AllianceBernstein Real Asset 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 24, 2012

Annual Report

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

Investment Objective and Policies

The Strategy's investment objective is to maximize real return. Real return is the rate of return after adjusting for inflation.

The Strategy pursues an aggressive investment strategy involving a variety of asset classes. The Strategy invests primarily in instruments that AllianceBernstein L.P. (the "Adviser") expects to outperform broad equity indices during periods of rising inflation. Under normal circumstances, the Strategy expects to invest its assets principally in the following instruments that, in the judgment of the Adviser, are affected directly or indirectly by the level and change in the rate of inflation: inflation-protected fixed-income securities, such as Treasury Inflation-Protected Securities ("TIPS") and similar bonds issued by governments outside of the U.S., commodities, equity securities, such as commodity-related stocks, real estate securities, utility securities, infrastructure-related securities, securities and derivatives linked to the price of other assets (such as commodities, stock indices and real estate) and currencies. The Strategy expects its investments in fixed-income securities to have a broad range of maturities and quality levels.

The Strategy will seek inflation protection from investments around the globe, both in developed and emerging market countries. In selecting securities for purchase and sale, the Adviser will utilize its qualitative and quantitative resources to determine overall inflation sensitivity, asset allocation, and security selection. When its analysis indicates that changes are necessary, the Adviser intends to implement them through a combination of changes to underlying positions and the use of inflation swaps and other types of derivatives, such as interest rate swaps. The Strategy anticipates that its investments, other than its investments in inflation-protected securities, will focus roughly equally on commodity-related equity securities, commodities and commodity derivatives, and real estate equity securities to provide a balance between expected return and inflation protection. Its commodities investments will include significant exposure to energy commodities, but will also include agricultural products, industrial and precious metals, such as gold. The Strategy's investments in real estate equity securities will include real estate investment trusts ("REITs"), other real estate-related securities, and infrastructure-related securities.

The Strategy will invest in both U.S. and non-U.S. dollar-denominated equity or fixed-income securities. The Strategy may invest in currencies for hedging or for investment purposes, both in the spot market and through long or short positions in currency-related derivatives. The Strategy does not ordinarily expect to hedge its foreign currency exposure because it will be balanced by investments in U.S. dollar-denominated securities although it may hedge the exposure under certain circumstances. The Strategy may invest significantly, to the extent permitted by applicable law, in derivatives such as options, futures, forwards, swaps or structured notes. The Strategy intends to use leverage for investment purposes through the use of cash made available by derivatives transactions to make other investments in accordance with its investment policies. 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 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 Strategy may seek to gain exposure to physical commodities traded in the commodities markets through investments in a variety of derivative instruments, including investments in commodity index-linked notes. The Adviser expects that the Strategy will seek to gain exposure to commodities and commodities-related instruments and derivatives primarily through investments in AllianceBernstein Cayman Inflation Strategy, Ltd., a wholly-owned subsidiary of the Strategy organized under the laws of the Cayman Islands (the "Subsidiary"). The Subsidiary is advised by the Adviser and has the same investment objective and substantially similar investment policies and restrictions as the Strategy except that the Subsidiary, unlike the Strategy, may invest, without limitation, in commodities and commodities-related instruments. The Strategy will be subject to the risks associated with the commodities, derivatives and other instruments in which the Subsidiary invests, to the extent of its investment in the Subsidiary. The Strategy limits its investment in the Subsidiary to no more than 25% of its net assets. The Strategy is "non-diversified", which means that it may concentrate its assets in a smaller number of issuers than a diversified fund.

Investment Results

The table on page 7 shows the Strategy's performance compared to its benchmark, the Morgan Stanley Capital International ("MSCI") All Country ("AC") World Commodity Producers Index (net), for the six- and 12-month periods ended October 31, 2012.

During both periods, the Strategy registered positive absolute returns and outperformed its benchmark, before sales charges. For the 12-month period, relative performance was driven primarily by the Strategy's strategic allocation to real estate equities, partially offset by the strategic allocation to commodity futures. Active management within both the natural resource equities and commodity futures allocations contributed positively to performance. Within the commodity futures allocation, value was added by futures curve positioning and security selection. Security and sector selection within real estate also contributed to performance. The Strategy's top-down active decisions, including asset allocation and risk management, detracted overall from relative performance. The Strategy's currency management strategies, including forwards for hedging and investment purposes, had an immaterial impact on performance during the 12-month period. Total return swaps were used for hedging and investment purposes, which detracted from performance. Options were used for hedging and investment purposes, which added to performance.

For the six-month period, outperformance was driven primarily by the Strategy's strategic exposures to real estate equities and the commodity futures asset class, both of which contributed positively to relative performance (exposure to commodity futures was obtained via commodity index swaps, commodity futures and options on commodity futures). Within the Strategy's natural resources equities allocation, active management contributed positively to performance. The Strategy also benefited from active security and sector selection decisions within the commodity futures allocation, while active decisions within the real estate allocation detracted from performance. Positive contributions from top-down collateral management were offset by asset allocation and risk management decisions, resulting in an immaterial impact on relative performance from top-down active management over the period; the Strategy's currency management strategies, including forwards for hedging and investment purposes, detracted from performance. Total return swaps were used for hedging and investment purposes, which contributed to performance. Options, used for hedging and investment purposes, had an immaterial impact on performance.

During both periods, interest rate swaps and inflation-linked derivatives were utilized for investment purposes, which had an immaterial impact on performance.

Market Review and Investment Strategy

Volatility continued throughout the annual period, as global markets remained highly correlated with ongoing European debt sentiment and perceptions of the overall health of the global economy. Investor confidence improved dramatically from late 2011 through the first quarter of 2012, after the European Central Bank ("ECB") took decisive moves to stem the euro area crisis. The ECB's Long-Term Refinancing Operation provided liquidity to regional banks early in the period, reducing the risk of a banking crisis. Additionally, signs of improving economic momentum in the first quarter, particularly in the U.S., also buoyed investor sentiment. Stocks rose across the globe and corporate debt outperformed governments early in the period. During this time, the Real Asset Strategy Team (the "Team") targeted a roughly neutral risk profile, with a small overweight in natural resource equities balanced by modest underweights in both real estate and commodity futures.

In the second quarter of 2012, 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. Investors were troubled by three main developments: first, euro area economic data deteriorated as severe fiscal austerity in many member nations stifled growth; second, the slowdown in Europe started to hurt emerging market economies such as China and Brazil by reducing demand for their exports; and third, the U.S. economy, too, displayed signs of weakness, with public sector cuts weighing on growth and softer global demand dampening exports. Additionally, investors began to worry about U.S. fiscal issues, spending cuts and tax hikes, especially since many tax laws are set to expire at the end of the year (the "fiscal cliff"). As valuation gaps widened through the second quarter, the Team increased its overweight to natural resource equities and its underweight to real estate, while maintaining the Strategy's neutral risk profile.

Risk aversion in the second quarter of 2012 was short-lived again, as financial markets swung back to "risk on" during the summer months. Investor sentiment was boosted by speculation that the ECB would embark on an ambitious bond-buying program to help underpin the finances of European governments in the peripheral countries. Equity markets around the globe moved higher in reaction to central banks' moves to boost liquidity. Beginning with the run-up to the U.S. Federal Reserve's announcement in September of renewed quantitative easing and continuing through the end of the 12-month period, the Team modestly reduced portfolio risk in response to market strength, though with an expectation of taking risk back toward neutral levels should signals of investor complacency normalize. The Team continues to maintain a bias toward further increasing exposure to natural resource equities and decreasing the Strategy's allocation to real estate, due primarily to valuation considerations.

DISCLOSURES AND RISKS

Benchmark Disclosure
The unmanaged MSCI AC World Commodity Producers Index (net) does not reflect fees and expenses associated with the active management of a mutual fund portfolio. The MSCI AC World Commodity Producers Index is a free float-adjusted, market capitalization index designed to track the performance of global listed commodity producers, including emerging markets. Net returns include the reinvestment of dividends after deduction of non-U.S. withholding tax. MSCI makes no express or implied warranties or representations, and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices, any securities or financial products. This report is not approved, reviewed or produced by MSCI. 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 stock, commodity and bond markets fluctuate. 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.

Commodity Risk: Investing in commodities and commodity-linked derivative instruments, either directly or through the Subsidiary, may subject the Strategy to greater volatility than investments in traditional securities. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments.

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.

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. The Strategy invests in derivatives and securities involving substantial market and credit risk, which tend to involve greater liquidity risk.

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.

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

DISCLOSURES AND RISKS

(continued from previous page)

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

Subsidiary Risk: By investing in the Subsidiary, the Strategy is indirectly exposed to the risks associated with the Subsidiary's investments. The derivatives and other investments held by the Subsidiary are generally similar to those that are permitted to be held by the Strategy and are subject to the same risks that apply to similar investments if held directly by the Strategy. The Subsidiary is not registered under the Investment Company Act of 1940, as amended (the "1940 Act"), and, unless otherwise noted in the Prospectus, is not subject to all of the investor protections of the 1940 Act. However, the Strategy wholly owns and controls the Subsidiary, and the Strategy and the Subsidiary are managed by the Adviser, making it unlikely the Subsidiary will take actions contrary to the interests of the Strategy or its shareholders.

Real Estate Risk: The Strategy's investments in real estate securities have many of the same risks as direct ownership of real estate, including the risk that the value of real estate could decline due to a variety of factors that affect the real estate market generally. Investments in REITs may have additional risks. REITs are dependent on the capability of their managers, may have limited diversification, and could be significantly affected by changes in taxes.

Diversification Risk: The Strategy may have more risk because it is "non-diversified", meaning that it can invest more of its assets in a smaller number of issuers and that adverse changes in the value of one security could have a more significant effect on the Strategy's NAV.

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.

Investors should consider the investment objectives, risks, charges and expenses of the Strategy carefully before investing. For copies of our prospectus or summary prospectus, which contain this and other information, visit us online at www.alliancebernstein.com. For Class 1 shares, Click on "Private Clients", then "Investments", then "Stocks" or "Bonds", then "Prospectuses, SAIs, and Shareholder Reports". Please read the prospectus and/or summary prospectus carefully before investing.

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. 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 Real Asset Strategy		
Class 1*	1.17%	3.47%
Class 2*	1.32%	3.70%
Class A	1.16%	3.36%
Class C	0.72%	2.58%
Advisor Class**	1.25%	3.69%
Class R **	1.07%	3.20%
Class K**	1.16%	3.43%
Class I**	1.34%	3.69%
MSCI AC World Commodity Producers Index (net)	-2.34%	-3.42%

* *Class 1 shares are only available to private clients of Sanford C. Bernstein & Co., LLC. Class 2 shares are only available to 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.*

See Disclosures, Risk and Note about Historical Performance on pages 5-6.

(Historical Performance continued on next page)

HISTORICAL PERFORMANCE

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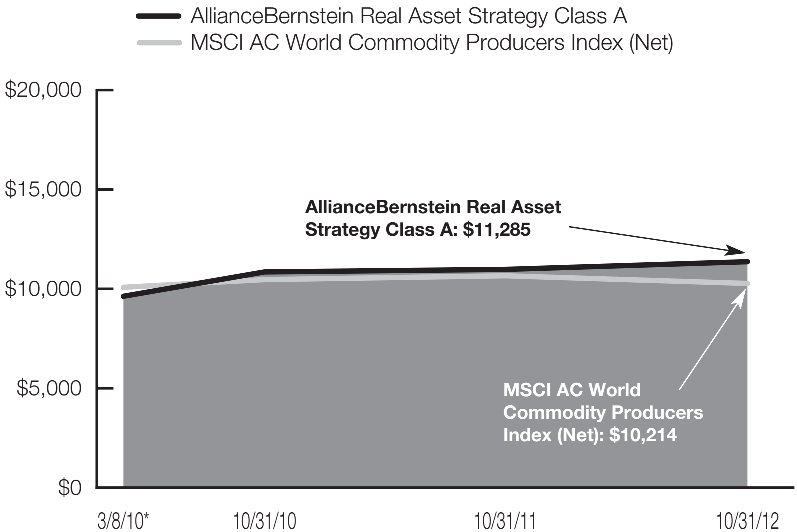
GROWTH OF A $10,000 INVESTMENT IN THE STRATEGY
3/8/10* TO 10/31/12



This chart illustrates the total value of an assumed $10,000 investment in AllianceBernstein Real Asset Strategy's Class A shares (from 3/8/10 to 10/31/12) as compared to the performance of its 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: 3/8/2010.*

See Disclosures, Risks and Note about Historical Performance on pages 5-6.

