selected Data For A Share Of Capital Stock Outstanding Throughout Each Period

	Class 2		
	Year Ended October 31,		January 26, 2010[a] to October 31,
	2012	2011	2010
Net asset value, beginning of period	$ 10.77	$ 10.51	$ 10.00
Income From Investment Operations			
Net investment income[b][c]	.14	.39	.16
Net realized and unrealized gain on investment and foreign currency transactions	.59	.23	.48
Net increase in net asset value from operations	.73	.62	.64
Less: Dividends and Distributions			
Dividends from net investment income	(.17)	(.36)	(.12)
Tax return of capital	– 0 –	– 0 –	(.01)
Total dividends and distributions	(.17)	(.36)	(.13)
Net asset value, end of period	**$ 11.33**	**$ 10.77**	**$ 10.51**
Total Return			
Total investment return based on net asset value[e]	6.80 %	6.01 %	6.44 %
Ratios/Supplemental Data			
Net assets, end of period (000's omitted)	$47,200	$16,550	$10,439
Ratio to average net assets of:			
Expenses, net of waivers/reimbursements	.51 %	.49 %	.49 %[f][g]
Expenses, net of waivers/reimbursements, excluding interest expense	.45 %	.45 %	.45 %[f][g]
Expenses, before waivers/reimbursements	.86 %	1.84 %	5.18 %[f][g]
Expenses, before waivers/reimbursements, excluding interest expense	.80 %	1.80 %	5.13 %[f][g]
Net investment income[c]	1.36 %	3.73 %	2.05 %[f][g]
Portfolio turnover rate	32 %	38 %	34 %

(a) Commencement of operations.

(b) Based on average shares outstanding.

(c) Net of fees waived and expenses reimbursed by the Adviser.

(d) Amount is less than $.005.

(e) Total investment return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption on the last day of the period. Initial sales charges or contingent deferred sales charges are not reflected in the calculation of total investment return. Total return does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. Total investment return calculated for a period of less than one year is not annualized.

(f) Annualized.

(g) The ratio includes expenses attributable to costs of proxy solicitation.

See notes to financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of AllianceBernstein Bond Fund, Inc. and Shareholders of the AllianceBernstein Bond Inflation Strategy Portfolio

We have audited the accompanying statement of assets and liabilities including the portfolio of investments, of AllianceBernstein Bond Inflation Strategy Portfolio (one of the portfolios constituting the AllianceBernstein Bond Fund, Inc.) (the "Strategy"), as of October 31, 2012, and the related statement of operations and cash flows for the year then ended, the statement of changes in net assets for each of the two years in the period then ended and the financial highlights for the two years in the period then ended and the period January 26, 2010 (commencement of operations) through October 31, 2010. These financial statements and financial highlights are the responsibility of the Strategy's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Strategy's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Strategy's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2012 by correspondence with the custodian and others or by other appropriate auditing procedures where replies from others were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of AllianceBernstein Bond Inflation Strategy Portfolio of the AllianceBernstein Bond Fund, Inc. at October 31, 2012, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the two years in the period then ended and the period January 26, 2010 (commencement of operations) through October 31, 2010, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

New York, New York
December 27, 2012

2012 FEDERAL TAX INFORMATION
(unaudited)

For Federal income tax purposes, the following information is furnished with respect to the distributions paid by the Strategy during the taxable year ended October 31, 2012.

For foreign shareholders, 92.72% of ordinary income dividends paid may be considered to be qualifying to be taxed as interest-related dividends.

Shareholders should not use the above information to prepare their income tax returns. The information necessary to complete your income tax returns will be included with your Form 1099-DIV which will be sent to you separately in January 2013.

