AllianceBernstein Bond Inflation Strategy

Semi-Annual Report

April 30, 2013

SEMI-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.

June 18, 2013

Semi-Annual Report

This report provides management's discussion of fund performance for AllianceBernstein Bond Inflation Strategy (the "Strategy") for the semi-annual reporting period ended April 30, 2013.

Investment Objectives and Policies

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

The Strategy pursues its objective by investing principally in Treasury Inflation-Protected Securities ("TIPS") directly or by gaining indirect exposure to TIPS through derivatives transactions such as total return swaps linked to TIPS. In deciding whether to take direct or indirect exposure, the Adviser will consider the relative costs and efficiency of each method. In addition, in seeking to maximize real return, the Strategy may invest in other fixed-income investments such as U.S. and non-U.S. government securities, corporate fixed-income securities and mortgage-related securities, as well as derivatives linked to such securities.

Under normal circumstances, the Strategy invests at least 80% of its net assets in fixed-income securities. While the Strategy expects to invest principally in investment-grade securities, it may invest up to 15% of its total assets in fixed-income securities rated BB or B or the equivalent by at least one national rating agency (or deemed by the Adviser to be of comparable credit quality), which are not investment grade ("junk bonds"). Inflation-protected securities are fixed-income securities structured to provide protection against inflation. Their principal value and/or the interest paid on them is adjusted to reflect official inflation measures. The inflation measure for TIPS is the Consumer Price Index for Urban Consumers. The Strategy may also invest in other inflation-indexed securities, issued by both U.S. and non-U.S. issuers, and in derivative instruments linked to these securities.

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

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

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

Investment Results

The table on page 7 shows the Strategy's performance compared to its benchmark, the Barclays 1-10 Year TIPS Index, and to the Lipper TIPS Fund Average (the "Lipper Average") for the six- and 12-month periods ended April 30, 2013.

All share classes of the Strategy rose in absolute terms and outperformed the benchmark and Lipper Average for the six-month period, before sales charges. During the 12-month period, all share classes rose and outperformed the benchmark, before sales charges; with the exception of Class C shares, all share classes outperformed the Lipper Average, before sales charges. For both periods, exposure to non-Treasury sectors, specifically investment-grade corporates, asset-backed securities, commercial mortgage-backed securities ("CMBS") and high-yield corporates added to relative outperformance. The Strategy's underweight to inflation-protected holdings helped relative performance for the six-month period, as TIPS underperformed nominal Treasuries.

During both periods, the Strategy utilized derivatives in the form of Treasury futures and interest rate swaps in order to manage duration, country exposure and yield curve positioning of the Strategy. Within the Strategy's yield curve positioning, an overweight to intermediate maturities for the 12-month period was a positive contributor. The Strategy's overall currency positioning contributed positively for both periods, helped by a short position in the Japanese yen, and to a lesser extent, a long position in the Mexican peso. During both periods, the Strategy utilized currency forwards for hedging back currency exposure on non-U.S. dollar positions and to manage the Strategy's long/short currency positions. The Strategy also utilized leverage through repurchase agreements. Credit default swaps were utilized during both periods as a substitute for nominal corporate bonds, which had a positive impact on performance.

Market Review and Investment Strategy

Global equity and bond markets advanced during the six-month period ended April 30 2013, largely driven by improved investor sentiment and the gradual return to riskier assets. As measured by the benchmark, U.S. fixed-income markets posted positive returns for the six-month period with credit sectors outperforming government bonds. Treasury yields ended the period relatively unchanged. Spreads in non-government sectors continued to tighten with investment-grade corporates, particularly financials, performing well. High-yield corporates posted strong returns as risk aversion ebbed and investors reached for yield.

For the six-month period, the TIPS yield curve steepened as intermediate yields fell. The aggregate rate shift resulted in a modest positive absolute return, with the benchmark returning 0.47%. A more modest inflation accrual during the period and a decrease in breakeven inflation rates (i.e., the difference between the yield on TIPS and a comparable maturity Treasury bond) resulted in TIPS underperforming Treasuries. TIPS in the one- to 10-year maturity range underperformed comparable U.S. Treasuries by approximately 0.65%, as measured within the benchmark.

Investors were relatively unaffected by fresh political and systemic concerns in the euro area. Policy and political developments, rather than an acceleration of global economic growth, were the market's main drivers. The willingness of political leaders to address the structural flaws of the euro zone, along with the continued global monetary easing cycle led by the U.S. Federal Reserve (the "Fed") and the European Central Bank ("ECB"), lifted investor confidence for much of the period.

In Europe, the threat of a worst-case outcome for the euro was reduced. The ECB's Outright Monetary Transactions program and more support for Greece alleviated fears of a euro breakup. China's slowdown appeared to have bottomed out; in the view of the U.S. Core Fixed-Income Team (the "Team"), housing starts, corporate bond issuance and a steady yuan should support 7%-8% growth. In Japan, equity markets gained as the yen weakened amid expectations of a monetary policy shift following the Liberal Democratic Party's victory in the December elections. After appointing a new governor and deputy governor for the Bank of Japan ("BOJ"), the Japanese government began to implement Prime Minister Shinzo Abe's aggressive stimulatory policies. This led to a weakening of the yen, while expectations that the BOJ would include longer-dated Japanese government bonds ("JGBs") in its asset purchase program caused JGBs to rally. U.S. financial markets continued to rebound, approaching new highs for the equity market late in the reporting period, despite investors' concerns about slowing corporate earnings growth and continued political dysfunction.

In the Team's view, U.S. monetary policy could create additional market uncertainty in the coming year. The Federal Funds rate has been reduced to near zero percent and the Fed has, among other actions taken, purchased U.S. Treasury and mortgage-backed securities. The latter is commonly referred to as Quantitative Easing ("QE"). These policies have been beneficial to the fixed-income securities held in this Strategy. As the market perceives that the Fed will begin to reduce the level of accommodation, there may be downward pressure on prices of fixed-income securities, including those held in the Strategy. These and other risks to the Strategy are discussed further in this report.

DISCLOSURES AND RISKS

Benchmark Disclosure

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

A Word About Risk

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

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

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

Duration Risk: Duration is a measure that relates the expected price volatility of a fixed-income security to changes in interest rates. The duration of a fixed-income security may be shorter than or equal to full maturity of a fixed-income security. Fixed-income securities with longer durations have more risk and will decrease in price as interest rates rise. For example, a fixed-income security with a duration of three years will decrease in value by approximately 3% if interest rates increase by 1%.

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

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

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

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

Leverage Risk: To the extent the Strategy uses leveraging techniques, its NAV may be more volatile because leverage tends to exaggerate the effect

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

DISCLOSURES AND RISKS

(continued from previous page)

of changes in interest rates and any increase or decrease in the value of the Strategy's investments.

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

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

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

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

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

HISTORICAL PERFORMANCE

THE STRATEGY VS. ITS BENCHMARK PERIODS ENDED APRIL 30, 2013	NAV Returns 6 Months	12 Months
AllianceBernstein Bond Inflation Strategy		
Class 1*	0.98%	4.28%
Class 2*	1.02%	4.45%
Class A	0.87%	4.08%
Class C	0.48%	3.33%
Advisor Class**	0.90%	4.28%
Class R**	0.78%	3.90%
Class K**	0.93%	4.24%
Class I**	1.06%	4.46%
Barclays 1-10 Year TIPS Index	0.47%	2.66%
Lipper TIPS Fund Average	0.26%	3.77%

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

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

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

(Historical Performance continued on next page)

HISTORICAL PERFORMANCE

(continued from previous page)

AVERAGE ANNUAL RETURNS AS OF APRIL 30, 2013

	NAV Returns	SEC Returns	SEC Yields‡
Class 1 Shares†			-0.23%
1 Year	4.28%	4.28%	
Since Inception*	6.14%	6.14%	
Class 2 Shares†			1.21%
1 Year	4.45%	4.45%	
Since Inception*	6.23%	6.23%	
Class A Shares			-0.41%
1 Year	4.08%	-0.32%	
Since Inception*	5.89%	4.50%	
Class C Shares			-1.01%
1 Year	3.33%	2.33%	
Since Inception*	5.13%	5.13%	
Advisor Class Shares††			-0.12%
1 Year	4.28%	4.28%	
Since Inception*	6.18%	6.18%	
Class R Shares††			-0.62%
1 Year	3.90%	3.90%	
Since Inception*	5.71%	5.71%	
Class K Shares††			-0.62%
1 Year	4.24%	4.24%	
Since Inception*	5.96%	5.96%	
Class I Shares††			-3.09%
1 Year	4.46%	4.46%	
Since Inception*	6.23%	6.23%	

The Strategy's prospectus fee table shows the Strategy's total annual operating expense ratios as 0.96%, 0.86%, 1.25%, 1.96%, 0.95%, 1.60%, 1.27% and 0.95% for Class 1, Class 2, Class A, Class C, Advisor Class, Class R, Class K and Class I shares, respectively, gross of any fee waivers or expense reimbursements. Contractual fee waivers and/or expense reimbursements limit the Strategy's annual operating expenses (exclusive of interest expense) to 0.55%, 0.45%, 0.75%, 1.45%, 0.45%, 0.95%, 0.70% and 0.45% for Class 1, Class 2, Class A, Class C, Advisor Class, Class R, Class K and Class I shares, respectively. These waivers/reimbursements extend through January 31, 2014 and may be extended by the Adviser for additional one-year terms. Absent reimbursements or waivers, performance would have been lower. The Financial Highlights section of this report sets forth expense ratio data for the current reporting period; the expense ratios shown above may differ from the expense ratios in the Financial Highlights sections since they are based on different time periods.