(Historical Performance continued on next page)

HISTORICAL PERFORMANCE

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AVERAGE ANNUAL RETURNS AS OF OCTOBER 31, 2012

	NAV Returns	SEC Returns
Class 1 Shares†		
1 Year	3.47%	3.47%
Since Inception*	6.40%	6.40%
Class 2 Shares†		
1 Year	3.70%	3.70%
Since Inception*	6.66%	6.66%
Class A Shares		
1 Year	3.36%	-1.03%
Since Inception*	6.38%	4.67%
Class C Shares		
1 Year	2.58%	1.58%
Since Inception*	5.58%	5.58%
Advisor Class Shares**		
1 Year	3.69%	3.69%
Since Inception*	6.64%	6.64%
Class R Shares**		
1 Year	3.20%	3.20%
Since Inception*	6.13%	6.13%
Class K Shares**		
1 Year	3.43%	3.43%
Since Inception*	6.41%	6.41%
Class I Shares**		
1 Year	3.69%	3.69%
Since Inception*	6.67%	6.67%

The Strategy's prospectus fee table shows the Strategy's total annual operating expense ratios as 1.47%, 3.72%, 1.61%, 2.31%, 1.29%, 2.87%, 1.91% and 1.38% 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 expense ratios (exclusive of interest expense) to 1.00%, 0.75%, 1.05%, 1.75%, 0.75%, 1.25%, 1.00% and 0.75% 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.

† *Class 1 shares are only available to private clients of Sanford C. Bernstein & Co., LLC. Class 2 shares are only available to 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: 3/8/10.*

** *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.*

See Disclosures, Risks and Historical Performance on pages 5-6.

(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	15.84%
Since Inception*	7.02%
Class 2 Shares†	
1 Year	16.13%
Since Inception*	7.28%
Class A Shares	
1 Year	10.89%
Since Inception*	5.22%
Class C Shares	
1 Year	13.93%
Since Inception*	6.22%
Advisor Class Shares**	
1 Year	16.00%
Since Inception*	7.27%
Class R Shares**	
1 Year	15.52%
Since Inception*	6.74%
Class K Shares**	
1 Year	15.86%
Since Inception*	7.03%
Class I Shares**	
1 Year	16.13%
Since Inception*	7.30%

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

* *Inception date: 3/8/10.*

** *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.*

See Disclosures, Risks and Historical Performance on pages 5-6.

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	$ 1,011.60	$ 5.31	1.05%
Hypothetical**	$ 1,000	$ 1,019.86	$ 5.33	1.05%
Class C				
Actual	$ 1,000	$ 1,007.20	$ 8.83	1.75%
Hypothetical**	$ 1,000	$ 1,016.34	$ 8.87	1.75%
Advisor Class				
Actual	$ 1,000	$ 1,012.50	$ 3.79	0.75%
Hypothetical**	$ 1,000	$ 1,021.37	$ 3.81	0.75%
Class R				
Actual	$ 1,000	$ 1,010.70	$ 6.32	1.25%
Hypothetical**	$ 1,000	$ 1,018.85	$ 6.34	1.25%
Class K				
Actual	$ 1,000	$ 1,011.60	$ 5.06	1.00%
Hypothetical**	$ 1,000	$ 1,020.11	$ 5.08	1.00%
Class I				
Actual	$ 1,000	$ 1,013.40	$ 3.80	0.75%
Hypothetical**	$ 1,000	$ 1,021.37	$ 3.81	0.75%
Class 1				
Actual	$ 1,000	$ 1,011.70	$ 5.06	1.00%
Hypothetical**	$ 1,000	$ 1,020.11	$ 5.08	1.00%
Class 2				
Actual	$ 1,000	$ 1,013.20	$ 3.80	0.75%
Hypothetical**	$ 1,000	$ 1,021.37	$ 3.81	0.75%

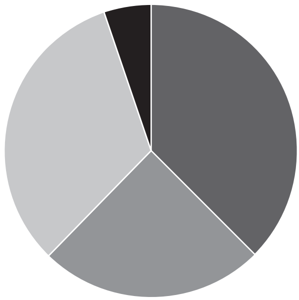
* *Expenses are equal to the Strategy's annualized expense ratios multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).*

** *Assumes 5% return before expenses.*

PORTFOLIO SUMMARY
October 31, 2012 (unaudited)

PORTFOLIO STATISTICS
Net Assets ($mil): $398.6

STRATEGY BREAKDOWN*
- 37.5% Commodity Related Stocks
- 24.8% Real Estate Stocks
- 32.5% Collateralized Commodity Related Derivatives
- 5.2% Other



TEN LARGEST EQUITY HOLDINGS**
October 31, 2012 (unaudited)

Company	U.S. $ Value	Percent of Net Assets
Exxon Mobil Corp.	$ 16,321,618	4.1%
Royal Dutch Shell PLC	9,591,322	2.4
Chevron Corp.	7,038,010	1.8
BP PLC	6,827,150	1.7
BHP Billiton Ltd.	4,706,087	1.2
Rio Tinto PLC	4,227,811	1.0
Petroleo Brasileiro SA	3,940,542	1.0
Vale SA	3,710,957	0.9
Simon Property Group, Inc.	3,563,388	0.9
Suncor Energy, Inc.	3,224,968	0.8
	$ 63,151,853	15.8%

* *All data are as of October 31, 2012. The Strategy breakdown is expressed as an approximate percentage of the Strategy's net assets inclusive of derivative exposure, based on the Adviser's internal classification guidelines.*

** *Long-term investments.*

CONSOLIDATED PORTFOLIO OF INVESTMENTS
October 31, 2012

Company	Shares	U.S. $ Value
COMMON STOCKS – 62.3%		
Energy – 24.1%		
Coal & Consumable Fuels – 0.9%		
Adaro Energy Tbk PT	741,200	$ 105,118
Banpu PCL	52,450	684,502
Cameco Corp.	33,500	649,707
China Shenhua Energy Co., Ltd. – Class H	62,300	263,977
Consol Energy, Inc.	4,200	147,672
Exxaro Resources Ltd.	66,890	1,337,552
Indo Tambangraya Megah Tbk PT	26,700	112,434
Peabody Energy Corp.	5,000	139,500
		3,440,462
Integrated Oil & Gas – 16.9%		
BG Group PLC	155,750	2,891,792
BP PLC	955,970	6,827,150
Cenovus Energy, Inc.	13,800	486,782
Chevron Corp.	63,860	7,038,010
China Petroleum & Chemical Corp. – Class H	1,901,500	2,006,382
Eni SpA	131,690	3,030,306
Exxon Mobil Corp.	179,024	16,321,618
Galp Energia SGPS SA	13,040	208,743
Gazprom OAO (Sponsored ADR)	316,200	2,890,068
Hess Corp.	21,040	1,099,550
Husky Energy, Inc.	10,600	287,089
Imperial Oil Ltd.	6,100	269,896
LUKOIL OAO (London) (Sponsored ADR)	9,300	559,860
Murphy Oil Corp.	5,239	314,340
OMV AG	8,300	303,741
Origin Energy Ltd.	23,000	270,736
PetroChina Co., Ltd. – Class H	386,600	523,593
Petroleo Brasileiro SA	54,500	576,918
Petroleo Brasileiro SA (ADR)	83,310	1,767,005
Petroleo Brasileiro SA (Preference Shares)	77,000	788,558
Petroleo Brasileiro SA (Sponsored ADR)	39,360	808,061
PTT PCL	70,300	729,377
Repsol SA	15,600	312,636
Rosneft OAO (GDR)[(a)(b)]	3,430	25,382
Royal Dutch Shell PLC (Euronext Amsterdam) – Class A	121,116	4,152,010
Royal Dutch Shell PLC – Class A	67,268	2,308,147
Royal Dutch Shell PLC – Class B	88,520	3,131,165
Sasol Ltd.	10,000	426,001
Statoil ASA	43,360	1,067,911
Suncor Energy, Inc. (Toronto)	96,090	3,224,968
Total SA	58,150	2,929,028
		67,576,823

Company	Shares	U.S. $ Value
Oil & Gas Drilling – 0.6%		
Ensco PLC	10,300	$ 595,546
Seadrill Ltd.	27,860	1,123,873
Transocean Ltd.	19,660	898,265
		2,617,684
Oil & Gas Equipment & Services – 0.5%		
Halliburton Co.	23,210	749,451
Schlumberger Ltd.	15,670	1,089,535
		1,838,986
Oil & Gas Exploration & Production – 5.2%		
Anadarko Petroleum Corp.	28,290	1,946,635
Apache Corp.	7,000	579,250
ARC Resources Ltd.	5,300	128,686
Athabasca Oil Corp.(b)	8,300	100,473
Cabot Oil & Gas Corp.	12,530	588,659
Canadian Natural Resources Ltd.	20,100	605,767
Canadian Oil Sands Ltd.	8,900	188,916
Chesapeake Energy Corp.	12,100	245,146
Cimarex Energy Co.	1,800	102,924
CNOOC Ltd.	374,200	769,138
Cobalt International Energy, Inc.(b)	4,700	97,807
Concho Resources, Inc.(b)	1,800	155,016
ConocoPhillips	22,300	1,290,055
Continental Resources, Inc./OK(b)	1,400	100,604
Crescent Point Energy Corp.	5,300	220,225
Denbury Resources, Inc.(b)	7,200	110,376
Devon Energy Corp.	20,280	1,180,498
EnCana Corp.	13,500	304,130
EOG Resources, Inc.	15,510	1,806,760
EQT Corp.	2,700	163,701
Inpex Corp.	40	227,875
Kunlun Energy Co., Ltd.	61,000	112,916
Lundin Petroleum AB(b)	31,080	745,733
Marathon Oil Corp.	40,960	1,231,258
MEG Energy Corp.(b)	2,700	98,619
Nexen, Inc. (Toronto)	12,274	293,101
Noble Energy, Inc.	9,970	947,250
NovaTek OAO (Sponsored GDR)(a)	1,700	193,800
Occidental Petroleum Corp.	37,110	2,930,206
OGX Petroleo e Gas Participacoes SA(b)	35,700	82,788
Pacific Rubiales Energy Corp.	5,400	127,005
Penn West Petroleum Ltd.	8,700	112,980
Pioneer Natural Resources Co.	2,100	221,865
Plains Exploration & Production Co.(b)	2,700	96,282
Progress Energy Resources Corp.	4,700	94,682
PTT Exploration & Production PCL	21,200	114,819
QEP Resources, Inc.	3,700	107,300
Range Resources Corp.	3,000	196,080

Company	Shares	U.S. $ Value
Santos Ltd.	17,300	$ 206,271
Southwestern Energy Co.[(b)]	6,400	222,080
Talisman Energy, Inc.	18,900	214,216
Tatneft OAO (Sponsored ADR)	4,090	158,447
Tourmaline Oil Corp.[(b)]	3,800	125,557
Tullow Oil PLC	16,600	377,131
Vermilion Energy, Inc.	2,300	109,963
Whiting Petroleum Corp.[(b)]	2,400	100,848
Woodside Petroleum Ltd.	11,800	420,743
		20,554,581
		96,028,536
Materials – 13.0%		
Aluminum – 0.1%		
Alcoa, Inc.	31,510	270,040
Norsk Hydro ASA	33,540	150,998
		421,038
Diversified Chemicals – 0.2%		
BASF SE	12,100	1,003,699
Diversified Metals & Mining – 5.4%		
Anglo American PLC	103,880	3,200,981
Antofagasta PLC	9,300	189,200
BHP Billiton Ltd.	132,920	4,706,087
BHP Billiton PLC	72,180	2,313,456
Eurasian Natural Resources Corp. PLC	33,200	175,996
First Quantum Minerals Ltd.	10,500	236,020
Freeport-McMoRan Copper & Gold, Inc.	30,870	1,200,226
Glencore International PLC	77,900	432,286
Grupo Mexico SAB de CV	84,000	269,436
Korea Zinc Co., Ltd.	400	163,857
Minera Frisco SAB de CV[(b)]	43,800	173,273
MMC Norilsk Nickel OJSC (ADR)	9,920	152,173
Rio Tinto Ltd.	21,350	1,258,703
Rio Tinto PLC	84,630	4,227,811
Southern Copper Corp.	5,000	190,500
Sumitomo Metal Mining Co., Ltd.	15,000	197,547
Teck Resources Ltd.	52,340	1,661,255
Turquoise Hill Resources Ltd.[(b)]	20,200	157,959
Xstrata PLC	45,600	722,366
		21,629,132
Fertilizers & Agricultural Chemicals – 1.4%		
Agrium, Inc.	9,712	1,022,787
CF Industries Holdings, Inc.	900	184,671
Incitec Pivot Ltd.	45,800	150,008
Israel Chemicals Ltd.	13,000	162,638
Israel Corp. Ltd. (The)	300	203,871