BOARD OF DIRECTORS

William H. Foulk, Jr.[1], *Chairman*
John H. Dobkin[1]
Michael J. Downey[1]
D. James Guzy[1]
Nancy P. Jacklin[1]
Robert M. Keith, *President and Chief Executive Officer*
Garry L. Moody[1]
Marshall C. Turner, Jr.[1]
Earl D. Weiner[1]

OFFICERS

Philip L. Kirstein,
Senior Vice President and Independent Compliance Officer
Paul J. DeNoon[2]**,** Vice President
Rajen B. Jadav[2]**,** Vice President
Shawn E. Keegan[2]**,** Vice President
Douglas J. Peebles[2]**,** Vice President
Greg J. Wilensky[2]**,** Vice President
Emilie D. Wrapp, Secretary
Joseph J. Mantineo, Treasurer and Chief Financial Officer
Phyllis J. Clarke, Controller

Custodian and Accounting Agent
State Street Bank and Trust Company
One Lincoln Street
Boston, MA 02111

Principal Underwriter
AllianceBernstein Investments, Inc.
1345 Avenue of the Americas
New York, NY 10105

Transfer Agent
AllianceBernstein Investor Services, Inc.
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San Antonio, TX 78278-6003
Toll-Free (800) 221-5672

Independent Registered Public Accounting Firm
Ernst & Young LLP
5 Times Square
New York, NY 10036

Legal Counsel
Seward & Kissel LLP
One Battery Park Plaza
New York, NY 10004

(1) Member of the Audit Committee, the Governance and Nominating Committee, and the Independent Directors Committee. Mr. Foulk is the sole member of the Fair Value Pricing Committee.

(2) The day-to-day management of, and investment decisions for, the Strategy's portfolio are made by the Adviser's U.S. Core Fixed-Income Team. Mr. Paul J. DeNoon, Mr. Rajen B. Jadav, Mr. Shawn E. Keegan, Mr. Douglas J. Peebles and Mr. Greg J. Wilensky are the investment professionals with the most significant responsibility for the day-to-day management of the Strategy's portfolio.

MANAGEMENT OF THE FUND

Board of Directors Information

The business and affairs of the Strategy are managed under the direction of the Board of Directors. Certain information concerning the Strategy's Directors is set forth below.

NAME, ADDRESS* and AGE (YEAR FIRST ELECTED**)	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS AND OTHER RELEVANT QUALIFICATIONS***	PORTFOLIOS IN FUND COMPLEX OVERSEEN BY DIRECTOR	OTHER DIRECTORSHIPS HELD BY DIRECTOR IN THE PAST FIVE YEARS
INTERESTED DIRECTOR			
Robert M. Keith, + 1345 Avenue of the Americas New York, New York 10105 52 (2010)	Senior Vice President of AllianceBernstein L.P. (the "Adviser") and head of AllianceBernstein Investments, Inc. ("ABI") since July 2008; Director of ABI and President of the AllianceBernstein Mutual Funds. Previously, he served as Executive Managing Director of ABI from December 2006 to June 2008. Prior to joining ABI in 2006, Executive Managing Director of Bernstein Global Wealth Management, and prior thereto, Senior Managing Director and Global Head of Client Service and Sales of the Adviser's institutional investment management business since 2004. Prior thereto, he was Managing Director and Head of North American Client Service and Sales in the Adviser's institutional investment management business, with which he had been associated since prior to 2004.	101	None

NAME, ADDRESS* and AGE (YEAR FIRST ELECTED**)	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS AND OTHER RELEVANT QUALIFICATIONS***	PORTFOLIOS IN FUND COMPLEX OVERSEEN BY DIRECTOR	OTHER DIRECTORSHIPS HELD BY DIRECTOR IN THE PAST FIVE YEARS
DISINTERESTED DIRECTORS			
William H. Foulk, Jr., ++, # *Chairman of the Board* 80 (1998)	Investment Adviser and an Independent Consultant since prior to 2007. Previously, he was Senior Manager of Barrett Associates, Inc., a registered investment adviser. He was formerly Deputy Comptroller and Chief Investment Officer of the State of New York and, prior thereto, Chief Investment Officer of the New York Bank for Savings. He has served as a director or trustee of various AllianceBernstein Funds since 1983 and has been Chairman of the AllianceBernstein Funds and of the Independent Directors Committee of such Funds since 2003. He is also active in a number of mutual fund organizations and committees.	101	None
John H. Dobkin, # 70 (1998)	Independent Consultant since prior to 2007. Formerly, President of Save Venice, Inc. (preservation organization) from 2001-2002, Senior Advisor from June 1999-June 2000 and President of Historic Hudson Valley (historic preservation) from December 1989-May 1999. Previously, Director of the National Academy of Design. He has served as a director or trustee of various AllianceBernstein Funds since 1992, and as Chairman of the Audit Committees of a number of such Funds from 2001-2008.	101	None