‡ *SEC yields are calculated based on SEC guidelines for the 30-day period ended April 30, 2013.*

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

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

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

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

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HISTORICAL PERFORMANCE

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SEC AVERAGE ANNUAL RETURNS (WITH ANY APPLICABLE SALES CHARGES) AS OF THE MOST RECENT CALENDAR QUARTER-END (MARCH 31, 2013)

	SEC Returns
Class 1 Shares†	
1 Year	5.26%
Since Inception*	6.22%
Class 2 Shares†	
1 Year	5.27%
Since Inception*	6.27%
Class A Shares	
1 Year	0.47%
Since Inception*	4.53%
Class C Shares	
1 Year	3.27%
Since Inception*	5.21%
Advisor Class Shares††	
1 Year	5.24%
Since Inception*	6.26%
Class R Shares††	
1 Year	4.85%
Since Inception*	5.77%
Class K Shares††	
1 Year	5.12%
Since Inception*	6.03%
Class I Shares††	
1 Year	5.35%
Since Inception*	6.30%

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

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

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

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

EXPENSE EXAMPLE

(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 November 1, 2012	Ending Account Value April 30, 2013	Expenses Paid During Period*	Annualized Expense Ratio*
Class A				
Actual	$ 1,000	$ 1,008.70	$ 4.08	0.82%
Hypothetical**	$ 1,000	$ 1,020.73	$ 4.11	0.82%
Class C				
Actual	$ 1,000	$ 1,004.80	$ 7.56	1.52%
Hypothetical**	$ 1,000	$ 1,017.26	$ 7.60	1.52%
Advisor Class				
Actual	$ 1,000	$ 1,009.00	$ 2.59	0.52%
Hypothetical**	$ 1,000	$ 1,022.22	$ 2.61	0.52%
Class R				
Actual	$ 1,000	$ 1,007.80	$ 5.08	1.02%
Hypothetical**	$ 1,000	$ 1,019.74	$ 5.11	1.02%
Class K				
Actual	$ 1,000	$ 1,009.30	$ 3.84	0.77%
Hypothetical**	$ 1,000	$ 1,020.98	$ 3.86	0.77%

	Beginning Account Value November 1, 2012	Ending Account Value April 30, 2013	Expenses Paid During Period*	Annualized Expense Ratio*
Class I				
Actual	$ 1,000	$ 1,010.60	$ 2.59	0.52%
Hypothetical**	$ 1,000	$ 1,022.22	$ 2.61	0.52%
Class 1				
Actual	$ 1,000	$ 1,009.80	$ 3.09	0.62%
Hypothetical**	$ 1,000	$ 1,021.72	$ 3.11	0.62%
Class 2				
Actual	$ 1,000	$ 1,010.20	$ 2.59	0.52%
Hypothetical**	$ 1,000	$ 1,022.22	$ 2.61	0.52%

* *Expenses are equal to each classes' annualized expense ratios, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).*

** *Assumes 5% annual return before expenses.*

PORTFOLIO SUMMARY

April 30, 2013 (unaudited)

PORTFOLIO STATISTICS

Net Assets ($mil): $366.2
Total Investments ($mil): $463.3

INFLATION PROTECTION BREAKDOWN*

U.S. Inflation-Protected Exposure	95.6%
Non-U.S.	—
Non-Inflation Exposure	4.4%
	100.0%

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

Corporates – Investment Grades	16.8%
Asset-Backed Securities	7.3%
Commercial Mortgage-Backed Securities	5.3%
Corporates – Non-Investment Grades	0.7%
Quasi-Sovereigns	0.4%
Governments – Sovereign Bonds	0.3%
Mortgage Pass-Throughs	0.1%
Emerging Markets – Corporate Bonds	0.1%

SECTOR BREAKDOWN OF TOTAL PORTFOLIO INVESTMENTS, EXCLUDING DERIVATIVES**

Inflation-Linked Securities	75.6%
Corporates – Investment Grades	12.5%
Asset-Backed Securities	5.7%
Commercial Mortgage-Backed Securities	4.2%
Corporates – Non-Investment Grades	0.6%
Quasi-Sovereigns	0.3%
Governments – Sovereign Bonds	0.2%
Mortgage Pass-Throughs	0.1%
Emerging Markets – Corporate Bonds	0.1%
Short Term	0.7%

* *All data are as of April 30, 2013. The Strategy's sector and inflation protection exposure breakdowns are expressed as an approximate percentage of the Strategy's total net assets (and may vary over time) inclusive of derivative exposure except as noted, based on the Adviser's internal classification.*

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

PORTFOLIO OF INVESTMENTS

April 30, 2013 (unaudited)

		Principal Amount (000)	U.S. $ Value
INFLATION-LINKED SECURITIES – 95.6%			
United States – 95.6%			
U.S. Treasury Inflation Index			
0.125%, 4/15/16-1/15/22 (TIPS)[a]	U.S.$	35,761	$ 38,170,257
0.125%, 4/15/18-1/15/23 (TIPS)		62,267	67,710,107
0.625%, 7/15/21 (TIPS)[a]		25,972	29,660,610
1.125%, 1/15/21 (TIPS)		2,451	2,879,518
1.25%, 7/15/20 (TIPS)[a]		22,361	26,554,865
1.375%, 7/15/18 (TIPS)		23,447	27,161,538
1.375%, 1/15/20 (TIPS)[a]		8,978	10,618,365
1.625%, 1/15/15 (TIPS)[a]		8,893	9,342,349
1.625%, 1/15/18 (TIPS)		8,259	9,511,943
1.875%, 7/15/15-7/15/19 (TIPS)		14,747	16,719,673
2.00%, 7/15/14 (TIPS)[a]		32,150	33,529,246
2.00%, 1/15/16 (TIPS)		4,514	4,953,720
2.125%, 1/15/19 (TIPS)		20,381	24,619,887
2.50%, 7/15/16 (TIPS)[a]		20,394	23,228,814
2.625%, 7/15/17 (TIPS)[a]		21,538	25,553,937
Total Inflation-Linked Securities (cost $342,410,902)			350,214,829
CORPORATES – INVESTMENT GRADES — 15.8%			
Industrial – 8.4%			
Basic – 1.4%			
AngloGold Ashanti Holdings PLC			
5.375%, 4/15/20		465	487,486
Basell Finance Co. BV			
8.10%, 3/15/27[b]		205	282,387
Cia Minera Milpo SAA			
4.625%, 3/28/23[b]		412	416,332
Dow Chemical Co. (The)			
4.125%, 11/15/21		560	609,988
5.25%, 11/15/41		185	209,150
8.55%, 5/15/19		67	90,338
Gerdau Trade, Inc.			
4.75%, 4/15/23[b]		330	326,514
5.75%, 1/30/21[b]		101	108,777
International Paper Co.			
4.75%, 2/15/22		800	910,840
LyondellBasell Industries NV			
5.75%, 4/15/24		405	487,964
Sociedad Quimica y Minera de Chile SA			
3.625%, 4/03/23[b]		393	395,024
Vale SA			
5.625%, 9/11/42		595	621,582
			4,946,382

		Principal Amount (000)	U.S. $ Value
Capital Goods – 0.3%			
CRH America, Inc.			
5.75%, 1/15/21	U.S.$	230	$ 260,093
Embraer SA			
5.15%, 6/15/22		147	160,406
Odebrecht Finance Ltd.			
5.125%, 6/26/22[b]		300	321,000
Republic Services, Inc.			
3.80%, 5/15/18		8	8,808
5.25%, 11/15/21		150	177,410
			927,717
Communications - Media – 1.5%			
CBS Corp.			
3.375%, 3/01/22		497	518,463
5.75%, 4/15/20		325	388,902
8.875%, 5/15/19		25	33,446
Comcast Corp.			
5.15%, 3/01/20		210	254,028
DirecTV Holdings LLC/DirecTV Financing Co., Inc.			
3.80%, 3/15/22		775	813,991
4.60%, 2/15/21		140	156,006
Globo Comunicacao e Participacoes SA			
5.307%, 5/11/22[b][c]		215	235,425
NBCUniversal Enterprise, Inc.			
5.25%, 3/19/21[b]		409	412,904
NBCUniversal Media LLC			
4.375%, 4/01/21		205	236,485
News America, Inc.			
3.00%, 9/15/22		270	273,859
6.15%, 3/01/37-2/15/41		331	409,945
Omnicom Group, Inc.			
3.625%, 5/01/22		163	169,347
Reed Elsevier Capital, Inc.			
8.625%, 1/15/19		460	598,030
Time Warner Cable, Inc.			
4.125%, 2/15/21		180	196,899
5.00%, 2/01/20		35	40,410
7.50%, 4/01/14		70	74,408
8.75%, 2/14/19		25	33,427
WPP Finance 2010			
4.75%, 11/21/21		677	751,998
			5,597,973
Communications - Telecommunications – 1.2%			
American Tower Corp.			
3.50%, 1/31/23		300	303,075
4.70%, 3/15/22		395	434,804
5.05%, 9/01/20		35	39,503