Company	Shares	U.S. $ Value
K&S AG	7,750	$ 367,308
Monsanto Co.	24,730	2,128,511
Mosaic Co. (The)	4,000	209,360
Potash Corp. of Saskatchewan, Inc.	11,700	470,343
Syngenta AG	1,300	506,856
Uralkali OJSC (Sponsored GDR)[(a)]	3,670	143,791
Yara International ASA	2,900	136,674
		5,686,818
Gold – 2.6%		
Agnico-Eagle Mines Ltd.	3,800	214,550
Anglogold Ashanti Ltd.	8,400	283,797
Barrick Gold Corp.	22,000	889,692
Eldorado Gold Corp.	14,800	218,721
Franco-Nevada Corp.	3,100	178,504
Gold Fields Ltd.	15,900	197,542
Goldcorp, Inc.	61,480	2,779,297
Kinross Gold Corp.	143,610	1,426,394
Koza Altin Isletmeleri AS	26,330	573,700
New Gold, Inc.[(b)]	79,030	925,017
Newcrest Mining Ltd.	16,800	463,343
Newmont Mining Corp.	10,900	594,595
Randgold Resources Ltd.	1,900	227,121
Real Gold Mining Ltd.[(c)(d)]	124,500	22,490
Yamana Gold, Inc.	58,840	1,188,288
		10,183,051
Paper Products – 0.3%		
Fibria Celulose SA (ADR)[(b)]	14,000	118,835
International Paper Co.	5,600	200,648
MeadWestvaco Corp.	3,700	109,853
Mondi PLC	67,260	741,435
Stora Enso Oyj	17,500	110,698
UPM-Kymmene Oyj	9,600	103,073
		1,384,542
Precious Metals & Minerals – 0.4%		
Anglo American Platinum Ltd.	2,400	111,575
Fresnillo PLC	4,900	152,121
Impala Platinum Holdings Ltd.	11,800	212,747
Industrias Penoles SAB de CV	3,100	155,071
North American Palladium Ltd.[(b)]	225,590	354,176
Silver Wheaton Corp.	7,800	314,343
Umicore SA	2,500	128,471
		1,428,504
Specialty Chemicals – 0.3%		
Koninklijke DSM NV	19,748	1,015,519
Steel – 2.3%		
Allegheny Technologies, Inc.	3,600	94,860

Company	Shares	U.S. $ Value
ArcelorMittal (Euronext Amsterdam)	20,600	$ 304,561
Arrium Ltd.	262,017	212,816
Cia Siderurgica Nacional SA	22,200	122,747
Cliffs Natural Resources, Inc.	3,100	112,437
Commercial Metals Co.	60,200	828,352
Eregli Demir ve Celik Fabrikalari TAS	93,900	111,575
Evraz PLC	29,200	111,415
Fortescue Metals Group Ltd.	30,800	129,780
Gerdau SA	18,900	165,173
Hitachi Metals Ltd.	10,000	93,687
Hyundai Steel Co.	1,400	100,593
JFE Holdings, Inc.	67,400	951,279
Kumba Iron Ore Ltd.	1,800	112,580
Metalurgica Gerdau SA (Preference Shares)	9,400	105,337
Nippon Steel & Sumitomo Metal Corp.	193,000	426,013
Novolipetsk Steel OJSC (GDR)[(a)]	6,300	119,007
Nucor Corp.	7,000	280,910
POSCO	1,560	490,393
ThyssenKrupp AG	8,500	193,694
United States Steel Corp.	18,060	368,243
Vale SA	28,600	527,348
Vale SA (Preference Shares)	44,000	787,474
Vale SA (Sponsored ADR) (Local Preference Shares)	134,690	2,396,135
Voestalpine AG	3,800	119,655
		9,266,064
		52,018,367
Equity: Other – 9.6%		
Diversified/Specialty – 7.9%		
Agung Podomoro Land TBK PT[(b)]	484,800	18,311
Alam Sutera Realty TBK PT	875,300	52,571
Artis Real Estate Investment Trust	16,860	275,837
Asian Property Development PCL	47,400	13,454
Australand Property Group	61,962	193,929
Ayala Land, Inc.	771,100	440,735
Azrieli Group	1,400	31,221
Bakrieland Development TBK PT[(b)]	2,835,100	19,075
Beni Stabili SpA	57,200	32,147
BioMed Realty Trust, Inc.	29,260	559,451
British Land Co. PLC	140,912	1,203,625
Bumi Serpong Damai PT	416,100	53,324
CA Immobilien Anlagen AG[(b)]	3,400	42,160
Capital Property Fund	284,900	327,923
CapitaLand Ltd.	178,000	474,040
Central Pattana PCL	44,900	104,010
Ciputra Development Tbk PT	676,200	47,621
Ciputra Property TBK PT	172,400	11,805
Ciputra Surya TBK PT	44,400	8,057

Company	Shares	U.S. $ Value
City Developments Ltd.	21,000	$ 196,077
Cofinimmo	5,390	612,973
Conwert Immobilien Invest SE	4,900	56,762
Daejan Holdings PLC	600	28,011
Dexus Property Group	144,900	147,890
Duke Realty Corp.	34,290	496,519
Dundee Real Estate Investment Trust	17,330	635,939
Eastern & Oriental Bhd	61,300	33,005
Emira Property Fund	29,400	45,184
Even Construtora e Incorporadora SA	13,500	53,839
Evergrande Real Estate Group Ltd.	2,401,100	1,041,383
F&C Commercial Property Trust Ltd.	17,600	28,998
Filinvest Land, Inc.	548,800	19,425
Fonciere Des Regions	1,100	88,537
Franshion Properties China Ltd.	243,200	74,047
Gecina SA	700	77,650
Globe Trade Centre SA(b)	6,300	16,235
GPT Group	55,410	204,621
Growthpoint Properties Ltd.	201,400	548,408
Guangzhou R&F Properties Co., Ltd.	64,200	78,467
H&R Real Estate Investment Trust	700	16,912
Hang Lung Properties Ltd.	133,000	461,379
Helbor Empreendimentos SA	8,500	47,919
Henderson Land Development Co., Ltd.	70,000	483,191
Hysan Development Co., Ltd.	32,000	141,986
ICADE	3,764	338,764
IGB Corp. Bhd	68,000	54,317
IJM Land Bhd	36,900	26,642
IMMOFINANZ AG(b)	35,800	138,387
Intiland Development TBK PT	552,300	18,046
Investors Real Estate Trust	19,199	161,656
Is Gayrimenkul Yatirim Ortakligi AS	15,000	12,132
Kawasan Industri Jababeka TBK PT(b)	1,314,800	27,893
Keppel Land Ltd.	40,000	110,800
Kerry Properties Ltd.	25,500	126,751
Kiwi Income Property Trust	61,600	59,228
KLCC Property Holdings Bhd	28,500	55,484
Land Securities Group PLC	56,609	735,645
Lexington Realty Trust	54,500	517,205
Lippo Karawaci TBK PT	1,029,400	99,339
London & Stamford Property PLC	17,100	31,724
Longfor Properties Co., Ltd.	53,200	93,854
LPN Development PCL	46,400	27,410
LPN Development PCL (NVDR)	429,100	253,480
Mah Sing Group Bhd	33,800	24,870
Mapletree Commercial Trust	638,000	631,592
Megaworld Corp.	701,600	41,628
Mitsubishi Estate Co., Ltd.	109,000	2,157,170
Mitsui Fudosan Co., Ltd.	117,000	2,365,126

Company	Shares	U.S. $ Value
Mobimo Holding AG(b)	200	$ 46,387
Morguard Real Estate Investment Trust	14,230	256,461
New World Development Co., Ltd.	721,000	1,109,317
Nomura Real Estate Holdings, Inc.	2,400	43,079
Pakuwon Jati TBK PT	958,800	27,831
PDG Realty SA Empreendimentos e Participacoes	75,100	126,458
Poly Property Group Co., Ltd.(b)	119,500	71,616
Pruksa Real Estate PCL	37,100	23,725
Quality Houses PCL	198,900	13,887
Redefine Properties Ltd.	155,500	161,407
Regal Real Estate Investment Trust	123,600	33,643
Resilient Property Income Fund Ltd.	16,200	85,216
Robinsons Land Corp.	112,900	52,060
SA Corporate Real Estate Fund Nominees Pty Ltd.	115,000	46,819
SC Asset Corp. PCL	14,700	9,208
Sentul City TBK PT(b)	1,562,800	31,162
Sino Land Co., Ltd.	116,000	207,547
Sinpas Gayrimenkul Yatirim Ortakligi AS	15,300	10,758
Soho China Ltd.	170,500	115,368
SP Setia Bhd	41,500	49,184
Spirit Realty Capital, Inc.(b)	47,956	783,601
Sponda Oyj	13,400	59,438
Sumitomo Realty & Development Co., Ltd.	52,000	1,436,870
Summarecon Agung TBK PT	307,100	55,916
Sun Hung Kai Properties Ltd.	177,006	2,446,919
Suntec Real Estate Investment Trust	340,000	446,570
Supalai PCL	431,400	270,240
Swire Properties Ltd.	227,500	704,370
TAG Immobilien AG	3,200	36,927
Tecnisa SA	8,000	33,086
Telecity Group PLC	28,847	420,205
Tokyu Land Corp.	16,000	89,823
Tokyu REIT, Inc.	25	131,970
Torunlar Gayrimenkul Yatirim Ortakligi AS	8,700	13,795
United Urban Investment Corp.	100	120,238
UOL Group Ltd.	160,734	743,719
Vornado Realty Trust	4,310	345,705
Wallenstam AB	6,000	65,955
Wereldhave NV	700	41,377
Weyerhaeuser Co.	31,680	877,219
Wharf Holdings Ltd.	218,000	1,490,592
Wheelock & Co., Ltd.	94,000	411,835
Wihlborgs Fastigheter AB	2,300	35,109
Yuexiu Property Co., Ltd.	502,100	137,285
		31,373,693

Company	Shares	U.S. $ Value
Health Care – 1.7%		
Chartwell Seniors Housing Real Estate Investment Trust	51,830	$ 532,960
HCP, Inc.	33,500	1,484,050
Health Care REIT, Inc.	19,530	1,160,668
LTC Properties, Inc.	14,050	463,791
Omega Healthcare Investors, Inc.	25,780	591,393
Sabra Health Care REIT, Inc.	21,140	469,731
Senior Housing Properties Trust	30,490	670,170
Ventas, Inc.	21,820	1,380,551
		6,753,314
		38,127,007
Retail – 6.7%		
Regional Mall – 2.5%		
BR Malls Participacoes SA	58,200	765,092
CapitaMall Trust	219,000	376,812
CFS Retail Property Trust Group	65,300	132,309
General Growth Properties, Inc.	76,870	1,511,264
Glimcher Realty Trust	47,854	510,602
Multiplan Empreendimentos Imobiliarios SA	15,400	451,146
Simon Property Group, Inc.	23,411	3,563,388
Westfield Group	253,135	2,798,183
		10,108,796
Shopping Center/Other Retail – 4.2%		
Aeon Mall Co., Ltd.	27,400	710,697
Akmerkez Gayrimenkul Yatirim Ortakligi AS	1,600	16,546
Aliansce Shopping Centers SA	23,000	261,589
Atrium European Real Estate Ltd.	3,900	22,116
BWP Trust	16,200	35,126
Capital & Counties Properties PLC	27,100	98,990
Capital Shopping Centres Group PLC	19,900	107,119
CapitaMalls Asia Ltd.	47,900	72,282
Centro Retail Australia	53,200	118,613
Charter Hall Retail REIT	9,300	35,038
Citycon Oyj	85,490	280,019
Corio NV	17,788	792,418
Deutsche Euroshop AG	2,000	81,740
Eurocommercial Properties NV	15,800	619,615
Fortune Real Estate Investment Trust	351,000	276,926
Fountainhead Property Trust	67,200	62,126
Fukuoka REIT Co.	17	127,878
Hammerson PLC	22,200	169,289
Hyprop Investments Ltd.	38,300	295,953
Iguatemi Empresa de Shopping Centers SA	4,600	58,433
Japan Retail Fund Investment Corp.	387	705,533
Kimco Realty Corp.	31,010	605,315
Kite Realty Group Trust	64,259	351,497
Klepierre	22,050	817,907

Company	Shares	U.S. $ Value
Link REIT (The)	253,023	$ 1,255,730
Mercialys SA	22,300	467,758
Pavilion Real Estate Investment Trust	58,500	26,504
Regency Centers Corp.	23,220	1,115,024
Retail Opportunity Investments Corp.	66,259	838,839
RioCan Real Estate Investment Trust (Toronto)	10,391	283,405
Shaftesbury PLC	9,900	87,670
Siam Future Development PCL	26,700	6,610
SM Prime Holdings, Inc.	387,800	136,296
Sonae Sierra Brasil SA	2,200	36,828
Tanger Factory Outlet Centers	18,500	582,195
Unibail-Rodamco SE	12,325	2,776,028
Vastned Retail NV	600	27,798
Weingarten Realty Investors	36,970	998,190
Westfield Retail Trust	443,360	1,423,661
		16,785,301
		26,894,097
Residential – 3.8%		
Multi-Family – 3.3%		
Ascott Residence Trust	270,000	281,834
Associated Estates Realty Corp.	55,190	827,298
AvalonBay Communities, Inc.	4,710	638,488
Berkeley Group Holdings PLC(b)	17,440	429,164
Brookfield Incorporacoes SA	145,100	253,615
Brookfield Incorporacoes SA(b)	38,332	67,377
China Overseas Land & Investment Ltd.	616,700	1,613,703
China Resources Land Ltd.	142,500	323,614
China Vanke Co., Ltd. – Class B	416,544	543,098
Consorcio ARA SAB de CV(b)	66,900	21,152
Corp. GEO SAB de CV(b)	23,600	28,333
Cyrela Brazil Realty SA Empreendimentos e Participacoes	18,300	155,154
Desarrolladora Homex SAB de CV(b)	14,600	32,324
Deutsche Wohnen AG	5,800	106,223
Emlak Konut Gayrimenkul Yatirim Ortakligi AS	43,300	64,496
Equity Residential	12,240	702,698
Essex Property Trust, Inc.	2,770	415,500
Ez Tec Empreendimentos e Participacoes SA	3,400	44,696
Gafisa SA(b)	24,800	45,545
GAGFAH SA(b)	5,429	61,787
GSW Immobilien AG	16,336	671,479
JHSF Participacoes SA	4,800	20,844
KWG Property Holding Ltd.	1,135,000	670,628
Land and Houses PCL	202,700	56,657
Meritage Homes Corp.(b)	10,100	373,498