NAME, ADDRESS* and AGE (YEAR FIRST ELECTED**)	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS AND OTHER RELEVANT QUALIFICATIONS***	PORTFOLIOS IN FUND COMPLEX OVERSEEN BY DIRECTOR	OTHER DIRECTORSHIPS HELD BY DIRECTOR IN THE PAST FIVE YEARS
DISINTERESTED DIRECTORS (continued)			
Michael J. Downey, # 68 (2005)	Private Investor since prior to 2007. Formerly, managing partner of Lexington Capital, LLC (investment advisory firm) from December 1997 until December 2003. From 1987 until 1993, Chairman and CEO of Prudential Mutual Fund Management, Director of the Prudential mutual funds and member of the Executive Committee of Prudential Securities Inc. He has served as a director or trustee of the AllianceBernstein Funds since 2005 and is a director of two other registered investment companies (and Chairman of one of them).	101	Asia Pacific Fund, Inc. and The Merger Fund since prior to 2007 and Prospect Acquisition Corp. (financial services) from 2007 until 2009
D. James Guzy, # 76 (2005)	Chairman of the Board of PLX Technology (semi-conductors) and of SRC Computers Inc., with which he has been associated since prior to 2007. He was a director of Intel Corporation (semi-conductors) from 1969 until 2008, and served as Chairman of the Finance Committee of such company for several years until May 2008. He has served as a director or trustee of one or more of the AllianceBernstein Funds since 1982.	101	Cirrus Logic Corporation (semi-conductors) and PLX Technology (semi-conductors) since prior to 2007 and Intel Corporation (semi-conductors) since prior to 2007 until 2008

NAME, ADDRESS* and AGE (YEAR FIRST ELECTED**)	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS AND OTHER RELEVANT QUALIFICATIONS***	PORTFOLIOS IN FUND COMPLEX OVERSEEN BY DIRECTOR	OTHER DIRECTORSHIPS HELD BY DIRECTOR IN THE PAST FIVE YEARS
DISINTERESTED DIRECTORS (continued)			
Nancy P. Jacklin, # 64 (2006)	Professorial Lecturer at the Johns Hopkins School of Advanced International Studies since 2008. Formerly, U.S. Executive Director of the International Monetary Fund (December 2002-May 2006); Partner, Clifford Chance (1992-2002); Sector Counsel, International Banking and Finance, and Associate General Counsel, Citicorp (1985-1992); Assistant General Counsel (International), Federal Reserve Board of Governors (1982-1985); and Attorney Advisor, U.S. Department of the Treasury (1973-1982). Member of the Bar of the District of Columbia and of New York; and member of the Council on Foreign Relations. She has served as a director or trustee of the AllianceBernstein Funds since 2006.	101	None