		Principal Amount (000)		U.S. $ Value
AT&T, Inc.				
3.00%, 2/15/22	U.S.$	215	$	223,339
5.35%, 9/01/40		280		316,144
Bell Canada				
4.85%, 6/30/14	CAD	25		25,750
British Telecommunications PLC				
2.00%, 6/22/15	U.S.$	208		213,691
5.95%, 1/15/18		316		377,968
Deutsche Telekom International Finance BV				
4.875%, 3/06/42(b)		425		454,015
8.75%, 6/15/30(d)		150		223,136
Rogers Communications, Inc.				
4.00%, 6/06/22	CAD	55		58,413
Telecom Italia Capital SA				
7.175%, 6/18/19	U.S.$	170		201,304
Telefonica Emisiones SAU				
5.462%, 2/16/21		400		440,878
United States Cellular Corp.				
6.70%, 12/15/33		375		407,092
Verizon Communications, Inc.				
7.35%, 4/01/39		300		420,549
Vodafone Group PLC				
6.15%, 2/27/37		335		412,317
				4,551,978
Consumer Cyclical - Automotive – 0.2%				
Ford Motor Credit Co. LLC				
5.00%, 5/15/18		645		719,262
Harley-Davidson Funding Corp.				
5.75%, 12/15/14(b)		30		32,309
				751,571
Consumer Cyclical - Entertainment – 0.3%				
Time Warner, Inc.				
3.40%, 6/15/22		985		1,039,147
Consumer Cyclical - Other – 0.1%				
Host Hotels & Resorts LP				
5.25%, 3/15/22		175		195,125
Marriott International, Inc./DE				
3.00%, 3/01/19		263		276,702
				471,827
Consumer Cyclical - Retailers – 0.3%				
Dollar General Corp.				
4.125%, 7/15/17		94		102,889
Macy’s Retail Holdings, Inc.				
3.875%, 1/15/22		925		990,363
				1,093,252
Consumer Non-Cyclical – 0.7%				
Actavis, Inc.				
3.25%, 10/01/22		215		214,218

		Principal Amount (000)		U.S. $ Value
Ahold Finance USA LLC				
6.875%, 5/01/29	U.S.$	25	$	33,073
Altria Group, Inc.				
4.75%, 5/05/21		195		223,985
Bunge Ltd. Finance Corp.				
5.10%, 7/15/15		125		134,753
8.50%, 6/15/19		75		97,755
ConAgra Foods, Inc.				
3.20%, 1/25/23		233		238,269
Kroger Co. (The)				
3.40%, 4/15/22		659		695,874
Reynolds American, Inc.				
3.25%, 11/01/22		284		285,966
Tyson Foods, Inc.				
4.50%, 6/15/22		585		645,922
				2,569,815
Energy – 1.5%				
Encana Corp.				
3.90%, 11/15/21		940		1,012,443
Marathon Petroleum Corp.				
3.50%, 3/01/16		9		9,624
5.125%, 3/01/21		280		330,751
Nabors Industries, Inc.				
9.25%, 1/15/19		175		224,714
Noble Energy, Inc.				
4.15%, 12/15/21		127		141,970
8.25%, 3/01/19		387		508,731
Phillips 66				
4.30%, 4/01/22		735		820,478
Reliance Holdings USA, Inc.				
5.40%, 2/14/22[(b)]		670		753,038
Transocean, Inc.				
2.50%, 10/15/17		263		267,917
Valero Energy Corp.				
6.125%, 2/01/20		476		582,626
Weatherford International Ltd./Bermuda				
5.125%, 9/15/20		765		851,643
9.625%, 3/01/19		70		92,559
				5,596,494
Technology – 0.7%				
Agilent Technologies, Inc.				
5.00%, 7/15/20		7		7,995
Baidu, Inc.				
2.25%, 11/28/17		237		240,425
Hewlett-Packard Co.				
4.65%, 12/09/21		345		356,978
Intel Corp.				
4.80%, 10/01/41		225		242,491

		Principal Amount (000)	U.S. $ Value
Motorola Solutions, Inc.			
3.50%, 3/01/23	U.S.$	206	$ 209,861
3.75%, 5/15/22		320	333,073
7.50%, 5/15/25		195	260,234
Oracle Corp.			
3.875%, 7/15/20		205	232,047
Telefonaktiebolaget LM Ericsson			
4.125%, 5/15/22		495	524,947
			2,408,051
Transportation - Airlines – 0.0%			
Southwest Airlines Co.			
5.25%, 10/01/14		35	36,946
Transportation - Railroads – 0.1%			
CSX Corp.			
4.75%, 5/30/42		400	430,677
Transportation - Services – 0.1%			
Asciano Finance Ltd.			
5.00%, 4/07/18(b)		47	51,709
Ryder System, Inc.			
3.15%, 3/02/15		105	108,868
5.85%, 11/01/16		105	119,501
7.20%, 9/01/15		10	11,321
			291,399
			30,713,229
Financial Institutions – 5.5%			
Banking – 3.2%			
Bank of America Corp.			
3.30%, 1/11/23		520	526,671
5.00%, 5/13/21		610	698,097
Barclays Bank PLC			
6.625%, 3/30/22(b)	EUR	370	594,208
7.625%, 11/21/22	U.S.$	378	385,560
BBVA US Senior SAU			
3.25%, 5/16/14		265	267,599
Capital One Financial Corp.			
4.75%, 7/15/21		265	304,186
5.25%, 2/21/17		150	169,346
Citigroup, Inc.			
5.375%, 8/09/20		143	170,525
Cooperatieve Centrale Raiffeisen-Boerenleenbank BA/Netherlands			
3.95%, 11/09/22		333	343,268
Danske Bank A/S			
5.684%, 2/15/17	GBP	287	439,169
DNB Bank ASA			
3.20%, 4/03/17(b)	U.S.$	450	480,266
Fifth Third Bancorp			
3.50%, 3/15/22		381	404,229

		Principal Amount (000)	U.S. $ Value
Goldman Sachs Group, Inc. (The)			
5.25%, 7/27/21	U.S.$	300	$ 347,838
5.75%, 1/24/22		240	286,560
6.00%, 6/15/20		120	144,575
HSBC Holdings PLC			
4.00%, 3/30/22		770	852,954
5.10%, 4/05/21		180	213,514
ING Bank NV			
2.00%, 9/25/15[b]		600	611,163
JPMorgan Chase & Co.			
4.25%, 10/15/20		55	61,604
4.40%, 7/22/20		105	118,952
4.50%, 1/24/22		365	412,272
Series Q			
5.15%, 5/01/23		280	284,550
Macquarie Group Ltd.			
7.625%, 8/13/19[b]		65	79,339
Morgan Stanley			
3.75%, 2/25/23		707	733,756
4.75%, 3/22/17		45	49,857
Series G			
5.50%, 7/28/21		456	535,170
Murray Street Investment Trust I			
4.647%, 3/09/17		52	56,959
National Capital Trust II			
5.486%, 3/23/15[b]		45	46,012
Royal Bank of Scotland PLC (The)			
9.50%, 3/16/22[b]		115	136,275
Standard Chartered PLC			
4.00%, 7/12/22[b]		725	758,495
UBS AG/Stamford CT			
7.625%, 8/17/22		465	539,188
Unicredit Luxembourg Finance SA			
6.00%, 10/31/17[b]		325	336,503
Vesey Street Investment Trust I			
4.404%, 9/01/16		140	152,252
			11,540,912
Brokerage – 0.2%			
Nomura Holdings, Inc.			
2.00%, 9/13/16		809	813,246
Finance – 0.2%			
SLM Corp.			
7.25%, 1/25/22		475	528,437
Insurance – 1.4%			
Allstate Corp. (The)			
6.125%, 5/15/37		37	39,686
American International Group, Inc.			
4.875%, 6/01/22		625	719,921
6.40%, 12/15/20		205	256,496

		Principal Amount (000)		U.S. $ Value
Coventry Health Care, Inc.				
5.45%, 6/15/21	U.S.$	415	$	494,505
Hartford Financial Services Group, Inc.				
5.125%, 4/15/22		535		634,026
5.50%, 3/30/20		24		28,685
6.10%, 10/01/41		165		207,962
Humana, Inc.				
6.45%, 6/01/16		40		46,053
7.20%, 6/15/18		480		588,015
Lincoln National Corp.				
8.75%, 7/01/19		175		238,427
Marsh & McLennan Cos., Inc.				
5.375%, 7/15/14		207		217,795
MetLife, Inc.				
5.70%, 6/15/35		90		108,558
7.717%, 2/15/19		180		236,528
Nationwide Financial Services, Inc.				
5.375%, 3/25/21(b)		360		405,534
Nationwide Mutual Insurance Co.				
9.375%, 8/15/39(b)		125		188,290
Prudential Financial, Inc.				
5.625%, 6/15/43		340		357,000
WellPoint, Inc.				
3.30%, 1/15/23		212		218,652
XL Group PLC				
5.25%, 9/15/14		151		159,452
				5,145,585
Other Finance – 0.0%				
ORIX Corp.				
4.71%, 4/27/15		37		39,282
REITS – 0.5%				
HCP, Inc.				
5.375%, 2/01/21		739		876,567
Health Care REIT, Inc.				
5.25%, 1/15/22		890		1,033,054
				1,909,621
				19,977,083
Utility – 1.8%				
Electric – 0.3%				
CMS Energy Corp.				
5.05%, 3/15/22		144		168,353
Constellation Energy Group, Inc.				
5.15%, 12/01/20		91		105,340
MidAmerican Energy Holdings Co.				
6.125%, 4/01/36		340		438,534
Nisource Finance Corp.				
6.125%, 3/01/22		95		115,606
6.80%, 1/15/19		75		92,353