Company	Shares	U.S. $ Value
Mirvac Group	467,627	$ 729,599
MRV Engenharia e Participacoes SA	82,100	416,352
NVR, Inc.(b)	460	415,720
Property Perfect PCL	309,500	11,209
PulteGroup, Inc.(b)	24,450	423,963
Rodobens Negocios Imobiliarios SA	2,300	14,495
Rossi Residencial SA	162,400	341,423
Shimao Property Holdings Ltd.	139,500	264,592
Sino-Ocean Land Holdings Ltd.	305,700	191,052
Stockland	470,640	1,688,661
Urbi Desarrollos Urbanos SAB de CV(b)	406,300	254,441
Vista Land & Lifescapes, Inc.	188,500	21,947
		13,222,659
Self Storage – 0.2%		
Extra Space Storage, Inc.	19,850	684,627
Single Family – 0.3%		
Fortune Brands Home & Security, Inc.(b)	14,520	412,949
Realogy Holdings Corp.(b)	24,223	860,885
		1,273,834
		15,181,120
Office – 2.8%		
Office – 2.8%		
Allied Properties Real Estate Investment Trust	12,960	410,049
Allreal Holding AG(b)	200	30,216
Befimmo SCA Sicafi	900	54,827
Boston Properties, Inc.	7,880	837,644
Brandywine Realty Trust	43,500	504,600
CapitaCommercial Trust	96,000	123,173
Castellum AB	34,970	468,743
Cominar Real Estate Investment Trust	25,367	605,760
Commonwealth Property Office Fund	307,110	343,826
Corporate Office Properties Trust	22,120	551,894
Derwent London PLC	4,000	133,108
Douglas Emmett, Inc.	24,360	571,242
Fabege AB	7,400	73,494
Great Portland Estates PLC	12,400	93,637
Hongkong Land Holdings Ltd.	120,000	758,733
Hufvudstaden AB – Class A	50,346	639,458
Investa Office Fund	15,700	48,398
Japan Excellent, Inc.	63	349,274
Japan Prime Realty Investment Corp.	32	96,442
Japan Real Estate Investment Corp.	58	580,772
Kenedix Realty Investment Corp. – Class A	131	447,474
Kilroy Realty Corp.	5,243	232,842
Liberty Property Trust	8,910	312,919

Company	Shares	U.S. $ Value
Mack-Cali Realty Corp.	21,600	$ 561,384
Nippon Building Fund, Inc.	64	687,566
Nomura Real Estate Office Fund, Inc.	12	75,493
Norwegian Property ASA	15,400	23,095
NTT Urban Development Corp.	46	37,904
Orix JREIT, Inc.	103	501,521
Parkway Properties, Inc./MD	32,220	443,669
Piedmont Office Realty Trust, Inc.	21,250	378,250
PSP Swiss Property AG(b)	1,500	137,755
Societe Immobiliere de Location pour l'Industrie et le Commerce	600	67,270
Swiss Prime Site AG(b)	1,700	141,925
Tokyo Tatemono Co., Ltd.(b)	10,000	41,157
		11,365,514
Industrials – 1.0%		
Industrial Warehouse Distribution – 0.9%		
Ascendas Real Estate Investment Trust	83,000	160,144
Global Logistic Properties Ltd.	345,000	723,842
Granite Real Estate, Inc.	21,060	772,481
Hansteen Holdings PLC	31,700	38,122
Mapletree Logistics Trust	851,100	772,461
ProLogis, Inc.	11,230	385,077
Segro PLC	135,420	519,235
Ticon Industrial Connection PCL	21,500	9,189
		3,380,551
Mixed Office Industrial – 0.1%		
Amata Corp. PCL	29,300	14,722
BR Properties SA	17,400	227,882
Goodman Group	50,340	231,096
		473,700
		3,854,251
Lodging – 0.9%		
Lodging – 0.9%		
Ashford Hospitality Trust, Inc.	47,900	411,461
Far East Hospitality Trust(b)	477,000	385,182
Great Eagle Holdings Ltd.	145,000	427,989
Host Hotels & Resorts, Inc.	27,970	404,446
InterContinental Hotels Group PLC	21,802	539,420
Pebblebrook Hotel Trust	9,472	200,996
RLJ Lodging Trust	49,590	883,694
Strategic Hotels & Resorts, Inc.(b)	42,550	233,599
		3,486,787
Food Beverage & Tobacco – 0.4%		
Agricultural Products – 0.4%		
Archer-Daniels-Midland Co.	9,000	241,560
Bunge Ltd.	11,030	783,461
Golden Agri-Resources Ltd.	186,000	94,997

Company	Shares	U.S. $ Value
IOI Corp. Bhd	63,700	$ 105,601
Kuala Lumpur Kepong Bhd	14,100	99,007
Wilmar International Ltd.	42,000	106,018
		1,430,644
Total Common Stocks (cost $236,640,408)		248,386,323
	Principal Amount (000)	
INFLATION-LINKED SECURITIES – 17.5%		
United States – 17.5%		
U.S. Treasury Inflation Index		
0.625%, 7/15/21 (TIPS)	$ 3,589	4,106,824
1.875%, 7/15/15 (TIPS)(e)(f)	59,921	65,486,597
Total Inflation-Linked Securities (cost $68,928,390)		69,593,421
	Contracts	
OPTIONS PURCHASED - PUTS – 0.1%		
Options on Equity Index – 0.1%		
S&P 500 Index Expiration: Mar 2013, Exercise Price: $ 1,375.00 (b)(g) (cost $1,051,448)	115	560,625
	Shares	
WARRANTS – 0.1%		
Energy – 0.1%		
Coal & Consumable Fuels – 0.1%		
Coal India Ltd., Merril Lynch, expiring 11/02/15(b)	16,210	104,331
Oil & Gas Exploration & Production – 0.0%		
Oil & Natural Gas Corp. Ltd., Deutsche Bank AG London, expiring 1/17/17(b)	20,600	102,782
		207,113
Equity: Other – 0.0%		
Diversified/Specialty – 0.0%		
Emaar Properties PJSC, Merril Lynch, expiring 10/01/15(b)	199,400	195,990
Total Warrants (cost $407,591)		403,103

Company	Shares	U.S. $ Value
INVESTMENT COMPANIES – 0.0%		
Funds and Investment Trusts – 0.0%		
CPN Retail Growth Leasehold Property Fund …	79,200	$ 44,185
UK Commercial Property Trust Ltd./fund ………	27,600	29,329
Total Investment Companies (cost $71,824) ………		73,514
	Contracts	
OPTIONS PURCHASED - CALLS – 0.0%		
Options on Funds and Investment Trusts – 0.0%		
iShares Silver Trust Expiration: Dec 2012, Exercise Price: $ 38.00[b][g] ………	436	2,834
SPDR Gold Trust Expiration: Dec 2012, Exercise Price: $ 180.00[b][g] ………	313	13,772
Total Options Purchased – Calls (cost $122,553) ………		16,606
	Shares	
SHORT-TERM INVESTMENTS – 19.7%		
Investment Companies – 9.9%		
AllianceBernstein Fixed-Income Shares, Inc. – Government STIF Portfolio, 0.15%[h] (cost $39,448,035) ………	39,448,035	39,448,035
	Principal Amount (000)	
U.S. Treasury Bills – 9.8%		
U.S. Treasury Bill		
Zero Coupon, 11/08/12 ………	$ 30,680	30,679,284
Zero Coupon, 12/06/12[e] ………	8,315	8,314,252
Total U.S. Treasury Bills (cost $38,993,536) ………		38,993,536
Total Short-Term Investments (cost $78,441,571) ………		78,441,571
Total Investments – 99.7% (cost $385,663,785) ………		397,475,163
Other assets less liabilities – 0.3% ………		1,091,817
Net Assets – 100.0% ………		**$ 398,566,980**

FUTURES CONTRACTS (see Note D)

Type	Number of Contracts	Expiration Month	Original Value	Value at October 31, 2012	Unrealized Appreciation/ (Depreciation)
Purchased Contracts					
Aluminum HG Futures	28	December 2012	$ 1,491,148	$ 1,330,000	$ (161,148)
Cocoa Futures	120	December 2012	3,127,939	2,997,700	(130,239)
Cocoa Futures	49	December 2012	1,281,967	1,170,120	(111,847)
Corn Futures	8	December 2012	319,181	302,300	(16,881)
Gasoline RBOB Futures	25	December 2012	2,974,246	2,761,815	(212,431)
Lean Hogs Futures	68	December 2012	2,015,947	2,129,080	113,133
Live Cattle Futures	27	December 2012	1,360,585	1,359,990	(595)
Natural Gas Futures	31	December 2012	1,140,878	1,144,520	3,642
Platinum Futures	99	January 2013	7,616,588	7,806,150	189,562
Soybean Futures	15	March 2013	1,274,105	1,142,813	(131,292)
Soybean Meal Futures	25	December 2012	1,068,337	1,205,500	137,163
Wheat Futures	43	December 2012	2,010,367	1,943,600	(66,767)
Sold Contracts					
Aluminum HG Futures	57	December 2012	2,925,471	2,707,500	217,971
Brent Crude Oil Futures	5	December 2012	564,502	543,500	21,002
Cattle Feeder Futures	44	January 2013	3,299,752	3,271,400	28,352
Copper Londom Metal Exchange Futures	8	December 2012	1,613,990	1,551,950	62,040
Gas Oil Futures	1	December 2012	98,023	94,950	3,073
Gold 100 OZ Futures	31	December 2012	4,905,221	5,329,210	(423,989)
Heating Oil Futures	17	December 2012	2,301,899	2,186,482	115,417
S&P 500 E Mini Index Futures	109	December 2012	7,905,066	7,667,060	238,006
Silver Futures	8	December 2012	1,146,145	1,292,640	(146,495)
Sugar 11 Futures	116	March 2012	2,609,204	2,528,243	80,961
					$ (191,362)

FORWARD CURRENCY EXCHANGE CONTRACTS (see Note D)

Counterparty	Contracts to Deliver (000)		In Exchange For (000)		Settlement Date	Unrealized Appreciation/ (Depreciation)
Barclays Bank PLC Wholesale	USD	13,383	CNY	84,967	11/07/12	$ 219,199
Barclays Bank PLC Wholesale	EUR	10,609	USD	13,444	12/14/12	(312,470)
Barclays Bank PLC Wholesale	JPY	658,072	USD	8,456	12/14/12	209,099
Barclays Bank PLC Wholesale	USD	636	CHF	600	12/14/12	8,975
Barclays Bank PLC Wholesale	USD	715	JPY	55,974	12/14/12	(13,927)
BNP Paribas SA	GBP	1,670	USD	2,674	12/14/12	(20,629)
BNP Paribas SA	NOK	8,201	USD	1,422	12/14/12	(13,882)
Citibank NA	USD	2,314	AUD	2,232	12/14/12	(5,335)
Credit Suisse London Branch (GFX)	USD	824	KRW	931,615	11/07/12	29,874
Goldman Sachs International	USD	803	MXN	10,500	11/07/12	(1,359)

Counterparty	Contracts to Deliver (000)		In Exchange For (000)		Settlement Date	Unrealized Appreciation/ (Depreciation)
Goldman Sachs International	AUD	7,697	USD	7,913	12/14/12	$ (49,837)
HSBC Bank USA	HKD	15,984	USD	2,062	11/07/12	(33)
HSBC Bank USA	USD	2,063	HKD	15,984	12/14/12	(9)
HSBC Bank USA	USD	884	JPY	69,046	12/14/12	(18,985)
Royal Bank of Canada	CAD	13,021	USD	13,261	12/14/12	235,346
Royal Bank of Scotland PLC	MXN	10,500	USD	802	11/07/12	611
Royal Bank of Scotland PLC	USD	2,061	HKD	15,984	11/07/12	1,333
Royal Bank of Scotland PLC	USD	536	SGD	664	11/07/12	7,871
Royal Bank of Scotland PLC	USD	799	MXN	10,500	12/14/12	(735)
Standard Chartered Bank	USD	1,049	IDR	10,096,953	11/07/12	1,370
State Street Bank & Trust Co.	BRL	4,722	USD	2,313	11/07/12	(11,256)
State Street Bank & Trust Co.	CNY	91,238	USD	14,482	11/07/12	(124,178)
State Street Bank & Trust Co.	IDR	10,096,953	USD	1,050	11/07/12	(934)
State Street Bank & Trust Co.	INR	50,591	USD	940	11/07/12	696
State Street Bank & Trust Co.	KRW	931,615	USD	854	11/07/12	437
State Street Bank & Trust Co.	MYR	2,611	USD	855	11/07/12	(1,628)
State Street Bank & Trust Co.	SGD	664	USD	544	11/07/12	(537)
State Street Bank & Trust Co.	THB	27,621	USD	887	11/07/12	(14,062)
State Street Bank & Trust Co.	USD	2,323	BRL	4,722	11/07/12	785
State Street Bank & Trust Co.	USD	990	CNY	6,271	11/07/12	14,386
State Street Bank & Trust Co.	USD	908	INR	50,591	11/07/12	31,223
State Street Bank & Trust Co.	USD	840	MYR	2,611	11/07/12	17,218
State Street Bank & Trust Co.	USD	900	THB	27,621	11/07/12	1,179
State Street Bank & Trust Co.	ZAR	3,076	USD	353	11/07/12	(1,532)
State Street Bank & Trust Co.	USD	940	INR	50,591	12/07/12	(6,359)
State Street Bank & Trust Co.	THB	27,621	USD	898	12/14/12	(1,251)
State Street Bank & Trust Co.	USD	13,327	CNY	83,909	12/14/12	388