NAME, ADDRESS* and AGE (YEAR FIRST ELECTED**)	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS AND OTHER RELEVANT QUALIFICATIONS***	PORTFOLIOS IN FUND COMPLEX OVERSEEN BY DIRECTOR	OTHER DIRECTORSHIPS HELD BY DIRECTOR IN THE PAST FIVE YEARS
DISINTERESTED DIRECTORS (continued)			
Garry L. Moody, # 60 (2008)	Independent Consultant. Formerly, Partner, Deloitte & Touche LLP (1995-2008) where he held a number of senior positions, including Vice Chairman, and U.S. and Global Investment Management Practice Managing Partner; President, Fidelity Accounting and Custody Services Company (1993-1995); and Partner, Ernst & Young LLP (1975-1993), where he served as the National Director of Mutual Fund Tax Services. He is also a member of the Governing Council of the Independent Directors Council (IDC), an organization of independent directors of mutual funds. He has served as a director or trustee, and as Chairman of the Audit Committee, of the AllianceBernstein Funds since 2008.	101	None

NAME, ADDRESS* and AGE (YEAR FIRST ELECTED**)	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS AND OTHER RELEVANT QUALIFICATIONS***	PORTFOLIOS IN FUND COMPLEX OVERSEEN BY DIRECTOR	OTHER DIRECTORSHIPS HELD BY DIRECTOR IN THE PAST FIVE YEARS
DISINTERESTED DIRECTORS (continued)			
Marshall C. Turner, Jr., # 71 (2005)	Private Investor since prior to 2007. Interim CEO of MEMC Electronic Materials, Inc. (semi-conductor and solar cell substrates) from November 2008 until March 2009. He was Chairman and CEO of Dupont Photomasks, Inc. (components of semi-conductor manufacturing), 2003-2005, and President and CEO, 2005-2006, after the company was acquired and renamed Toppan Photomasks, Inc. He has extensive experience in venture capital investing including prior service as general partner of three institutional venture capital partnerships, and serves on the boards of a number of education and science-related non-profit organizations. He has served as a director or trustee of one or more of the AllianceBernstein Funds since 1992.	101	Xilinx, Inc. (programmable logic semi-conductors) and MEMC Electronic Materials, Inc. (semi-conductor and solar cell substrates) since prior to 2007
Earl D. Weiner, # 73 (2007)	Of Counsel, and Partner prior to January 2007, of the law firm Sullivan & Cromwell LLP, and member of ABA Federal Regulation of Securities Committee Task Force to draft editions of the Fund Director's Guidebook. He also serves as a director or trustee of various non-profit organizations and has served as Chairman or Vice Chairman of a number of them. He has served as a director or trustee of the AllianceBernstein Funds since 2007 and is Chairman of the Governance and Nominating Committees of the Funds.	101	None

* *The address for each of the Strategy's disinterested Directors is c/o AllianceBernstein L.P., Attention: Philip L. Kirstein, 1345 Avenue of the Americas, New York, NY 10105.*

** *There is no stated term of office for the Strategy's Directors.*

*** *The information above includes each Director's principal occupation during the last five years and other information relating to the experience, attributes and skills relevant to each Director's qualifications to serve as a Director, which led to the conclusion that each Director should serve as a Director for the Strategy.*

\+ *Mr. Keith is an "interested person" of the Strategy as defined in the "40 Act", due to his position as a Senior Vice President of the Adviser.*

++ *Member of the Fair Value Pricing Committee.*

\# *Member of the Audit Committee, the Governance and Nominating Committee and the Independent Directors Committee.*

Officer Information

Certain information concerning the Strategy's Officers is listed below.