		Principal Amount (000)		U.S. $ Value
Pacific Gas & Electric Co.				
4.50%, 12/15/41	U.S.$	160	$	173,497
TECO Finance, Inc.				
4.00%, 3/15/16		45		48,529
				1,142,212
Natural Gas – 1.5%				
DCP Midstream LLC				
4.75%, 9/30/21(b)		405		440,819
9.75%, 3/15/19(b)		20		26,416
Energy Transfer Partners LP				
5.20%, 2/01/22		510		583,094
5.95%, 2/01/15		150		162,203
6.125%, 2/15/17		145		168,248
Enterprise Products Operating LLC				
5.20%, 9/01/20		335		399,288
Kinder Morgan Energy Partners LP				
3.95%, 9/01/22		846		916,799
4.15%, 3/01/22		104		113,338
ONEOK, Inc.				
4.25%, 2/01/22		710		765,039
Spectra Energy Capital LLC				
6.20%, 4/15/18		265		320,708
8.00%, 10/01/19		25		33,049
Talent Yield Investments Ltd.				
4.50%, 4/25/22(b)		480		523,463
Williams Cos., Inc. (The)				
3.70%, 1/15/23		642		648,491
Williams Partners LP				
5.25%, 3/15/20		400		464,207
				5,565,162
				6,707,374
Non Corporate Sectors – 0.1%				
Agencies - Not Government Guaranteed – 0.1%				
Gazprom OAO Via Gaz Capital SA				
6.212%, 11/22/16(b)		320		359,392
Total Corporates - Investment Grades (cost $55,085,453)				57,757,078
ASSET-BACKED SECURITIES – 7.3%				
Autos-Fixed Rate – 4.5%				
Ally Master Owner Trust				
Series 2011-3, Class A2 1.81%, 5/15/16		1,105		1,119,605
Series 2013-1, Class A2 1.00%, 2/15/18		805		807,840

		Principal Amount (000)	U.S. $ Value
AmeriCredit Automobile Receivables Trust			
Series 2011-4, Class A2 0.92%, 3/09/15	U.S.$	32	$ 32,404
Series 2012-3, Class A3 0.96%, 1/09/17		655	659,183
Series 2012-4, Class A2 0.49%, 4/08/16		803	803,322
Series 2013-1, Class A2 0.49%, 6/08/16		672	672,446
ARI Fleet Lease Trust Series 2013-A, Class A2 0.70%, 12/15/15(b)		767	767,707
Avis Budget Rental Car Funding AESOP LLC Series 2012-3A, Class A 2.10%, 3/20/19(b)		420	431,836
Bank of America Auto Trust Series 2012-1, Class A4 1.03%, 12/15/16		380	383,901
Capital Auto Receivables Asset Trust Series 2013-1, Class A2 0.62%, 7/20/16		575	575,575
Exeter Automobile Receivables Trust Series 2012-2A, Class A 1.30%, 6/15/17(b)		421	423,380
Fifth Third Auto Trust Series 2013-A, Class A3 0.61%, 9/15/17		685	686,348
Flagship Credit Auto Trust Series 2013-1, Class A 1.32%, 4/16/18(b)		415	417,801
Ford Auto Securitization Trust Series 2013-R1A, Class A2 1.676%, 9/15/16(b)	CAD	527	524,149
Ford Credit Auto Lease Trust Series 2011-B, Class A2 0.82%, 1/15/14	U.S.$	55	54,558
Ford Credit Auto Owner Trust Series 2012-D, Class B 1.01%, 5/15/18		225	225,390
Ford Credit Floorplan Master Owner Trust Series 2012-4, Class A1 0.74%, 9/15/16		480	481,713
Hertz Vehicle Financing LLC Series 2013-1A, Class A1 1.12%, 8/25/17(b)		2,185	2,194,376
Huntington Auto Trust Series 2011-1A, Class A3 1.01%, 1/15/16(b)		167	168,169

		Principal Amount (000)	U.S. $ Value
Hyundai Auto Lease Securitization Trust Series 2013-A, Class A3 0.66%, 6/15/16(b)	U.S.$	875	$ 876,079
Hyundai Auto Receivables Trust Series 2012-B, Class C 1.95%, 10/15/18		165	168,459
Mercedes-Benz Auto Lease Trust Series 2013-A, Class A3 0.59%, 2/15/16		613	612,962
Mercedes-Benz Master Owner Trust Series 2012-AA, Class A 0.79%, 11/15/17(b)		1,193	1,195,512
Navistar Financial Corp. Owner Trust Series 2012-A, Class A2 0.85%, 3/18/15(b)		593	593,534
Nissan Auto Lease Trust Series 2012-A, Class A2A 0.68%, 7/15/14		273	273,898
Porsche Innovative Lease Owner Trust Series 2011-1, Class A3 1.09%, 9/22/14(b)		397	397,864
Santander Drive Auto Receivables Trust Series 2012-6, Class A2 0.47%, 9/15/15		595	595,051
SMART Trust/Australia Series 2012-4US, Class A2A 0.67%, 6/14/15		395	395,576
			16,538,638
Credit Cards - Fixed Rate – 1.8%			
American Express Credit Account Master Trust Series 2012-5, Class A 0.59%, 5/15/18		795	796,496
Cabela's Master Credit Card Trust Series 2013-1A, Class A 2.71%, 2/17/26(b)		820	831,114
Chase Issuance Trust Series 2013-A1, Class A1 1.30%, 2/18/20		835	844,669
Dryrock Issuance Trust Series 2012-2, Class A 0.64%, 8/15/18		800	800,924
GE Capital Credit Card Master Note Trust Series 2012-6, Class A 1.36%, 8/17/20		645	654,152
Series 2012-7, Class A 1.76%, 9/15/22		555	556,934
Series 2013-1, Class A 1.35%, 3/15/21		1,385	1,394,354

		Principal Amount (000)	U.S. $ Value
World Financial Network Credit Card Master Trust			
Series 2012-B, Class A			
1.76%, 5/17/21	U.S.$	370	$ 378,265
Series 2013-A, Class A			
1.61%, 12/15/21		373	377,487
			6,634,395
Autos - Floating Rate – 0.6%			
BMW Floorplan Master Owner Trust			
Series 2012-1A, Class A			
0.599%, 9/15/17(b)(d)		809	811,279
Ford Credit Floorplan Master Owner Trust			
Series 2013-1, Class A2			
0.579%, 1/15/18(d)		797	797,151
GE Dealer Floorplan Master Note Trust			
Series 2012-3, Class A			
0.689%, 6/20/17(d)		600	602,596
			2,211,026
Other ABS - Fixed Rate – 0.2%			
CIT Canada Equipment Receivables Trust			
Series 2012-1A, Class A1			
1.705%, 7/22/13(b)	CAD	8	8,127
CIT Equipment Collateral			
Series 2012-VT1, Class A3			
1.10%, 8/22/16(b)		262	262,822
CNH Equipment Trust			
Series 2012-A, Class A3			
0.94%, 5/15/17		340	341,183
GE Equipment Midticket LLC			
Series 2011-1, Class A3			
1.00%, 8/24/15		145	145,356
			757,488
Credit Cards - Floating Rate – 0.2%			
Penarth Master Issuer PLC			
Series 2012-1A, Class A1			
0.77%, 3/18/14(b)(d)		514	515,211
Total Asset-Backed Securities (cost $26,547,912)			26,656,758
COMMERCIAL MORTGAGE-BACKED SECURITIES – 5.3%			
Non-Agency Fixed Rate CMBS – 4.8%			
Banc of America Commercial Mortgage, Inc.			
Series 2007-5, Class AM			
5.772%, 2/10/51	U.S.$	258	290,635
Banc of America Merrill Lynch Commercial Mortgage, Inc.			
Series 2006-5, Class A4			
5.414%, 9/10/47		990	1,108,113

		Principal Amount (000)		U.S. $ Value
Bear Stearns Commercial Mortgage Securities				
Series 2006-PW12, Class A4				
5.91%, 9/11/38	U.S.$	75	$	84,579
Series 2006-T24, Class AJ				
5.598%, 10/12/41		325		317,635
CGRBS Commercial Mortgage Trust				
Series 2013-VN05				
3.369%, 3/13/23(b)		885		915,492
Commercial Mortgage Pass Through Certificates				
Series 2006-C8, Class A4				
5.306%, 12/10/46		55		62,376
Series 2013-SFS, Class A1				
1.873%, 4/12/35(b)		465		466,028
Commercial Mortgage Pass-Through Certificates				
Series 2006-C3, Class AJ				
5.989%, 6/15/38		320		323,773
Credit Suisse First Boston Mortgage Securities Corp.				
Series 2005-C1, Class A4				
5.014%, 2/15/38		380		402,638
CW Capital Cobalt Ltd.				
Series 2007-C3, Class A4				
5.985%, 5/15/46		895		1,050,216
Extended Stay America Trust				
Series 2013-ESH7, Class A17				
2.295%, 12/05/31(b)		515		512,926
Greenwich Capital Commercial Funding Corp.				
Series 2005-GG3, Class A4				
4.799%, 8/10/42		530		558,447
Series 2007-GG9, Class A4				
5.444%, 3/10/39		760		868,632
Series 2007-GG9, Class AM				
5.475%, 3/10/39		290		326,502
GS Mortgage Securities Corp. II				
Series 2006-GG6, Class A2				
5.506%, 4/10/38		18		18,535
Series 2012-GCJ7, Class A4				
3.377%, 5/10/45		1,000		1,074,882
Series 2012-GCJ9, Class A3				
2.773%, 11/10/45		411		417,217
GS Mortgage Securities Trust				
Series 2013-G1, Class A1				
2.059%, 4/10/31(b)		834		845,710
Series 2013-KING, Class A				
2.706%, 12/10/27(b)		860		892,259
JP Morgan Chase Commercial Mortgage Securities Corp.				
Series 2006-CB15, Class A4				
5.814%, 6/12/43		503		563,971