Counterparty	Contracts to Deliver (000)		In Exchange For (000)		Settlement Date	Unrealized Appreciation/ (Depreciation)
State Street Bank & Trust Co.	USD	1,045	IDR	10,096,953	12/14/12	(101)
State Street Bank & Trust Co.	USD	853	KRW	931,615	12/14/12	(238)
State Street Bank & Trust Co.	USD	854	MYR	2,611	12/14/12	1,127
State Street Bank & Trust Co.	USD	544	SGD	664	12/14/12	526
State Street Bank & Trust Co.	USD	351	ZAR	3,076	12/14/12	1,456
State Street Bank & Trust Co.	BRL	4,722	USD	2,308	1/03/13	1,553
UBS AG	USD	371	ZAR	3,076	11/07/12	(16,775)
UBS AG						
	USD	7,573	CAD	7,408	12/14/12	(162,200)
Westpac Banking Corp.	USD	958	AUD	939	12/14/12	13,840
						$ 20,240

CALL OPTIONS WRITTEN (see Note D)

Description	Contracts	Exercise Price	Expiration Month	U.S. $ Value
iShares Silver Trust(g)	436	$ 42.00	December 2012	$ (1,308)
SPDR Gold Shares(g)	313	190.00	December 2012	(3,600)
(premiums received $56,128)				$ (4,908)

PUT OPTIONS WRITTEN (see Note D)

Description	Contracts	Exercise Price	Expiration Month	U.S. $ Value
S&P 500 Index(g)	115	$ 1,200.00	March 2013	$ (161,000)
SPDR Gold Shares(g)	313	155.00	December 2012	(14,398)
(premiums received $518,798)				$ (175,398)

INTEREST RATE SWAP CONTRACTS (see Note D)

			Rate Type		
Swap Counterparty	Notional Amount (000)	Termination Date	Payments made by the Fund	Payments received by the Fund	Unrealized Appreciation/ (Depreciation)
Bank of America, NA	3,830	3/30/22	2.263%	3 Month LIBOR	$ (220,251)

INFLATION (CPI) SWAP CONTRACTS (see Note D)

			Rate Type		
Swap Counterparty	Notional Amount (000)	Termination Date	Payments made by the Fund	Payments received by the Fund	Unrealized Appreciation/ (Depreciation)
Citibank, NA	1,000	3/27/18	2.45%	CPI#	$ (5,724)

\# *Variable interest rate based on the rate of inflation as determined by the Consumer Price Index (CPI).*

TOTAL RETURN SWAP CONTRACTS (see Note D)

Receive Total Return on Reference Index	Index	# of Shares or Units	Rate Paid by the Fund	Notional Amount (000)	Maturity Date	Counterparty	Unrealized Appreciation/ (Depreciation)
Receive Total Return on Reference Index							
Receive	Dow Jones-UBS Commodity Index 2 Month Forward	373,350	0.17%	$ 114,737	12/17/12	JPMorgan Chase Bank, NA	$ (1,977,945)
Receive	Dow Jones-UBS Commodity Index 2 Month Forward	12,914	0.16%	3,920	12/17/12	JPMorgan Chase Bank, NA	(19,426)
Receive	Dow Jones-UBS Commodity Index 2 Month Forward	23,486	0.16%	7,218	12/17/12	JPMorgan Chase Bank, NA	(124,391)
							$ (2,121,762)

(a) 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 $481,980 or 0.1% of net assets.

(b) Non-income producing security.

(c) Illiquid security.

(d) Fair valued.

(e) Position, or a portion thereof, has been segregated to collateralize OTC derivatives outstanding. The aggregate market value of these securities amounted to $10,645,563.

(f) Position, or a portion thereof, has been segregated to collateralize margin requirements for open futures contracts. The market value of the collateral amounted to $3,650,256.

(g) One contract relates to 100 shares.

(h) Investment in affiliated money market mutual fund. The rate shown represents the 7-day yield as of period end.

Currency Abbreviations:

AUD – Australian Dollar
BRL – Brazilian Real
CAD – Canadian Dollar
CHF – Swiss Franc
CNY – Chinese Yuan Renminbi
EUR – Euro
GBP – Great British Pound
HKD – Hong Kong Dollar
IDR – Indonesian Rupiah
INR – Indian Rupee

JPY – Japanese Yen
KRW – South Korean Won
MXN – Mexican Peso
MYR – Malaysian Ringgit
NOK – Norwegian Krone
SGD – Singapore Dollar
THB – Thailand Baht
USD – United States Dollar
ZAR – South African Rand

Glossary:

ADR – American Depositary Receipt
GDR – Global Depositary Receipt
LIBOR – London Interbank Offered Rates
NVDR – Non Voting Depositary Receipt
OJSC – Open Joint Stock Company
REIT – Real Estate Investment Trust
TIPS – Treasury Inflation Protected Security

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF ASSETS & LIABILITIES

October 31, 2012

Assets	
Investments in securities, at value	
Unaffiliated issuers (cost $346,215,750)	$ 358,027,128
Affiliated issuers (cost $39,448,035)	39,448,035
Cash	1,523,924[(a)]
Foreign currencies, at value (cost $1,496,599)	1,496,181
Receivable for capital stock sold	1,881,789
Receivable for investment securities sold and foreign currency transactions	1,299,577
Unrealized appreciation of forward currency exchange contracts	798,492
Interest and dividends receivable	682,617
Receivable for variation margin on futures contracts	170,706
Total assets	405,328,449
Liabilities	
Options written, at value (premiums received $574,926)	180,306
Unrealized depreciation on total return swap contracts	2,121,762
Payable for investment securities purchased and foreign currency transactions	1,733,642
Payable for capital stock redeemed	1,231,699
Unrealized depreciation of forward currency exchange contracts	778,252
Unrealized depreciation on interest rate swap contracts	220,251
Management fee payable	220,127
Distribution fee payable	78,313
Administrative fee payable	22,612
Transfer Agent fee payable	17,120
Unrealized depreciation on inflation swap contracts	5,724
Accrued expenses and other liabilities	151,661
Total liabilities	6,761,469
Net Assets	**$ 398,566,980**
Composition of Net Assets	
Capital stock, at par	$ 352,427
Additional paid-in capital	403,427,730
Undistributed net investment income	4,102,117
Accumulated net realized loss on investment and foreign currency transactions	(18,992,407)
Net unrealized appreciation on investments and foreign currency denominated assets and liabilities	9,677,113
	$ 398,566,980

(a) *An amount of $504,631 has been segregated to collateralize margin requirements for open futures contracts outstanding at October 31, 2012.*

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

Class	Net Assets	Shares Outstanding	Net Asset Value
A	$ 67,988,691	6,002,235	$ 11.33*
C	$ 15,973,848	1,428,206	$ 11.18
Advisor	$ 72,528,735	6,377,043	$ 11.37
R	$ 16,915	1,494	$ 11.32
K	$ 1,286,284	113,645	$ 11.32
I	$ 18,789,704	1,653,968	$ 11.36
1	$ 221,971,327	19,665,115	$ 11.29
2	$ 11,476	1,000	$ 11.48

* *The maximum offering price per share for Class A shares was $11.83 which reflects a sales charge of 4.25%.*

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS
Year Ended October 31, 2012

Investment Income		
Dividends		
Unaffiliated issuers (net of foreign taxes withheld of $407,439)	$ 7,406,648	
Affiliated issuers	33,350	
Interest	190,103	$ 7,630,101
Expenses		
Management fee (see Note B)	2,763,397	
Distribution fee—Class A	197,811	
Distribution fee—Class C	165,219	
Distribution fee—Class R	69	
Distribution fee—Class K	1,546	
Distribution fee—Class 1	504,411	
Transfer agency—Class A	36,569	
Transfer agency—Class C	10,696	
Transfer agency—Advisor Class	37,888	
Transfer agency—Class R	29	
Transfer agency—Class K	1,072	
Transfer agency—Class I	7,890	
Transfer agency—Class 1	50,806	
Transfer agency—Class 2	3	
Custodian	256,412	
Registration fees	104,383	
Audit	79,466	
Printing	77,542	
Administrative	76,745	
Legal	36,684	
Directors' fees	9,462	
Miscellaneous	23,157	
Total expenses	4,441,257	
Less: expenses waived and reimbursed by the Adviser (see Note B)	(808,446)	
Net expenses		3,632,811
Net investment income		3,997,290

Realized and Unrealized Gain (Loss) on Investment and Foreign Currency Transactions	
Net realized gain (loss) on:	
Investment transactions	$ (5,710,964)[(a)]
Futures contracts	(1,124,755)
Options written	1,701,043
Swap contracts	(83,430)
Foreign currency transactions	(81,914)
Net change in unrealized appreciation/depreciation of:	
Investments	17,439,307[(b)]
Futures contracts	217,373
Options written	(199,635)
Swap contracts	(3,951,807)
Foreign currency denominated assets and liabilities	495,819
Net gain on investment and foreign currency transactions	8,701,037
Net Increase in Net Assets from Operations	**$ 12,698,327**

(a) Net of foreign capital gains taxes of $2,633.

(b) Net of increase in accrued foreign capital gains taxes of $7,497.

See notes to consolidated financial statements.

CONSOLIDATED 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	$ 3,997,290	$ 2,264,727
Net realized loss on investment and foreign currency transactions	(5,300,020)	(21,795,710)
Net change in unrealized appreciation/depreciation of investments and foreign currency denominated assets and liabilities	14,001,057	(5,360,071)
Net increase (decrease) in net assets from operations	12,698,327	(24,891,054)
Dividends to Shareholders from		
Net investment income		
Class A	(509,447)	(92,210)
Class C	(45,930)	(20,530)
Advisor Class	(511,117)	(45,116)
Class R	(49)	(328)
Class K	(2,741)	(351)
Class I	(151,472)	(374)
Class 1	(1,535,734)	(35,343)
Class 2	– 0 –	(367,410)
Capital Stock Transactions		
Net increase	51,614,977	348,866,052
Total increase	61,556,814	323,413,336
Net Assets		
Beginning of period	337,010,166	13,596,830
End of period (including undistributed net investment income of $4,102,117 and $1,120,945, respectively)	**$ 398,566,980**	**$ 337,010,166**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED 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 (the "Strategy") 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 Strategy. As part of the Strategy's investment strategy, the Strategy seeks to gain exposure to commodities and commodities-related instruments and derivatives primarily through investments in AllianceBernstein Cayman Inflation Strategy, Ltd., a wholly-owned subsidiary of the Strategy organized under the laws of the Cayman Islands (the "Subsidiary"). The Strategy and the Subsidiary commenced operations on March 8, 2010. The Subsidiary was incorporated on February 1, 2010. The Strategy is the sole shareholder of the Subsidiary and it is intended that the Strategy will remain the sole shareholder and will continue to control the Subsidiary. Under the Articles of Association of the Subsidiary, shares issued by the Subsidiary confer upon a shareholder the right to receive notice of, to attend and to vote at general meetings of the Subsidiary and shall confer upon the shareholder rights in a winding-up or repayment of capital and the right to participate in the profits or assets of the Subsidiary. As of October 31, 2012, net assets of the Strategy were $398,566,980, of which $73,687,452, or approximately 18.49%, represented the Strategy's ownership of all issued shares and voting rights of the Subsidiary. This report presents the consolidated financial statements of AllianceBernstein Real Asset Strategy and the Subsidiary. All intercompany transactions and balances have been eliminated in consolidation. 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 consolidated 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 consolidated 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.

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.

Where readily available market prices or relevant bid prices are not available for certain equity investments, such investments may be valued based on similar publicly traded investments, movements in relevant indices since last available prices or based upon underlying company fundamentals and comparable company data (such as multiples to earnings or other multiples to equity). Where an investment is valued using an observable input, by pricing vendors, such as another publicly traded security, the investment will be classified as Level 2. If management determines that an adjustment is appropriate based on restrictions on resale, illiquidity or uncertainty, and such adjustment is a significant component of the valuation, the investment will be classified as Level 3. An investment will also be classified as Level 3 where management uses company fundamentals and other significant inputs to determine the valuation.