NAME, ADDRESS* AND AGE	PRINCIPAL POSITION(S) HELD WITH FUND	PRINCIPAL OCCUPATION DURING PAST 5 YEARS
Robert M. Keith 52	President and Chief Executive Officer	See biography above.
Philip L. Kirstein 67	Senior Vice President and Independent Compliance Officer	Senior Vice President and Independent Compliance Officer of the AllianceBernstein Funds, with which he has been associated since October 2004. Prior thereto, he was Of Counsel to Kirkpatrick & Lockhart, LLP from October 2003 to October 2004, and General Counsel of Merrill Lynch Investment Managers, L.P. since prior to March 2003.
Paul J. DeNoon 50	Vice President	Senior Vice President of the Adviser,** with which he has been associated since prior to 2007.
Rajen B. Jadav 37	Vice President	Vice President of the Adviser,** with which he has been associated since prior to 2007.
Shawn E. Keegan 41	Vice President	Vice President of the Adviser,** with which he has been associated since prior to 2007.
Douglas J. Peebles 47	Vice President	Senior Vice President of the Adviser,** with which he has been associated since prior to 2007.
Greg J. Wilensky 45	Vice President	Senior Vice President of the Adviser,** with which he has been associated since prior to 2007.
Emilie D. Wrapp 57	Secretary	Senior Vice President, Assistant General Counsel and Assistant Secretary of ABI,** with which she has been associated since prior to 2007.
Joseph J. Mantineo 53	Treasurer and Chief Financial Officer	Senior Vice President of AllianceBernstein Investor Services, Inc. ("ABIS"),** with which he has been associated since prior to 2007.
Phyllis J. Clarke 51	Controller	Vice President of ABIS,** with which she has been associated since prior to 2007.

* *The address for each of the Fund's Officers is 1345 Avenue of the Americas, New York, NY 10105.*

** *The Adviser, ABI and ABIS are affiliates of the Strategy.*

The Fund's Statement of Additional Information ("SAI") has additional information about the Strategy's Directors and Officers and is available without charge upon request. Contact your financial representative or AllianceBernstein at 1-800-227-4618, or visit www.alliancebernstein.com, for a free prospectus or SAI.

THE FOLLOWING IS NOT PART OF THE SHAREHOLDER REPORTS 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 AllianceBernstein Bond Fund, Inc. (the "Fund") in respect of AllianceBernstein Bond Inflation Strategy (the "Strategy").[2] The evaluation of the Investment Advisory Agreement was prepared by Philip L. Kirstein, the Senior Officer of the Fund, for the Directors of the Fund, as required by the September 1, 2004 Assurance of Discontinuance ("AoD") 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 of the Fund 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;
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 grows 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 §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

1 *The Senior Officer's fee evaluation was completed on October 25, 2012 and discussed with the Board of Directors on November 6-8, 2012.*

2 *Future references to the Fund or the Strategy do not include "AllianceBernstein."*

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]

PORTFOLIO ADVISORY FEES, EXPENSE CAPS, REIMBURSEMENTS & RATIOS

The Adviser proposed that the Strategy pay the advisory fee set forth in the table below for receiving the services to be provided pursuant to the Investment Advisory Agreement. The fee schedule below, implemented in January 2004 in connection with the Adviser's settlement with the NYAG in December 2003, is based on a master schedule that contemplates eight categories of funds with almost all funds in each category having the same advisory fee schedule.[4]

Category	Net Assets 09/30/12 ($MM)	Advisory Fee Based on % of Average Daily Net Assets	Strategy
High Income	$242.6	50 bp on 1st $2.5 billion 45 bp on next $2.5 billion 40 bp on the balance	Bond Inflation Strategy

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 $66,574 (0.10% of the Strategy's average daily net assets) for providing such services, but waived the amount in its entirety.

The Adviser 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 expense ratios to the amounts set forth below for the Strategy's current fiscal year. The waiver is terminable by the Adviser prior to the Strategy's new Prospectus date upon at least 60 days written notice. In addition, set forth below are the Strategy's gross expense ratios, annualized for the most recent semi-annual period:

Strategy	Expense Cap Pursuant to Expense Limitation Undertaking		Gross Expense Ratio[5]	Fiscal Year End
Bond Inflation Strategy	Advisor	0.45%	0.95%	October 31 (ratio as of April 30, 2012)
	Class A	0.75%	1.25%	
	Class C	1.45%	1.95%	
	Class R	0.95%	1.56%	
	Class K	0.70%	1.28%	
	Class I	0.45%	0.93%	
	Class 1	0.55%	0.95%	
	Class 2	0.45%	0.85%	

3 *Jones v. Harris at 1427.*

4 *Most of the AllianceBernstein Mutual Funds, which the Adviser manages, were affected by the Adviser's settlement with the NYAG.*