		Principal Amount (000)	U.S. $ Value
Series 2007-CB19, Class AM 5.91%, 2/12/49	U.S.$	295	$ 332,654
Series 2007-LD11, Class A4 6.002%, 6/15/49		248	286,915
Series 2007-LD12, Class AM 6.198%, 2/15/51		245	284,689
Series 2007-LDPX, Class A3 5.42%, 1/15/49		435	497,637
Series 2010-C2, Class A1 2.749%, 11/15/43(b)		360	375,999
LB-UBS Commercial Mortgage Trust			
Series 2004-C4, Class A4 5.713%, 6/15/29		70	72,588
Series 2006-C1, Class A4 5.156%, 2/15/31		38	42,184
Series 2007-C1, Class A4 5.424%, 2/15/40		1,100	1,256,536
Merrill Lynch Mortgage Trust			
Series 2005-CIP1, Class A2 4.96%, 7/12/38		229	232,103
Merrill Lynch/Countrywide Commercial Mortgage Trust			
Series 2006-3, Class A4 5.414%, 7/12/46		25	28,314
Series 2007-9, Class A4 5.70%, 9/12/49		125	144,981
Motel 6 Trust			
Series 2012-MTL6, Class A2 1.948%, 10/05/25(b)		553	558,486
UBS-Barclays Commercial Mortgage Trust			
Series 2012-C3, Class A4 3.091%, 8/10/49		277	289,733
Series 2012-C4, Class A5 2.85%, 12/10/45		544	553,098
Series 2013-C5, Class A4 3.185%, 3/10/46		1,366	1,430,257
			17,486,740
Non-Agency Floating Rate CMBS – 0.5%			
Extended Stay America Trust			
Series 2013-ESFL, Class A2FL 0.902%, 12/05/31(b)(d)		405	405,363
GS Mortgage Securities Corp. II			
Series 2013-KYO, Class A 1.051%, 11/08/29(b)(d)		815	817,078
Wachovia Bank Commercial Mortgage Trust			
Series 2006-WL7A, Class A2 0.32%, 9/15/21(b)(d)		607	598,633
			1,821,074
Total Commercial Mortgage-Backed Securities (cost $18,798,776)			19,307,814

		Principal Amount (000)	U.S. $ Value
CORPORATES - NON-INVESTMENT GRADES – 0.7%			
Financial Institutions – 0.4%			
Banking – 0.4%			
Citigroup, Inc. 5.95%, 1/30/23	U.S.$	740	$ 775,150
LBG Capital No.2 PLC Series 22 15.00%, 12/21/19	EUR	410	788,327
			1,563,477
Industrial – 0.3%			
Basic – 0.0%			
Eagle Spinco, Inc. 4.625%, 2/15/21(b)	U.S.$	63	66,150
Capital Goods – 0.2%			
B/E Aerospace, Inc. 5.25%, 4/01/22		260	276,900
Ball Corp. 5.00%, 3/15/22		255	270,937
			547,837
Consumer Cyclical - Other – 0.1%			
Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp. 5.375%, 3/15/22		260	282,100
Energy – 0.0%			
Cimarex Energy Co. 5.875%, 5/01/22		134	146,060
			1,042,147
Total Corporates - Non-Investment Grades (cost $2,505,210)			2,605,624
QUASI-SOVEREIGNS – 0.4%			
Quasi-Sovereign Bonds – 0.4%			
Indonesia – 0.1%			
Perusahaan Listrik Negara PT 5.50%, 11/22/21(b)		355	394,050
Kazakhstan – 0.1%			
KazMunayGas National Co. JSC 7.00%, 5/05/20(b)		324	390,420
Malaysia – 0.1%			
Petronas Capital Ltd. 5.25%, 8/12/19(b)		310	365,561
South Korea – 0.1%			
Korea National Oil Corp. 3.125%, 4/03/17(b)		450	471,090
Total Quasi-Sovereigns (cost $1,502,907)			1,621,121

		Principal Amount (000)	U.S. $ Value
GOVERNMENTS - SOVEREIGN BONDS – 0.3%			
Indonesia – 0.2%			
Indonesia Government International Bond 3.375%, 4/15/23[b]	U.S.$	518	$ 529,008
Poland – 0.0%			
Poland Government International Bond 3.875%, 7/16/15		16	16,958
Qatar – 0.1%			
Qatar Government International Bond 4.50%, 1/20/22[b]		360	410,400
Russia – 0.0%			
Russian Foreign Bond - Eurobond 7.50%, 3/31/30[b]		71	89,035
Total Governments - Sovereign Bonds (cost $964,138)			1,045,401
MORTGAGE PASS-THROUGHS – 0.1%			
Agency ARMs – 0.1%			
Federal Home Loan Mortgage Corp. 2.384%, 11/01/35[d] (cost $447,435)		424	451,382
EMERGING MARKETS - CORPORATE BONDS – 0.1%			
Industrial – 0.1%			
Communications - Telecommunications – 0.1%			
VimpelCom Holdings BV 5.20%, 2/13/19[b] (cost $315,000)		315	316,883
		Shares	
PREFERRED STOCKS – 0.0%			
Financial Institutions – 0.0%			
Insurance – 0.0%			
Allstate Corp. (The) 5.10% (cost $138,750)		5,550	147,630
SHORT-TERM INVESTMENTS – 0.9%			
Investment Companies – 0.9%			
AllianceBernstein Fixed-Income Shares, Inc. – Government STIF Portfolio, 0.09%[e] (cost $3,156,483)		3,156,483	3,156,483
Total Investments – 126.5% (cost $451,872,966)			**463,281,003**
Other assets less liabilities – (26.5)%			(97,108,158)
Net Assets – 100.0%			**$ 366,172,845**

FUTURES CONTRACTS (see Note D)

Type	Number of Contracts	Expiration Month	Original Value	Value at April 30, 2013	Unrealized Appreciation/ (Depreciation)
Sold Contracts					
U.S. Long Bond (CBT) Futures	23	June 2013	$ 3,277,805	$ 3,412,625	$ (134,820)
U.S. Note 10 Yr (CBT) Futures	254	June 2013	33,432,339	33,873,281	(440,942)
U.S. Note 2 Yr (CBT) Futures	19	June 2013	4,188,019	4,191,875	(3,856)
U.S. Note 5 Yr (CBT) Futures	74	June 2013	9,196,923	9,223,407	(26,484)
					$ (606,102)

FORWARD CURRENCY EXCHANGE CONTRACTS (see Note D)

Counterparty	Contracts to Deliver (000)	In Exchange For (000)	Settlement Date	Unrealized Appreciation/ (Depreciation)
State Street Bank & Trust Co.	GBP 3,825	USD 5,863	5/16/13	$ (78,672)
State Street Bank & Trust Co.	JPY 522,334	USD 5,240	5/31/13	(118,975)
State Street Bank & Trust Co.	CAD 4,328	USD 4,214	6/07/13	(77,885)
State Street Bank & Trust Co.	EUR 2,401	USD 3,146	5/16/13	(17,023)
				$ (292,555)

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)
Barclays Bank PLC	$ 7,310	6/07/13	0.627%	3 Month LIBOR	$ (18,604)
Barclays Bank PLC	1,000	11/17/13	1.059%	3 Month LIBOR	(8,501)
Barclays Bank PLC	850	1/17/22	2.050%	3 Month LIBOR	(34,201)
JPMorgan Chase Bank, NA	7,780	10/13/13	0.687%	3 Month LIBOR	(16,440)
Morgan Stanley Capital Services LLC	9,790	3/12/14	0.563%	3 Month LIBOR	(26,592)
Morgan Stanley Capital Services LLC	1,100	2/21/42	2.813%	3 Month LIBOR	(7,020)
Morgan Stanley Capital Services LLC	830	3/06/42	2.804%	3 Month LIBOR	(2,983)
					$ (114,341)

CREDIT DEFAULT SWAP CONTRACTS (see Note D)

Swap Counterparty & Referenced Obligation	Fixed Rate (Pay) Receive	Implied Credit Spread at April 30, 2013	Notional Amount (000)	Market Value	Upfront Premiums Paid (Received)	Unrealized Appreciation/ (Depreciation)
Sale Contracts						
Bank of America, NA.:						
CDX NAIG- Series 19 5 Year Index, 12/20/17*	1.00%	0.66%	$ 3,200	$ 53,759	$ 2,839	$ 50,920
Deutsche Bank AG:						
Anadarko Petroleum Corp., 5.95% 9/15/16, 9/20/17*	1.00	0.85	440	2,990	(13,594)	16,584
				$ 56,749	$ (10,755)	$ 67,504

* *Termination date*

REVERSE REPURCHASE AGREEMENTS (see Note D)

Broker	Interest Rate	Maturity	U.S. $ Value at April 30, 2013
Bank of America+	0.14%	—	$ 13,931,366
Barclays	0.16%	5/08/13	10,114,307
Barclays+	0.11%	—	52,783,196
JPMorgan Chase	0.16%	7/09/13	8,186,918
JPMorgan Chase	0.18%	5/15/13	7,717,044
Morgan Stanley	0.19%	7/16/13	11,397,120
			$ 104,129,951

\+ *The reverse repurchase agreement matures on demand. Interest rate resets daily and the rate shown is the rate in effect on April 30, 2013*

(a) *Position, or a portion thereof, has been segregated to collateralize reverse repurchase agreements. The market value of the collateral amounted to $104,447,735.*

(b) *Security is exempt from registration under Rule 144A of the Securities Act of 1933. These securities are considered liquid and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At April 30, 2013, the aggregate market value of these securities amounted to $28,615,140 or 7.8% of net assets.*

(c) *Coupon rate adjusts periodically based upon a predetermined schedule. Stated interest rate in effect at April 30, 2013.*

(d) *Floating Rate Security. Stated interest rate was in effect at April 30, 2013.*

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

Currency Abbreviations:

CAD – Canadian Dollar
EUR – Euro
GBP – Great British Pound
JPY – Japanese Yen
USD – United States Dollar

Glossary:

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

See notes to financial statements.