Options and warrants are valued using market-based inputs to models, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency, where such inputs and models are available. Alternatively the values may be obtained through unobservable management determined inputs and/or management's proprietary models. Where models are used, the selection of a particular model to value an option or a warrant depends upon the contractual terms of, and specific risks inherent in, the option or warrant as well as the availability of pricing information in the market. Valuation models require a variety of inputs, including contractual terms, market prices, measures of volatility and correlations of such inputs. Exchange traded options will be classified as Level 2. For options or warrants that do not trade on exchange but trade in liquid markets, inputs can generally be verified and model selection does not involve significant management judgment. Options and warrants are classified within Level 2 on the fair value hierarchy when all of the significant inputs can be corroborated to market evidence. Otherwise such instruments 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:				
Common Stocks:				
Energy	$ 59,431,609	$ 36,596,927	$ – 0 –	$ 96,028,536
Materials	24,046,352	27,949,525	22,490	52,018,367
Equity:Other	13,972,865	24,154,142	– 0 –	38,127,007
Retail	12,255,264	14,638,833	– 0 –	26,894,097
Residential	7,451,377	7,729,743	– 0 –	15,181,120
Office	5,727,586	5,637,928	– 0 –	11,365,514
Industrials	1,385,440	2,468,811	– 0 –	3,854,251
Lodging	2,519,378	967,409	– 0 –	3,486,787
Food Beverage & Tobacco	1,025,021	405,623	– 0 –	1,430,644
Inflation-Linked Securities	– 0 –	69,593,421	– 0 –	69,593,421
Options Purchased – Puts	– 0 –	560,625	– 0 –	560,625
Warrants	– 0 –	195,990	207,113	403,103
Investment Companies	– 0 –	73,514	– 0 –	73,514
Options Purchased – Calls	– 0 –	16,606	– 0 –	16,606
Short-Term Investments:				
Investment Companies	39,448,035	– 0 –	– 0 –	39,448,035
U.S. Treasury Bills	– 0 –	38,993,536	– 0 –	38,993,536
Total Investments in Securities	167,262,927	229,982,633+	229,603	397,475,163
Other Financial Instruments* :				
Assets:				
Futures Contracts	1,210,322	– 0 –	– 0 –	1,210,322#
Forward Currency Exchange Contracts	– 0 –	798,492	– 0 –	798,492
Liabilities:				
Futures Contracts	(1,401,684)	– 0 –	– 0 –	(1,401,684)#
Forward Currency Exchange Contracts	– 0 –	(778,252)	– 0 –	(778,252)
Call Options Written	– 0 –	(4,908)	– 0 –	(4,908)
Put Options Written	– 0 –	(175,398)	– 0 –	(175,398)
Interest Rate Swap Contracts	– 0 –	(220,251)	– 0 –	(220,251)
Inflation (CPI) Swap Contracts	– 0 –	– 0 –	(5,724)	(5,724)
Total Return Swap Contracts	– 0 –	(2,121,762)	– 0 –	(2,121,762)
Total++	**$ 167,071,565**	**$ 227,480,554**	**$ 223,879**	**$ 394,775,998**

* *Other financial instruments are derivative instruments, such as futures, forwards and swap contracts, which are valued at the unrealized appreciation/depreciation on the instrument. Other financial instruments may also include options written which are valued at market value.*

\+ *A significant portion of the Strategy's foreign equity investments are categorized as Level 2 investments since they are valued using fair value prices based on third party vendor modeling tools to the extent available, see Note A.1.*

++ *There were de minimis transfers under 1% of net assets between Level 1 and Level 2 during the reporting period.*

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

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.

	Energy	Materials	Warrants
Balance as of 10/31/11	**$ 1,036,917**	**$ – 0 –**	**$ – 0 –**
Accrued discounts/(premiums)	– 0 –	– 0 –	– 0 –
Realized gain (loss)	– 0 –	– 0 –	4,480
Change in unrealized appreciation/ depreciation	– 0 –	(73,071)	387
Purchases	– 0 –	– 0 –	315,349
Sales	– 0 –	– 0 –	(113,103)
Transfers in to Level 3	– 0 –	95,561	– 0 –
Transfers out of Level 3	(1,036,917)	– 0 –	– 0 –
Balance as of 10/31/12**	**$ – 0 –**	**$ 22,490**	**$ 207,113**
Net change in unrealized appreciation/ depreciationfrom Investments held as of 10/31/12*	$ – 0 –	$ (73,071)	$ 387

	Inflation (CPI) Swap Contracts	Total
Balance as of 10/31/11	**$ – 0 –**	**$ 1,036,917**
Accrued discounts/(premiums)	– 0 –	– 0 –
Realized gain (loss)	– 0 –	4,480
Change in unrealized appreciation/ depreciation	(5,724)	(78,408)
Purchases	– 0 –	315,349
Sales	– 0 –	(113,103)
Transfers in to Level 3	– 0 –	95,561
Transfers out of Level 3	– 0 –	(1,036,917)
Balance as of 10/31/12	**$ (5,724)**	**$ 223,879**
Net change in unrealized appreciation/ depreciationfrom Investments held as of 10/31/12*	$ (5,724)	$ (78,408)

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

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

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) performance and performance attribution reports are monitored for anomalous impacts based upon benchmark performance, and 2) portfolio managers review 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.

If, during a taxable year, the Subsidiary's taxable losses (and other deductible items) exceed its income and gains, the net loss will not pass through to the Strategy as a deductible amount for Federal income tax purposes. Note that the loss from the Subsidiary's contemplated activities also cannot be carried forward to reduce future Subsidiary's income in subsequent years. However, if the Subsidiary's taxable gains exceed its losses and other deductible items during a taxable year, the net gain will pass through to the Strategy as income for Federal income tax purposes.

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
Management Fee and Other Transactions with Affiliates

Under the terms of the investment advisory agreement, the Strategy pays the Adviser a management fee at an annual rate of .75% 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 1.05%, 1.75%, 0.75%, 1.25%, 1.00%, 0.75%, 1.00% and 0.75% of daily average net assets for 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 March 8, 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 exceed the amount of offering expenses as recorded by the Strategy on or before March 8, 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 $808,446, which is subject to repayment, not to exceed the amount of offering expenses.

The Subsidiary has entered into a separate agreement with the Adviser for the management of the Subsidiary's portfolio. The Adviser receives no compensation from the Subsidiary for its services under the agreement.

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 $76,745.

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 $43,589 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 $7,246 from the sale of Class A shares and received $7 and $10,130 in contingent deferred sales charges imposed upon redemptions by shareholders of Class A and Class C shares, respectively, 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)
$ 2,944	$ 160,398	$ 123,894	$ 39,448	$ 33

Brokerage commissions paid on investment transactions for the year ended October 31, 2012 amounted to $504,351, of which $0 and $3,115, 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 AllianceBernstein Investments, Inc. (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 .25% 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 $121,626, $13,837, $15,193 and $773,200 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)	$ 283,289,858	$ 264,634,045
U.S. government securities	118,014,364	156,331,046

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

Cost	$ 402,897,805
Gross unrealized appreciation	$ 12,208,805
Gross unrealized depreciation	(18,458,882)
Net unrealized depreciation	$ (6,250,077)

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 consolidated 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.

- **Option Transactions**

For hedging and investment purposes, the Strategy may purchase and write (sell) put and call options on U.S. and foreign securities, including government securities, and foreign currencies that are traded on U.S. and foreign securities exchanges and over-the-counter markets. Among other things, the Strategy may use options transactions for non-hedging purposes as a means of making direct investments in foreign currencies, as described below under "Currency Transactions" and may use options strategies involving the purchase and/or writing of various combinations of call and/or put options, for hedging and investment purposes.

The risk associated with purchasing an option is that the Strategy pays a premium whether or not the option is exercised. Additionally, the Strategy bears the risk of loss of the premium and change in market value should the counterparty not perform under the contract. Put and call options purchased are accounted for in the same manner as portfolio securities. The cost of securities acquired through the exercise of call options is increased by premiums paid. The proceeds from securities sold through the exercise of put options are decreased by the premiums paid.

When the Strategy writes an option, the premium received by the Strategy is recorded as a liability and is subsequently adjusted to the current market value of the option written. Premiums received from written options which expire unexercised are recorded by the Strategy on the expiration date as realized gains from options written. The difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or if the premium received is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium received is added to the proceeds from the sale of the underlying security or currency in determining whether the Strategy has realized a gain or loss. If a put option is exercised, the premium received reduces the cost basis of the security or currency purchased by the Strategy. In writing an option, the Strategy bears the market risk of an unfavorable change in the price of the security or currency underlying the written option. Exercise of an option written by the Strategy could result in the Strategy selling or buying a security or currency at a price different from the current market value.

During the year ended October 31, 2012, the Strategy held purchased options for hedging and non-hedging purposes. During the year ended October 31, 2012, the Strategy held written options for hedging and non-hedging purposes.

For the year ended October 31, 2012, the Strategy had the following transactions in written options:

	Number of Contracts	Premiums Received
Options written outstanding as of 10/31/11	135	$ 1,239,997
Options written	3,045	1,810,453
Options expired	(646)	(1,321,393)
Options bought back	(1,357)	(1,154,131)
Options exercised	– 0 –	– 0 –
Options written outstanding as of 10/31/12	1,177	$ 574,926

- **Swap Agreements**

The Strategy may enter into swaps to hedge its exposure to interest rates, credit risk, equity markets and currencies. The Strategy may also enter into swaps for non-hedging purposes as a means of gaining market exposures, making direct investments in foreign currencies, as described below under "Currency Transactions" or in order to take a "long" or "short" position with respect to an underlying referenced asset described below under "Total Return Swaps". 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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, a 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 non-hedging purposes.

Inflation (CPI) Swaps:
Inflation swap agreements are contracts in which one party agrees to pay the cumulative percentage increase in a price index (the Consumer Price Index with respect to CPI swaps) over the term of the swap (with some lag on the inflation index), and the other pays a compounded fixed rate. Inflation swap agreements may be used to protect the net asset value, or NAV, of Strategy against an unexpected change in the rate of inflation measured by an inflation index since the value of these agreements is expected to increase if unexpected inflation increases.

During the year ended October 31, 2012, the Strategy held inflation (CPI) swaps for non-hedging purposes.

Total Return Swaps:
The Strategy may enter into total return swaps in order to take a "long" or "short" position with respect to an underlying referenced asset. The Strategy is subject to market price volatility of the underlying referenced asset. A total return swap involves commitments to pay interest in exchange for a market linked return based on a notional amount. To the extent that the total return of the security, group of securities or index underlying the transaction exceeds or falls short of the offsetting interest obligation, the Strategy will receive a payment from or make a payment to the counterparty.

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

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 $2,727,883. The fair value of assets pledged as collateral by the Strategy for such derivatives was $10,645,563 at October 31, 2012. If a trigger event had occurred at October 31, 2012, for those derivatives in a net liability position, an amount of $275,741 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	**Consolidated Statement of Assets and Liabilities Location**	**Fair Value**	**Consolidated Statement of Assets and Liabilities Location**	**Fair Value**
Foreign exchange contracts	Unrealized appreciation of forward currency exchange contracts	$798,492	Unrealized depreciation of forward currency exchange contracts	$778,252
Commodity contracts			Receivable/ Payable for variation margin on futures contracts	429,368*
Interest rate contracts			Unrealized depreciation on interest rate swap contracts	220,251
Interest rate contracts			Unrealized depreciation on inflation swap contracts	5,724
Equity contracts	Receivable/ Payable for variation margin on futures contracts	238,006*		
Equity contracts			Options written, at value	180,306

	Asset Derivatives		Liability Derivatives	
Derivative Type	Consolidated Statement of Assets and Liabilities Location	Fair Value	Consolidated Statement of Assets and Liabilities Location	Fair Value
Equity contracts	Investments in securities, at value	$ 577,231		
Equity contracts			Unrealized depreciation on total return swap agreements	$ 2,121,762
Total		$1,613,729		$ 3,735,663

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

The effect of derivative instruments on the consolidated 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	$ (86,730)	$ 472,414
Commodity contracts	Net realized gain (loss) on futures contracts; Net change in unrealized appreciation/ depreciation of futures contracts	151,846	(20,633)
Commodity contracts	Net realized gain (loss) on options written; Net change in unrealized appreciation/ depreciation of options written	1,239,997	(594,255)
Commodity contracts	Net realized gain (loss) on investment transactions; Net change in unrealized appreciation/ depreciation of investments	(124,276)	(263,544)