5 *Annualized.*

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 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 Portfolio's 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 client 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 some of these services. Also, retail mutual funds managed by the Adviser are widely held and accordingly, servicing the Strategy's investors is more time consuming and labor intensive compared to servicing institutional clients since the Adviser needs to communicate with a more extensive network of financial intermediaries and shareholders. 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 that of a stable pool of assets, such as an institutional account with little cash movement in either direction, particularly if the Strategy 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 arguably 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.[6] In addition to the AllianceBernstein Institutional fee schedule, set

6 *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.*

forth below is what would have been the effective advisory fee for the Strategy had the AllianceBernstein Institutional fee schedule been applicable to the Strategy versus the Strategy's advisory fees based on September 30, 2012 net assets.[7]

Strategy	Net Assets 09/30/12 ($MM)	AllianceBernstein ("AB") Institutional ("Inst.") Fee Schedule	Effective AB Inst. Adv. Fee	Strategy Advisory Fee
Bond Inflation Strategy	$ 242.6	TIPS Plus Schedule 50 bp on 1st $30 million 20 bp on the balance *Minimum Account Size: $25 m*	0.281%	0.500%

The Adviser represented that it does not sub-advise any registered investment companies that have a similar investment strategy 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.[8] 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")[9] and the Strategy's contractual management fee ranking.[10]

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.

7 *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.*

8 *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.*

9 *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.*

10 *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 Strategy had the lowest effective fee rate in the Lipper peer group.*

Strategy	Contractual Management Fee (%)	Lipper Expense Group Median (%)	Rank
Bond Inflation Strategy	0.500	0.500	5/11

Lipper also compared the Strategy's total expense ratio to the medians of the Strategy's EG and Lipper Expense Universe ("EU"). The EU[11] 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.

Strategy	Expense Ratio (%)[12]	Lipper Exp. Group Median (%)	Lipper Group Rank	Lipper Exp. Universe Median (%)	Lipper Universe Rank
Bond Inflation Strategy	0.750	0.854	3/11	0.847	4/19

Based on this analysis, the Strategy has a more favorable ranking on a total expense ratio basis than on a management fee basis.

III. COSTS TO THE ADVISER AND ITS AFFILIATES OF SUPPLYING SERVICES PURSUANT TO THE ADVISORY 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 an independent 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 profitability information for the Strategy, prepared by the Adviser for the Board of Directors, was reviewed by the Senior Officer and the independent consultant. The Adviser's profitability from providing investment advisory services to the Strategy in 2011 was negative.

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

11 *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.*

12 *Most recently completed fiscal year Class A share total expense ratio.*

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. These affiliates provide transfer agent and distribution related services to the Strategy and receive transfer agent fees, front-end sales loads, Rule 12b-1 payments and contingent deferred sales charges ("CDSC"). During the Strategy's most recently completed fiscal year, ABI received from the Portfolio $3,922, $114,082 and $5,850 in front-end sales charges, Rule 12b-1 and CDSC fees, respectively.

AllianceBernstein Investments, Inc. ("ABI"), an affiliate of the Adviser, is the Strategy'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 revenues derived from sales loads and Rule 12b-1 fees, to firms that sell shares of the Strategy. In 2011, ABI paid approximately 0.04% of the average monthly assets of the AllianceBernstein Mutual Funds or approximately $17 million for distribution services and educational support (revenue sharing payments).

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 Strategy's most recently completed fiscal year, ABIS received $17,888 in fees from the Strategy.

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.

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[13] study on advisory fees and various fund characteristics.[14] The independent consultant first reiterated the results of his previous two dimensional comparison analysis (fund size and family size) with the Board of Directors.[15] 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.

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

With assets under management of approximately $419 billion as of September 30, 2012, the Adviser has the investment experience to manage and provide non-investment services (described in Section I) to the Strategy.

13 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.

14 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.

15 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.