STATEMENT OF ASSETS & LIABILITIES

April 30, 2013 (unaudited)

Assets	
Investments in securities, at value	
Unaffiliated issuers (cost $448,716,483)	$ 460,124,520
Affiliated issuers (cost $3,156,483)	3,156,483
Cash	381,875[(a)]
Receivable for investment securities sold	13,101,334
Receivable for capital stock sold	2,463,899
Interest and dividends receivable	1,914,460
Unrealized appreciation on credit default swap contracts	67,504
Receivable for variation margin on futures contracts	29,422
Premium paid on credit default swap contracts	2,839
Unrealized appreciation of forward currency exchange contracts	454
Total assets	481,242,790
Liabilities	
Payable for reverse repurchase agreements	104,129,951
Payable for investment securities purchased	10,107,508
Unrealized depreciation of forward currency exchange contracts	293,009
Payable for capital stock redeemed	191,862
Unrealized depreciation on interest rate swap contracts	114,341
Advisory fee payable	82,962
Distribution fee payable	34,716
Administrative fee payable	24,258
Premium received on credit default swap contracts	13,594
Transfer Agent fee payable	8,115
Accrued expenses	69,629
Total liabilities	115,069,945
Net Assets	**$ 366,172,845**
Composition of Net Assets	
Capital stock, at par	$ 321,171
Additional paid-in capital	350,654,920
Undistributed net investment income	574,093
Accumulated net realized gain on investment and foreign currency transactions	4,159,952
Net unrealized appreciation on investments and foreign currency denominated assets and liabilities	10,462,709
	$ 366,172,845

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

Class	Net Assets	Shares Outstanding	Net Asset Value
A	$ 19,342,683	1,691,667	$ 11.43*
C	$ 8,288,298	731,307	$ 11.33
Advisor	$ 5,283,167	461,241	$ 11.45
R	$ 541,200	47,401	$ 11.42
K	$ 2,231,564	195,302	$ 11.43
I	$ 413,057	36,208	$ 11.41
1	$ 283,958,155	24,907,510	$ 11.40
2	$ 46,114,721	4,046,437	$ 11.40

(a) An amount of $381,875 has been segregated to collateralize margin requirements for open futures contracts outstanding at April 30, 2013.

* *The maximum offering price per share for Class A shares was $11.94 which reflects a sales charge of 4.25%.*

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended April 30, 2013 (unaudited)

Investment Income		
Interest	$ 2,494,040	
Dividends		
Affiliated issuers	2,479	
Unaffiliated issuers	1,867	$ 2,498,386
Expenses		
Advisory fee (see Note B)	786,045	
Distribution fee—Class A	27,433	
Distribution fee—Class C	41,280	
Distribution fee—Class R	1,339	
Distribution fee—Class K	2,558	
Distribution fee—Class 1	113,355	
Transfer agency—Class A	8,117	
Transfer agency—Class C	3,805	
Transfer agency—Advisor Class	2,683	
Transfer agency—Class R	582	
Transfer agency—Class K	1,907	
Transfer agency—Class I	141	
Transfer agency—Class 1	2,432	
Transfer agency—Class 2	541	
Custodian	82,937	
Registration fees	66,417	
Administrative	29,224	
Audit	26,227	
Legal	21,284	
Printing	15,037	
Directors' fees	5,623	
Miscellaneous	5,897	
Total expenses before interest expense	1,244,864	
Interest expense	105,756	
Total expenses	1,350,620	
Less: expenses waived and reimbursed by the Adviser (see Note B)	(351,458)	
Net expenses		999,162
Net investment income		1,499,224
Realized and Unrealized Gain (Loss) on Investment and Foreign Currency Transactions		
Net realized gain on:		
Investment transactions		2,887,035
Futures contracts		69,253
Swap contracts		72,678
Foreign currency transactions		1,082,637
Net change in unrealized appreciation/depreciation of:		
Investments		(1,610,269)
Futures contracts		(548,555)
Swap contracts		165,877
Foreign currency denominated assets and liabilities		(338,489)
Net gain on investment and foreign currency transactions		1,780,167
Net Increase in Net Assets from Operations		**$ 3,279,391**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012
Increase (Decrease) in Net Assets from Operations		
Net investment income	$ 1,499,224	$ 2,639,502
Net realized gain on investment and foreign currency transactions	4,111,603	902,291
Net change in unrealized appreciation/depreciation of investments and foreign currency denominated assets and liabilities	(2,331,436)	9,335,332
Net increase in net assets from operations	3,279,391	12,877,125
Dividends and Distributions to Shareholders from		
Net investment income		
Class A	(41,660)	(169,106)
Class C	(1,390)	(72,700)
Advisor Class	(19,125)	(43,444)
Class R	(328)	(5,628)
Class K	(4,200)	(17,250)
Class I	(894)	(2,972)
Class 1	(678,481)	(2,173,375)
Class 2	(181,956)	(350,510)
Net realized gain on investment transactions		
Class A	(3,043)	– 0 –
Class C	(1,390)	– 0 –
Advisor Class	(905)	– 0 –
Class R	(90)	– 0 –
Class K	(355)	– 0 –
Class I	(45)	– 0 –
Class 1	(33,480)	– 0 –
Class 2	(8,262)	– 0 –
Capital Stock Transactions		
Net increase	88,875,031	123,231,891
Total increase	91,178,818	133,274,031
Net Assets		
Beginning of period	274,994,027	141,719,996
End of period (including undistributed net investment income of $574,093 and $2,903, respectively)	**$ 366,172,845**	**$ 274,994,027**

See notes to financial statements.

STATEMENT OF CASH FLOWS

Six Months Ended April 30, 2013 (unaudited)

Increase (Decrease) in Cash from Operating Activities:		
Interest and dividends received	$ 3,356,512	
Interest expense paid	(105,756)	
Operating expenses paid	(986,917)	
Purchases of long-term investments	(227,575,387)	
Proceeds from disposition of long-term investments	109,941,149	
Purchases of short-term investments, net	(3,156,483)	
Proceeds from swap contracts, net	33,578	
Variation margin paid on futures contracts	(451,333)	
Net decrease in cash from operating activities		$ (118,944,637)
Financing Activities:		
Cash dividends paid (net of dividend reinvestments)	(171,026)	
Subscriptions of capital stock, net	109,317,115	
Increase in reverse repurchase agreements	27,786,564	
Net increase in cash from financing activities		136,932,653
Effect of exchange rate on cash		1,087,105
Net decrease in cash		19,075,121
Cash at beginning of period		(18,693,246)
Cash at end of period		**$ 381,875**
Reconciliation of Net Increase in Net Assets from Operations to Net Decrease in Cash from Operating Activities:		
Net increase in net assets from operations		$ 3,279,391
Adjustments:		
Increase in interest and dividends receivable	$ (223,863)	
Net accretion of bond discount and amortization of bond premium	3,377,276	
Inflation Index Income	(2,295,287)	
Decrease in accrued expenses	(93,511)	
Purchases of long-term investments	(227,575,387)	
Proceeds from disposition of long-term investments	109,941,149	
Purchases of short-term investments, net	(3,156,483)	
Proceeds on swap contracts, net	33,578	
Variation margin paid on futures contracts	(451,333)	
Net realized gain on investment and foreign currency transactions	(4,111,603)	
Net change in unrealized appreciation/depreciation of investments and foreign currency denominated assets and liabilities	2,331,436	
Total adjustments		(122,224,028)
Net decrease in cash from operating activities		**$ (118,944,637)**

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

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

April 30, 2013 (unaudited)

NOTE A
Significant Accounting Policies

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

1. Security Valuation

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

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 or liability (including those valued based on their market values as described in Note 1 above). 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 rate curves, coupon rates, currency 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. In addition, non-agency rated 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, 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.