Derivative Type	Location of Gain or (Loss) on Derivatives	Realized Gain or (Loss) on Derivatives	Change in Unrealized Appreciation or (Depreciation)
Interest rate contracts	Net realized gain (loss) on swap contracts; Net change in unrealized appreciation/ depreciation of swap contracts	$ (33,839)	$ (220,251)
Interest rate contracts	Net realized gain (loss) on swap contracts; Net change in unrealized appreciation/ depreciation of swap contracts	– 0 –	(5,724)
Equity contracts	Net realized gain (loss) on futures contracts; Net change in unrealized appreciation/ depreciation of futures contracts	(1,276,601)	238,006
Equity contracts	Net realized gain (loss) on options written; Net change in unrealized appreciation/ depreciation of options written	461,046	394,620
Equity contracts	Net realized gain (loss) on investment transactions; Net change in unrealized appreciation/ depreciation of investments	(1,432,108)	(542,556)
Equity contracts	Net realized gain (loss) on swap contracts; Net change in unrealized appreciation/ depreciation of swap contracts	(49,591)	(3,725,832)
Total		$(1,150,256)	$(4,267,755)

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

Forward Currency Exchange Contracts:	
Average principal amount of buy contracts	$ 59,623,985
Average principal amount of sale contracts	$ 69,075,319
Futures Contracts:	
Average original value of buy contracts	$ 19,399,043
Average original value of sale contracts	$ 22,913,671

Interest Rate Swap Contracts:	
Average notional amount	$ 3,830,000[(a)]
Inflation Swap Contracts:	
Average notional amount	$ 1,000,000[(b)]
Purchased Options Contracts:	
Average monthly cost	$ 1,017,314
Total Return Swap Contracts:	
Average notional amount	$113,146,557

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

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	2,608,531	7,572,792	$ 28,567,301	$ 89,862,351
Shares issued in reinvestment of dividends	38,825	6,878	394,077	76,413
Shares redeemed	(2,988,890)	(1,335,679)	(32,355,909)	(14,766,683)
Net increase (decrease)	**(341,534)**	**6,243,991**	**$ (3,394,531)**	**$ 75,172,081**

	Shares		Amount	
	Year Ended October 31, 2012	Year Ended October 31, 2011	Year Ended October 31, 2012	Year Ended October 31, 2011
Class C				
Shares sold	354,713	1,706,584	$ 3,879,024	$ 20,345,953
Shares issued in reinvestment of dividends	4,016	1,493	40,482	16,512
Shares redeemed	(524,077)	(139,497)	(5,691,101)	(1,576,503)
Net increase (decrease)	**(165,348)**	**1,568,580**	**$ (1,771,595)**	**$ 18,785,962**
Advisor Class				
Shares sold	4,543,903	5,812,158	$ 49,904,713	$ 69,445,733
Shares issued in reinvestment of dividends	31,201	1,871	317,317	20,804
Shares redeemed	(2,780,605)	(1,316,995)	(30,660,702)	(14,466,357)
Net increase	**1,794,499**	**4,497,034**	**$ 19,561,328**	**$ 55,000,180**
Class R				
Shares sold	465	29	$ 5,131	$ 317
Shares issued in reinvestment of dividends	– 0 – [(a)]	– 0 –	2	– 0 –
Net increase	**465**	**29**	**$ 5,133**	**$ 317**
Class K				
Shares sold	104,007	10,805	$ 1,119,362	$ 126,879
Shares issued in reinvestment of dividends	261	– 0 –	2,644	– 0 –
Shares redeemed	(2,244)	(184)	(24,252)	(1,956)
Net increase	**102,024**	**10,621**	**$ 1,097,754**	**$ 124,923**
Class I				
Shares sold	208,844	1,430,460	$ 2,346,052	$ 16,124,567
Shares issued in reinvestment of dividends	14,751	– 0 –	149,726	– 0 –
Shares redeemed	(1,087)	– 0 –	(11,273)	– 0 –
Net increase	**222,508**	**1,430,460**	**$ 2,484,505**	**$ 16,124,567**
Class 1				
Shares sold	6,975,213	17,974,641	$ 76,358,201	$ 211,154,367
Shares issued in reinvestment of dividends	11,816	3,044	119,455	33,729
Shares redeemed	(3,912,630)	(1,387,969)	(42,845,273)	(15,327,431)
Net increase	**3,074,399**	**16,589,716**	**$ 33,632,383**	**$ 195,860,665**
Class 2				
Shares sold	– 0 –	341,297	– 0 –	4,000,000
Shares redeemed	– 0 –	(1,333,297)	– 0 –	(16,202,643)
Net decrease	**– 0 –**	**(992,000)**	**$ – 0 –**	**$ (12,202,643)**

(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.

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.

Commodity Risk—Investing in commodity-linked derivative instruments may subject the Strategy to greater volatility than investments in traditional securities. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments.

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 consolidated 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	$ 2,756,490	$ 561,662
Total taxable distributions paid	$ 2,756,490	$ 561,662

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

Undistributed ordinary income	$ 8,018,481
Accumulated capital and other losses	(15,654,475)[(a)]
Unrealized appreciation/(depreciation)	(6,451,558)[(b)]
Total accumulated earnings/(deficit)	$(14,087,552)

(a) *On October 31, 2012, the Strategy had a net capital loss carryforward of $15,654,475.*

(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 and passive foreign investment companies (PFICs), the tax treatment of Treasury inflation-protected securities, the realization for tax purposes of gains/losses on certain derivative instruments, and the tax treatment of earnings from the Subsidiary.*

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 had a net capital loss carryforward of $15,654,475 which will expire as follows:

Short-Term Amount	Long-Term Amount	Expiration
$ 8,227	n/a	2018
8,373,586	n/a	2019
4,103,434	$ 3,169,228	No expiration

During the current fiscal year, permanent differences primarily due to the tax treatment of swaps and passive foreign investment companies (PFICs), reclassifications of foreign currency and foreign capital gains tax, the book/tax differences associated with the treatment of earnings from the Subsidiary, and the tax treatment of Treasury inflation-protected securities resulted in a net increase in undistributed net investment income, a net increase in accumulated net realized loss on investment and foreign currency transactions, and a net increase in additional paid-in capital. 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.

CONSOLIDATED 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	March 8, 2010[a] to October 31, 2010
Net asset value, beginning of period	$ 11.05	$ 11.25	$ 10.00
Income From Investment Operations			
Net investment income[b][c]	.11	.16	.04
Net realized and unrealized gain (loss) on investment and foreign currency transactions	.25	(.01)	1.21
Contributions from Adviser	– 0 –	– 0 –	.00[d]
Net increase in net asset value from operations	.36	.15	1.25
Less: Dividends			
Dividends from net investment income	(.08)	(.35)	– 0 –
Net asset value, end of period	**$ 11.33**	**$ 11.05**	**$ 11.25**
Total Return			
Total investment return based on net asset value[e]	3.36 %	1.32 %	12.50 %
Ratios/Supplemental Data			
Net assets, end of period (000's omitted)	$67,989	$70,081	$1,123
Ratio to average net assets of:			
Expenses, net of waivers/reimbursements	1.05 %	1.05 %	1.05 %[f][g]
Expenses, before waivers/reimbursements	1.28 %	1.61 %	7.68 %[f][g]
Net investment income[c]	1.02 %	1.44 %	.80 %[f][g]
Portfolio turnover rate	118 %	120 %	42 %

See footnote summary on page 67.

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

	Class C		
	Year Ended October 31,		March 8, 2010[a] to October 31,
	2012	2011	2010
Net asset value, beginning of period	$ 10.93	$ 11.19	$ 10.00
Income From Investment Operations			
Net investment income[b][c]	.03	.08	.04
Net realized and unrealized gain (loss) on investment and foreign currency transactions	.25	(.01)	1.15
Contributions from Adviser	– 0 –	– 0 –	.00[d]
Net increase in net asset value from operations	.28	.07	1.19
Less: Dividends			
Dividends from net investment income	(.03)	(.33)	– 0 –
Net asset value, end of period	**$ 11.18**	**$ 10.93**	**$ 11.19**
Total Return			
Total investment return based on net asset value[e]	2.58 %	.61 %	11.90 %
Ratios/Supplemental Data			
Net assets, end of period (000's omitted)	$15,974	$17,414	$280
Ratio to average net assets of:			
Expenses, net of waivers/reimbursements	1.75 %	1.75 %	1.75 %[f][g]
Expenses, before waivers/reimbursements	1.99 %	2.31 %	11.21 %[f][g]
Net investment income[c]	.32 %	.73 %	.65 %[f][g]
Portfolio turnover rate	118 %	120 %	42 %

See footnote summary on page 67.

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

	Advisor Class		
	Year Ended October 31, 2012	Year Ended October 31, 2011	March 8, 2010[a] to October 31, 2010
Net asset value, beginning of period	$ 11.08	$ 11.26	$ 10.00
Income From Investment Operations			
Net investment income[b][c]	.15	.19	.08
Net realized and unrealized gain (loss) on investment and foreign currency transactions	.25	(.01)	1.18
Contributions from Adviser	– 0 –	– 0 –	.00[d]
Net increase in net asset value from operations	.40	.18	1.26
Less: Dividends			
Dividends from net investment income	(.11)	(.36)	– 0 –
Net asset value, end of period	**$ 11.37**	**$ 11.08**	**$ 11.26**
Total Return			
Total investment return based on net asset value[e]	3.69 %	1.55 %	12.60 %
Ratios/Supplemental Data			
Net assets, end of period (000's omitted)	$72,529	$50,795	$963
Ratio to average net assets of:			
Expenses, net of waivers/reimbursements	.75 %	.75 %	.75 %[f][g]
Expenses, before waivers/reimbursements	.99 %	1.29 %	8.89 %[f][g]
Net investment income[c]	1.33 %	1.69 %	1.46 %[f][g]
Portfolio turnover rate	118 %	120 %	42 %

See footnote summary on page 67.

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

	Class R		
	Year Ended October 31,		March 8, 2010[a] to October 31,
	2012	2011	2010
Net asset value, beginning of period	$ 11.02	$ 11.23	$ 10.00
Income From Investment Operations			
Net investment income[b][c]	.09	.16	.10
Net realized and unrealized gain (loss) on investment and foreign currency transactions	.26	(.04)	1.13
Contributions from Adviser	– 0 –	– 0 –	.00[d]
Net increase in net asset value from operations	.35	.12	1.23
Less: Dividends			
Dividends from net investment income	(.05)	(.33)	– 0 –
Net asset value, end of period	**$ 11.32**	**$ 11.02**	**$ 11.23**
Total Return			
Total investment return based on net asset value[e]	3.20 %	1.03 %	12.30 %
Ratios/Supplemental Data			
Net assets, end of period (000's omitted)	$17	$11	$11
Ratio to average net assets of:			
Expenses, net of waivers/reimbursements	1.25 %	1.25 %	1.25 %[f][g]
Expenses, before waivers/reimbursements	1.64 %	2.87 %	8.66 %[f][g]
Net investment income[c]	.82 %	1.39 %	1.50 %[f][g]
Portfolio turnover rate	118 %	120 %	42 %

See footnote summary on page 67.

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

	Class K		
	Year Ended October 31,		March 8, 2010[a] to October 31,
	2012	2011	2010
Net asset value, beginning of period	$ 11.05	$ 11.25	$ 10.00
Income From Investment Operations			
Net investment income[b][c]	.10	.15	.12
Net realized and unrealized gain on investment and foreign currency transactions	.27	– 0 –	1.13
Contributions from Adviser	– 0 –	– 0 –	.00[d]
Net increase in net asset value from operations	.37	.15	1.25
Less: Dividends			
Dividends from net investment income	(.10)	(.35)	– 0 –
Net asset value, end of period	**$ 11.32**	**$ 11.05**	**$ 11.25**
Total Return			
Total investment return based on net asset value[e]	3.43 %	1.33 %	12.50 %
Ratios/Supplemental Data			
Net assets, end of period (000's omitted)	$1,286	$128	$11
Ratio to average net assets of:			
Expenses, net of waivers/reimbursements	1.00 %	1.00 %	1.00 %[f][g]
Expenses, before waivers/reimbursements	1.35 %	1.91 %	8.39 %[f][g]
Net investment income[c]	.89 %	1.38 %	1.76 %[f][g]
Portfolio turnover rate	118 %	120 %	42 %

See footnote summary on page 67.

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

	Class I		
	Year Ended October 31,		March 8, 2010[a] to October 31,
	2012	2011	2010
Net asset value, beginning of period	$ 11.07	$ 11.27	$ 10.00
Income From Investment Operations			
Net investment income[b][c]	.14	.15	.13
Net realized and unrealized gain on investment and foreign currency transactions	.26	.02[h]	1.14
Contributions from Adviser	– 0 –	– 0 –	.00[d]
Net increase in net asset value from operations	.40	.17	1.27
Less: Dividends			
Dividends from net investment income	(.11)	(.37)	– 0 –
Net asset value, end of period	**$ 11.36**	**$ 11.07**	**$ 11.27**
Total Return			
Total investment return based on net asset value[e]	3.69%	1.53%	12.70%
Ratios/Supplemental Data			
Net assets, end of period (000's omitted)	$18,790	$15,850	$11
Ratio to average net assets of:			
Expenses, net of waivers/reimbursements	.75%	.75%	.75 %[f][g]
Expenses, before waivers/reimbursements	.98%	1.38%	8.11 %[f][g]
Net investment income[c]	1.32%	1.42%	1.99 %[f][g]
Portfolio turnover rate	118%	120%	42%

See footnote summary on page 67.