The information below shows the 1 year performance return and rankings of the Strategy[16] relative to its Lipper Performance Group ("PG") and Lipper Performance Universe ("PU")[17] for the periods ended July 31, 2012.[18]

Strategy	Strategy Return (%)	PG Median (%)	PU Median (%)	PG Rank	PU Rank
Bond Inflation Strategy					
1 year	4.40	8.59	8.73	8/11	18/26

Set forth below are the 1year and since inception net performance returns of the Strategy (in bold)[19] versus its benchmark.[20] Strategy and benchmark volatility and reward-to-variability ratio ("Sharpe Ratio") information is also shown.[21]

Periods Ending July 31, 2012
Annualized Performance

	1 Year (%)	Since Inception (%)	Annualized Volatility (%)	Annualized Sharpe (%)	Risk Period (Year)
Bond Inflation Strategy	4.40	6.62	3.14	1.30	1
Barclays Capital 1-10yr TIPS Index	4.84	6.58	2.71	1.65	1

Inception Date: January 26, 2010

16 *The performance returns and rankings are for the Class A shares of the Strategy. The performance returns of the Strategy were provided Lipper.*

17 *The Strategy's PG is identical to the Strategy's EG. The Strategy's PU is not identical to the Strategy's EU as the criteria for including/excluding a strategy in/from a PU are somewhat different from that of an EU.*

18 *The current Lipper investment classification/objective dictates the PG and PU throughout the life of the Strategy even if the Strategy may have had a different investment classification/objective at different points in time.*

19 *The performance returns and risk measures shown in the table are for the Class A shares of the Strategy.*

20 *The Adviser provided Strategy and benchmark performance return information for the periods through July 31, 2012.*

21 *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. A 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 fund. A strategy with a higher Sharpe Ratio would be viewed as better performing than a strategy with a lower Sharpe Ratio.*

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: December 3, 2012

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ALLIANCEBERNSTEIN FAMILY OF FUNDS

Wealth Strategies
Balanced Wealth Strategy
Conservative Wealth Strategy
Wealth Appreciation Strategy
Tax-Managed Balanced Wealth Strategy
Tax-Managed Conservative Wealth Strategy
Tax-Managed Wealth Appreciation Strategy

Asset Allocation/Multi-Asset Funds
Dynamic All Market Fund
Emerging Markets Multi-Asset Portfolio
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Tax-Managed International Portfolio

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Discovery Growth Fund**
Growth Fund
Large Cap Growth Fund
Select US Equity Portfolio
Small Cap Growth Portfolio
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Global Thematic Growth Fund
International Discovery Equity Portfolio
International Focus 40 Portfolio
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Value Funds
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Global Real Estate Investment Fund
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Short Duration Portfolio

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Closed-End Funds
Alliance California Municipal Income Fund
Alliance New York Municipal Income Fund
AllianceBernstein Global High Income Fund
AllianceBernstein Income Fund
AllianceBernstein National Municipal Income Fund

Alternatives
Global Risk Allocation Fund**
Market Neutral Strategy-Global
Market Neutral Strategy-U.S.
Real Asset Strategy
Unconstrained Bond Fund

Retirement Strategies
2000 Retirement Strategy
2005 Retirement Strategy
2010 Retirement Strategy
2015 Retirement Strategy
2020 Retirement Strategy
2025 Retirement Strategy
2030 Retirement Strategy
2035 Retirement Strategy
2040 Retirement Strategy
2045 Retirement Strategy
2050 Retirement Strategy
2055 Retirement Strategy

We also offer Exchange Reserves,* which serves as the money market fund exchange vehicle for the AllianceBernstein mutual funds.

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

* An investment in the Fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the Fund.

** **Prior to October 8, 2012, Global Risk Allocation Fund was named Balanced Shares. Prior to November 1, 2012, Discovery Growth Fund was named Small/Mid Cap Growth Fund and Discovery Value Fund was named Small/Mid Cap Value Fund.**

NOTES

NOTES

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