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

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

The following table summarizes the valuation of the Strategy's investments by the above fair value hierarchy levels as of April 30, 2013:

Investments in Securities:	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Inflation-Linked Securities	$ – 0 –	$ 350,214,829	$ – 0 –	$ 350,214,829
Corporates—Investment Grades	– 0 –	57,757,078	– 0 –	57,757,078
Asset-Backed Securities	– 0 –	25,899,270	757,488	26,656,758
Commercial Mortgage-Backed Securities	– 0 –	17,145,011	2,162,803	19,307,814
Corporates—Non-Investment Grades	– 0 –	2,605,624	– 0 –	2,605,624
Quasi-Sovereigns	– 0 –	1,621,121	– 0 –	1,621,121
Governments—Sovereign Bonds	– 0 –	1,045,401	– 0 –	1,045,401
Mortgage Pass-Throughs	– 0 –	451,382	– 0 –	451,382
Emerging Markets—Corporate Bonds	– 0 –	316,883	– 0 –	316,883
Preferred Stocks	147,630	– 0 –	– 0 –	147,630
Short-Term Investments	3,156,483	– 0 –	– 0 –	3,156,483
Total Investments in Securities	3,304,113	457,056,599	2,920,291	463,281,003
Other Financial Instruments*:				
Assets:				
Forward Currency Exchange Contracts	– 0 –	454	– 0 –	454
Credit Default Swap Contracts	– 0 –	67,504	– 0 –	67,504
Liabilities:				
Futures Contracts	(606,102)	– 0 –	– 0 –	(606,102)#
Forward Currency Exchange Contracts	– 0 –	(293,009)	– 0 –	(293,009)
Interest Rate Swap Contracts	– 0 –	(114,341)	– 0 –	(114,341)
Total^	**$ 2,698,011**	**$ 456,717,207**	**$ 2,920,291**	**$ 462,335,509**

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

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

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

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

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

	Asset-Backed Securities	Commercial Mortgage-Backed Securities	Total
Balance as of 10/31/12	**$ 944,751**	**$ 2,389,267**	**$ 3,334,018**
Accrued discounts/(premiums)	5	(6,732)	(6,727)
Realized gain (loss)	2,066	43,526	45,592
Change in unrealized appreciation/ depreciation	(5,290)	(14,430)	(19,720)
Purchases	– 0 –	1,839,424	1,839,424
Sales	(184,044)	(735,264)	(919,308)
Transfers in to Level 3	– 0 –	– 0 –	– 0 –
Transfers out of Level 3	– 0 –	(1,352,988)	(1,352,988)
Balance as of 4/30/13+	**$ 757,488**	**$ 2,162,803**	**$ 2,920,291**
Net change in unrealized appreciation/ depreciation from Investments held as of 4/30/13*	$ (5,290)	$ (14,430)	$ (19,720)

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

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

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 assurance of the accuracy of prices including: 1) periodic vendor due diligence meetings, review of methodologies, new developments and process at vendors, 2) daily compare of security valuation versus prior day for all securities that exceeded established thresholds, and 3) daily review of unpriced, stale, and variance reports with exceptions reviewed by senior management and the Committee.

In addition, several processes outside of the pricing process 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.

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. Realized and unrealized gains and losses are allocated among the various share classes based on respective net assets.

7. Dividends and Distributions

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

NOTE B
Advisory Fee and Other Transactions with Affiliates

Under the terms of the investment advisory agreement, the Strategy pays the Adviser an advisory fee at an annual rate of .50% of the first $2.5 billion, .45% of the next $2.5 billion and .40% in excess of $5 billion, of the Strategy's average daily net assets. The Adviser has agreed to waive its fees and bear certain expenses to the extent necessary to limit total operating expenses on an annual basis to .75%, 1.45%, .45%, .95%, .70%, .45%, .55% and .45% of the daily average net assets for the Class A, Class C, Advisor Class, Class R, Class K, Class I, Class 1, and Class 2 shares, respectively. Under the agreement, fees waived and expenses borne by the Adviser were subject to repayment by the Strategy until January 26, 2013. No repayment will be made that would cause the Strategy's total annualized operating expenses to exceed the net fee percentage set forth above, or would have exceeded the amount of offering expenses as recorded by the Strategy before January 26, 2011. This fee waiver and/or expense reimbursement agreement will remain in effect until January 31, 2014 and then may be extended for additional one-year terms. For the six months ended April 30, 2013, such reimbursement amounted to $351,458, which is subject to repayment, not to exceed the amount of offering expenses.

Pursuant to the investment advisory agreement, the Strategy may reimburse the Adviser for certain legal and accounting services provided to the Strategy by the Adviser. For the six months ended April 30, 2013, the reimbursement for such services amounted to $29,224.

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 $8,697 for the six months ended April 30, 2013.

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 $2,707 from the sale of Class A shares and received $94 in contingent deferred sales charges imposed upon redemptions by shareholders of Class C shares for the six months ended April 30, 2013.

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 six months ended April 30, 2013 is as follows:

Market Value October 31, 2012 (000)	Purchases at Cost (000)	Sales Proceeds (000)	Market Value April 30, 2013 (000)	Dividend Income (000)
$ – 0 –	$ 101,200	$ 98,044	$ 3,156	$ 2

Brokerage commissions paid on investment transactions for the six months ended April 30, 2013 amounted to $1,942, of which $0 and $0, respectively, was paid to Sanford C. Bernstein & Co. LLC and Sanford C. Bernstein Limited, affiliates of the Adviser.

NOTE C
Distribution Services Agreement

The Strategy has adopted a Distribution Services Agreement (the "Agreement") pursuant to Rule 12b-1 under the Investment Company Act of 1940. Under the Agreement, the Strategy pays distribution and servicing fees to the Distributor at an annual rate of up to .30% of the Strategy's average daily net assets attributable to Class A shares, 1% of the Strategy's average daily net assets attributable to Class C shares, .50% of the Strategy's average daily net assets attributable to Class R shares, .25% of the Strategy's average daily net assets attributable to Class K shares and .10% of the Strategy's average daily net assets attributable to Class 1 shares. There are no distribution and servicing fees on the Advisor Class, Class I, and Class 2 shares. The fees are accrued daily and paid monthly. The Agreement provides that the Distributor will use such payments in their entirety for distribution assistance and promotional activities. Since the commencement of the Strategy's operations, the Distributor has incurred expenses in excess of the distribution costs reimbursed by the Strategy in the amounts of $223,364, $15,129, $14,279 and $974,746 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 six months ended April 30, 2013 were as follows:

	Purchases	Sales
Investment securities (excluding U.S. government securities)	$ 56,445,991	$ 12,616,212
U.S. government securities	178,830,771	106,391,292

The cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes. Accordingly, gross unrealized appreciation and unrealized depreciation (excluding futures, foreign currency and swap transactions) are as follows:

Gross unrealized appreciation	$ 11,641,599
Gross unrealized depreciation	(233,562)
Net unrealized appreciation	$ 11,408,037

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

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

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

During the six months ended April 30, 2013, 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 six months ended April 30, 2013, the Strategy held forward currency exchange contracts for hedging and non-hedging purposes.

- **Swap Agreements**

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

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

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

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

During the six months ended April 30, 2013, the Strategy held interest rate swaps for hedging and non-hedging purposes.

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

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

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

During the six months ended April 30, 2013, the Strategy held credit default swaps for non-hedging purposes.

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

At April 30, 2013, the Strategy had Sale Contracts outstanding with Maximum Payout Amounts aggregating $3,640,000, with net unrealized appreciation of $67,504, and terms of less than 5 years, as reflected in the portfolio of investments.

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

Documentation governing the Strategy's OTC derivatives may contain provisions for early termination of such transaction in the event the net assets of the Strategy decline below specific levels set forth in the documentation ("net asset contingent features"). If these levels are triggered, the Strategy's counterparty has the right to terminate such transaction and require the Strategy to pay or receive a settlement amount in connection with the terminated transaction. As of April 30, 2013, the Strategy had OTC derivatives with contingent features in net liability positions in the amount of $114,341. If a trigger event had occurred at April 30, 2013, for those derivatives in a net liability position, an amount of $114,341 would be required to be posted by the Strategy.

At April 30, 2013, the Strategy had entered into the following derivatives:

	Asset Derivatives		Liability Derivatives	
Derivative Type	**Statement of Assets and Liabilities Location**	**Fair Value**	**Statement of Assets and Liabilities Location**	**Fair Value**
Foreign exchange contracts	Unrealized appreciation of forward currency exchange contracts	$ 454	Unrealized depreciation of forward currency exchange contracts	$ 293,009
Credit contracts	Unrealized appreciation on credit default swap contracts	67,504		
Interest rate contracts			Unrealized depreciation on interest rate swap contracts	114,341
Interest rate contracts			Receivable/Payable for variation margin on futures contracts	606,102*
Total		$ 67,958		$ 1,013,452

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

The effect of derivative instruments on the statement of operations for the six months ended April 30, 2013:

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	$ 199,103	$ (338,018)
Credit contracts	Net realized gain (loss) on swap contracts; Net change in unrealized appreciation/depreciation of swap contracts	121,924	46,360
Interest rate contracts	Net realized gain (loss) on swap contracts; Net change in unrealized appreciation/depreciation of swap contracts	(49,246)	119,517
Interest rate contracts	Net realized gain (loss) on futures contracts; Net change in unrealized appreciation/depreciation of futures contracts	69,253	(548,555)
Total		$ 341,034	$ (720,696)

The following table represents the volume of the Strategy's derivative transactions during the six months ended April 30, 2013:

Forward Currency Exchange Contracts:	
Average principal amount of buy contracts	$ 3,704,355[(a)]
Average principal amount of sale contracts	$ 12,536,617
Credit Default Swap Contracts:	
Average notional amount of sale contracts	$ 46,530,000
Interest Rate Swap Contracts:	
Average notional amount	$ 30,595,080
Futures Contracts:	
Average original value of buy contracts	$ 3,334,326[(b)]
Average original value of sale contracts	$ 32,456,669

(a) *Positions were open for five months during the period.*

(b) *Positions were open for one month during the period.*

2. Currency Transactions

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

3. Dollar Rolls

The Strategy may enter into dollar rolls. Dollar rolls involve sales by the Strategy of securities for delivery in the current month and the Strategy's simultaneously contracting to repurchase substantially similar (same type and coupon) securities on a specified future date. During the roll period, the Strategy forgoes principal and interest paid on the securities. The Strategy is compensated by the difference between the current sales price and the lower forward price for the future purchase (often referred to as the "drop") as well as by the interest earned on the cash proceeds of the initial sale. Dollar rolls involve the risk that the market value of the securities the Strategy is obligated to repurchase under the agreement may decline below the repurchase price. Dollar rolls are speculative techniques and may be considered to be borrowings by the Strategy. For the six months ended April 30, 2013, the Strategy had no transactions in dollar rolls.