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

	Class 1		
	Year Ended October 31,		March 8, 2010[a] to October 31,
	2012	2011	2010
Net asset value, beginning of period	$ 11.01	$ 11.25	$ 10.00
Income From Investment Operations			
Net investment income[b][c]	.12	.15	.12
Net realized and unrealized gain (loss) on investment and foreign currency transactions	.25	(.01)	1.13
Contributions from Adviser	– 0 –	– 0 –	.00[d]
Net increase in net asset value from operations	.37	.14	1.25
Less: Dividends			
Dividends from net investment income	(.09)	(.38)	– 0 –
Net asset value, end of period	**$ 11.29**	**$ 11.01**	**$ 11.25**
Total Return			
Total investment return based on net asset value[e]	3.47%	1.25%	12.50%
Ratios/Supplemental Data			
Net assets, end of period (000's omitted)	$221,971	$182,720	$11
Ratio to average net assets of:			
Expenses, net of waivers/reimbursements	1.00%	1.00%	1.00%[f][g]
Expenses, before waivers/reimbursements	1.21%	1.47%	8.39%[f][g]
Net investment income[c]	1.07%	1.40%	1.78%[f][g]
Portfolio turnover rate	118%	120%	42%

See footnote summary on page 67.

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

	Class 2		
	Year Ended October 31,		March 8, 2010[a] to October 31,
	2012	2011	2010
Net asset value, beginning of period	$ 11.07	$ 11.27	$ 10.00
Income From Investment Operations			
Net investment income[b][c]	.15	.14	.13
Net realized and unrealized gain on investment and foreign currency transactions	.26	.03[h]	1.14
Contributions from Adviser	– 0 –	– 0 –	.00[d]
Net increase in net asset value from operations	.41	.17	1.27
Less: Dividends			
Dividends from net investment income	– 0 –	(.37)	– 0 –
Net asset value, end of period	**$ 11.48**	**$ 11.07**	**$ 11.27**
Total Return			
Total investment return based on net asset value[e]	3.70 %	1.50 %	12.70 %
Ratios/Supplemental Data			
Net assets, end of period (000's omitted)	$11	$11	$11,187
Ratio to average net assets of:			
Expenses, net of waivers/reimbursements	.75 %	.75 %	.75 %[f][g]
Expenses, before waivers/reimbursements	.96 %	3.72 %	8.14 %[f][g]
Net investment income[c]	1.32 %	1.19 %	2.01 %[f][g]
Portfolio turnover rate	118 %	120 %	42 %

(a) Commencement of operations.

(b) Based on average shares outstanding.

(c) Net of fees and expenses waived/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 portfolio distributions or the redemption of portfolio shares. Total investment return calculated for a period of less than one year is not annualized.

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

(g) Annualized.

(h) Due to timing of sales and repurchase of capital shares, the net realized and unrealized gain (loss) per share is not in accord with the Strategy's change in net realized and unrealized gain (loss) on investment transactions for the period.

See notes to consolidated financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated statement of assets and liabilities, including the consolidated portfolio of investments, of AllianceBernstein Real Asset Strategy Portfolio (one of the portfolios constituting AllianceBernstein Bond Fund, Inc.) (the "Strategy"), as of October 31, 2012, and the related consolidated statement of operations for the year then ended, the consolidated statements of changes in net assets for each of the two years in the period then ended and the consolidated financial highlights for the two years in the period then ended and the period March 8, 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 consolidated financial position of AllianceBernstein Real Asset Strategy Portfolio of AllianceBernstein Bond Fund, Inc. at October 31, 2012, the consolidated results of their operations for the year then ended, the consolidated changes in their net assets for each of the two years in the period then ended and the consolidated financial highlights for each of the two years in the period then ended and the period March 8, 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 corporate shareholders, 15.87% of dividends paid qualify for the dividends received deduction. For foreign shareholders, 12.15% of ordinary income dividends paid may be considered to be qualifying to be taxed as interest-related dividends.

For the taxable year ended October 31, 2012, the Strategy designates $3,397,898 as the maximum amount that may be considered qualified dividend income for individual shareholders.

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
Vincent L. Childers[2]**,** Vice President
Jonathan E. Ruff[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.
P.O. Box 786003
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 Real Asset Strategy Team. Messrs. Vincent L. Childers and Jonathan E. Ruff 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 NewYork, 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
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.
Vincent L. Childers 36	Vice President	Vice President of the Adviser,** with which he has been associated since prior to 2007.
Jonathan E. Ruff 42	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 REPORT OR THE FINANCIAL STATEMENTS

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

The following is a summary of the evaluation of the Investment Advisory Agreement between AllianceBernstein L.P. (the "Adviser") and The AllianceBernstein Bond Fund, Inc. (the "Fund"), in respect of AllianceBernstein Real Asset 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 August 2004 agreement between the Adviser and the New York State Attorney General (the "NYAG"). The Senior Officer's evaluation of the Investment Advisory Agreement is not meant to diminish the responsibility or authority of the Board of Directors 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 initial approval 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

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

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

relationship to the services rendered and could not have been the product of arm's length bargaining." *Jones v. Harris Associates L.P.*, 130 S. Ct. 1418 (2010). In *Jones*, the Court stated the *Gartenberg* approach fully incorporates the correct understanding of fiduciary duty within the context of section 36(b) and noted with approval that "*Gartenberg* insists that all relevant circumstances be taken into account" and "uses the range of fees that might result from arm's length bargaining as the benchmark for reviewing challenged fees."[3]

ADVISORY FEES, NET ASSETS, & EXPENSE RATIOS

The Adviser proposed that the Strategy pays the advisory fee set forth below for receiving the services to be provided pursuant to the Investment Advisory Agreement.

Strategy	Net Assets 09/30/12 ($MM)	Advisory Fee Schedule Based on the Average Daily Net Assets of the Portfolio
Real Asset Strategy	$399.0	75 bp (flat fee)

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 $72,866 (0.01% of the Strategy's average daily net assets) for 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[4]	Fiscal Year End
Real Asset Strategy	Advisor	0.75%	1.00%	October 31 (ratio as of April 30, 2012)
	Class A	1.05%	1.29%	
	Class C	1.75%	2.00%	
	Class R	1.25%	1.60%	
	Class K	1.00%	1.38%	
	Class I	0.75%	1.03%	
	Class 1	1.00%	1.23%	
	Class 2	0.75%	0.98%	

3 *Jones v. Harris at 1427.*
4 *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 Strategy'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.[5] In addition to the AllianceBernstein

5 *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.*

Institutional fee schedule, set 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:[6]

Strategy	Net Assets 09/30/12 ($MM)	AllianceBernstein ("AB") Institutional ("Inst.") Fee Schedule	Effective AB Inst. Adv. Fee	Strategy Advisory Fee
Real Asset Strategy	$399.0	Real Asset Strategy Schedule 75 bp on 1st $150 million 60 bp on next $150 million 50 bp on the balance Minimum Acct Size: $150 million	0.632%	0.750%

The Adviser provides sub-advisory investment services to certain other investment companies managed by other fund families. The Adviser charges the following fee for the sub-advisory relationship that has a somewhat similar investment style as the Strategy. Also shown are the Strategy's advisory fee and what would have been the effective advisory fee of the Strategy had the fee schedule of the sub-advisory relationship been applicable to the Strategy based on September 30, 2012 net assets:

Strategy	Sub-advised Fund	Sub-advised Fund Fee Schedule	Sub-Advised Management Fund Effective Fee	Portfolio Advisory Fee
Real Asset Strategy	Client #1	0.35% on first $250 million 0.25% on first $250 million 0.23% thereafter	0.313%	0.750%

It is fair to note that the services the Adviser provides pursuant to sub-advisory agreements are generally confined to the services related to the investment process; in other words, they are not as comprehensive as the services provided to the Strategy by the Adviser.

While it appears that the sub-advisory relationship is paying a lower fee than investment companies managed by the Adviser, it is difficult to evaluate the relevance of such fees due to the differences in the services provided, risks involved and other competitive factors between the investment companies and the sub-advisory relationship. There could be various business reasons why an investment adviser would be willing to provide a sub-advised relationship investment related services at a different fee level than an investment company it is sponsoring where the investment adviser is provided all the services, not just investment services, generally required by a registered investment company

6 *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.*

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.[7] 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")[8] and the Strategy's contractual management fee ranking.[9]

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

Strategy	Contractual Management Fee (%)	Lipper Expense Group Median (%)	Rank
Real Asset Strategy	0.750	0.950	2/11

Lipper also compared the Strategy's total expense ratio to the medians of the Strategy's EG and Lipper Expense Universe ("EU"). The EU[10] 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 (%)	Lipper Exp. Group Median (%)	Lipper Group Rank	Lipper Exp. Universe Median (%)	Lipper Universe Rank
Real Asset Strategy	1.050	1.401	2/11	1.320	8/33

7 *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.*

8 *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.*

9 *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.*

10 *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.*

Based on this analysis, the Strategy has equally favorable rankings on a total expense ratio basis and on a contractual management fee basis.

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

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

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

The 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 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, distribution and brokerage related services to the Strategy and receive transfer agent fees, front-end sales loads, Rule 12b-1 payments, contingent deferred sales charges ("CDSC") and brokerage commissions. In addition, the Adviser benefits from soft dollar arrangements which offset expenses the Adviser would otherwise incur. During the Strategy's most recently completed fiscal year, ABI received from the Portfolio $46,956, $404,775 and $2,017 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 $29,579 in fees from the Strategy.

The Strategy effected brokerage transactions through the Adviser's affiliate, Sanford C. Bernstein & Co., LLC ("SCB & Co.") and its U.K. affiliate, Sanford C. Bernstein Limited ("SCB Ltd."), collectively "SCB," and paid commissions for such transactions during the Strategy's most recently completed fiscal year. The Adviser represented that SCB's profitability from business conducted with the Strategy is comparable to the profitability of SCB's dealings with other similar third party clients. In the ordinary course of business, SCB receives and pays liquidity rebates from electronic communications networks ("ECNs") derived from trading for its clients, including the Strategy. These credits and charges are not being passed onto to any SCB client. The Adviser also receives certain soft dollar benefits from brokers that execute agency trades for its clients. These soft dollar benefits reduce the Adviser's research expense and increase its profitability.

V. POSSIBLE ECONOMIES OF SCALE

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

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[11] study on advisory fees and various fund characteristics.[12] The independent consultant first reiterated the results of his previous two dimensional comparison analysis (fund size and family size) with the Board of Directors.[13] 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 FUND

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.

The information below shows the 1 year performance return and rankings of the Strategy[14] relative to its Lipper Performance Group ("PG") and Lipper Performance Universe ("PU")[15] for the periods ended July 31, 2012.[16]

11 *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.*

12 *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.*

13 *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.*

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

15 *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.*

16 *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.*

Strategy	Strategy Return (%)	PG Median (%)	PU Median (%)	PG Rank	PU Rank
Real Asset Strategy 1 year	-7.28	-2.71	-1.56	7/11	54/67

Set forth below are the 1 year and since inception net performance returns of the Strategy (in bold)[17] versus its benchmark.[18] Strategy and benchmark volatility and reward-to-variability ratio ("Sharpe Ratio") information is also shown.[19]

	Periods Ending July 31, 2012 Annualized Performance				
			Annualized		
	1 Year (%)	Since Inception (%)	Volatility (%)	Sharpe (%)	Risk Period (Year)
Real Asset Strategy	-7.28	5.81	22.25	-0.22	1
MSCI AC World Commodity Producers Index	-17.82	-1.49	28.90	-0.49	1
Inception Date: March 8, 2010					

CONCLUSION:

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

Dated: December 3, 2012

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

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

19 *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.*

THIS PAGE IS NOT PART OF THE SHAREHOLDER REPORT OR THE FINANCIAL STATEMENTS

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
International Portfolio
Tax-Managed International Portfolio

Growth Funds

Domestic

Discovery Growth Fund**
Growth Fund
Large Cap Growth Fund
Select US Equity Portfolio
Small Cap Growth Portfolio
U.S. Strategic Research Portfolio

Global & International

Global Thematic Growth Fund
International Discovery Equity Portfolio
International Focus 40 Portfolio
International Growth Fund

Value Funds

Domestic

Core Opportunities Fund
Discovery Value Fund**
Equity Income Fund
Growth & Income Fund
Value Fund

Global & International

Global Real Estate Investment Fund
Global Value Fund
International Value Fund

Taxable Bond Funds

Bond Inflation Strategy
Global Bond Fund
High Income Fund
Intermediate Bond Portfolio
Limited Duration High Income Portfolio
Short Duration Portfolio

Municipal Bond Funds

Arizona Portfolio
California Portfolio
High Income Portfolio
Massachusetts Portfolio
Michigan Portfolio
Minnesota Portfolio
Municipal Bond Inflation Strategy
National Portfolio
New Jersey Portfolio
New York Portfolio
Ohio Portfolio
Pennsylvania Portfolio
Virginia Portfolio

Intermediate Municipal Bond Funds

Intermediate California Portfolio
Intermediate Diversified Portfolio
Intermediate New York Portfolio

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

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* 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.**

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