4. Reverse Repurchase Agreements

Under a reverse repurchase agreement, the Strategy sells securities and agrees to repurchase them at a mutually agreed upon date and price. At the time the Strategy enters into a reverse repurchase agreement, it will establish a segregated account with the custodian containing liquid assets having a value at least equal to the repurchase price. For the six months ended April 30, 2013, the average amount of reverse repurchase agreements outstanding was $55,917,655 and the daily weighted average interest rate was 0.35%.

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	
	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012
Class A				
Shares sold	328,953	1,042,221	$ 3,737,329	$ 11,534,637
Shares issued in reinvestment of dividends and distributions	3,199	11,093	36,334	122,370
Shares redeemed	(191,801)	(401,845)	(2,181,262)	(4,422,997)
Net increase	**140,351**	**651,469**	**$ 1,592,401**	**$ 7,234,010**
Class C				
Shares sold	119,761	270,491	$ 1,351,078	$ 2,967,544
Shares issued in reinvestment of dividends and distributions	226	5,874	2,561	64,433
Shares redeemed	(97,238)	(197,224)	(1,097,985)	(2,173,211)
Net increase	**22,749**	**79,141**	**$ 255,654**	**$ 858,766**
Advisor Class				
Shares sold	1,213,712	320,367	$ 13,780,282	$ 3,594,822
Shares issued in reinvestment of dividends and distributions	1,630	3,053	18,530	33,730
Shares redeemed	(1,236,958)	(55,346)	(14,027,731)	(612,792)
Net increase (decrease)	**(21,616)**	**268,074**	**$ (228,919)**	**$ 3,015,760**
Class R				
Shares sold	752	15,489	$ 8,535	$ 170,492
Shares issued in reinvestment of dividends and distributions	37	506	418	5,572
Shares redeemed	(900)	(13,755)	(10,196)	(151,862)
Net increase (decrease)	**(111)**	**2,240**	**$ (1,243)**	**$ 24,202**

	Shares		Amount	
	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012
Class K				
Shares sold	64,000	162,857	$ 727,145	$ 1,791,997
Shares issued in reinvestment of dividends and distributions	401	1,565	4,554	17,250
Shares redeemed	(45,955)	(39,960)	(520,878)	(444,246)
Net increase	**18,446**	**124,462**	**$ 210,821**	**$ 1,365,001**
Class I				
Shares sold	13,391	30,641	$ 152,836	$ 336,899
Shares issued in reinvestment of dividends and distributions	79	256	899	2,811
Shares redeemed	(814)	(14,391)	(9,235)	(158,308)
Net increase	**12,656**	**16,506**	**$ 144,500**	**$ 181,402**
Class 1				
Shares sold	10,274,214	9,636,851	$ 116,431,855	$106,547,271
Shares issued in reinvestment of dividends and distributions	46,892	72,723	530,651	800,249
Shares redeemed	(2,523,711)	(2,355,054)	(28,587,808)	(26,093,698)
Net increase	**7,797,395**	**7,354,520**	**$ 88,374,698**	**$ 81,253,822**
Class 2				
Shares sold	1,721,218	3,454,039	$ 19,456,680	$ 38,509,286
Shares issued in reinvestment of dividends and distributions	14,446	17,669	163,331	194,246
Shares redeemed	(1,856,909)	(840,121)	(21,092,892)	(9,404,604)
Net increase (decrease)	**(121,245)**	**2,631,587**	**$ (1,472,881)**	**$ 29,298,928**

NOTE F
Risks Involved in Investing in the Strategy

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

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

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

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

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

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

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

NOTE G
Joint Credit Facility

A number of open-end mutual funds managed by the Adviser, including the Strategy, participate in a $140 million revolving credit facility (the "Facility") intended to provide short-term financing, if necessary, subject to certain restrictions in connection with abnormal redemption activity. Commitment fees related to the Facility are paid by the participating funds and are included in miscellaneous expenses in the statement of operations. The Strategy did not utilize the Facility during the six months ended April 30, 2013.

NOTE H
Distributions to Shareholders

The tax character of distributions to be paid for the year ending October 31, 2013 will be determined at the end of the current fiscal year. The tax character of distributions paid during the fiscal years ended October 31, 2012 and October 31, 2011 were as follows:

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

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

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

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

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

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

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

NOTE I
Recent Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board ("FASB") 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. In January 2013, the FASB issued an ASU to clarify the scope of disclosures about offsetting assets and liabilities. The ASU limits the scope of the new balance sheet offsetting disclosures to derivatives, repurchase agreements and securities lending transactions. The ASU is effective during interim or annual reporting periods beginning on or after January 1, 2013. At this time, management is evaluating the implication of this ASU and its impact on the financial statements has not been determined.

NOTE J
Subsequent Events

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

FINANCIAL HIGHLIGHTS

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

	Class A			
	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	Year Ended October 31, 2011	January 26, 2010[a] to October 31, 2010
Net asset value, beginning of period	$ 11.36	$ 10.81	$ 10.53	$ 10.00
Income From Investment Operations				
Net investment income[b][c]	.04	.13	.38	.14
Net realized and unrealized gain on investment and foreign currency transactions	.06	.56	.21	.47
Net increase in net asset value from operations	.10	.69	.59	.61
Less: Dividends and Distributions				
Dividends from net investment income	(.03)	(.14)	(.31)	(.08)
Distributions from net realized gain on investment transactions	(.00)[d]	– 0 –	– 0 –	– 0 –
Tax return of capital	– 0 –	– 0 –	– 0 –	(.00)[d]
Total dividends and distributions	(.03)	(.14)	(.31)	(.08)
Net asset value, end of period	**$ 11.43**	**$ 11.36**	**$ 10.81**	**$ 10.53**
Total Return				
Total investment return based on net asset value[e]	.87 %	6.41 %	5.75 %	6.15 %
Ratios/Supplemental Data				
Net assets, end of period (000's omitted)	$19,343	$17,627	$9,732	$2,000
Ratio to average net assets of:				
Expenses, net of waivers/reimbursements[f]	.82 %[g]	.81 %	.78 %	.80 %[g][h]
Expenses, before waivers/reimbursements[f]	1.12 %[g]	1.25 %	1.87 %	4.63 %[g][h]
Net investment income[c]	.67 %[g]	1.20 %	3.59 %	1.76 %[g][h]
Portfolio turnover rate	30 %	32 %	38 %	34 %

See footnote summary on page 63.

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

	Class C			
	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	Year Ended October 31, 2011	January 26, 2010[a] to October 31, 2010
Net asset value, beginning of period	$ 11.28	$ 10.78	$ 10.50	$ 10.00
Income From Investment Operations				
Net investment income (loss)[b][c]	(.01)	.04	.30	.08
Net realized and unrealized gain on investment and foreign currency transactions	.06	.56	.22	.48
Net increase in net asset value from operations	.05	.60	.52	.56
Less: Dividends and Distributions				
Dividends from net investment income	(.00)[d]	(.10)	(.24)	(.06)
Distributions from net realized gain on investment transactions	(.00)[d]	– 0 –	– 0 –	– 0 –
Tax return of capital	– 0 –	– 0 –	– 0 –	(.00)[d]
Total dividends and distributions	(.00)	(.10)	(.24)	(.06)
Net asset value, end of period	**$ 11.33**	**$ 11.28**	**$ 10.78**	**$ 10.50**
Total Return				
Total investment return based on net asset value[e]	.48 %	5.61 %	5.03 %	5.61 %
Ratios/Supplemental Data				
Net assets, end of period (000's omitted)	$8,288	$7,991	$6,782	$3,378
Ratio to average net assets of:				
Expenses, net of waivers/reimbursements[f]	1.52 %[g]	1.51 %	1.49 %	1.50 %[g][h]
Expenses, before waivers/reimbursements[f]	1.82 %[g]	1.96 %	2.84 %	4.80 %[g][h]
Net investment income (loss)[c]	(.11)%[g]	.39 %	2.82 %	1.12 %[g][h]
Portfolio turnover rate	30 %	32 %	38 %	34 %

See footnote summary on page 63.

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

	Advisor Class			
	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	Year Ended October 31, 2011	January 26, 2010[a] to October 31, 2010
Net asset value, beginning of period	$ 11.39	$ 10.83	$ 10.55	$ 10.00
Income From Investment Operations				
Net investment income (loss)[b][c]	(.00)[d]	.16	.39	.17
Net realized and unrealized gain on investment and foreign currency transactions	.10	.56	.24	.47
Net increase in net asset value from operations	.10	.72	.63	.64
Less: Dividends and Distributions				
Dividends from net investment income	(.04)	(.16)	(.35)	(.09)
Distributions from net realized gain on investment transactions	(.00)[d]	– 0 –	– 0 –	– 0 –
Tax return of capital	– 0 –	– 0 –	– 0 –	(.00)[d]
Total dividends and distributions	(.04)	(.16)	(.35)	(.09)
Net asset value, end of period	**$ 11.45**	**$ 11.39**	**$ 10.83**	**$ 10.55**
Total Return				
Total investment return based on net asset value[e]	.90 %	6.69 %	6.07 %	6.46 %
Ratios/Supplemental Data				
Net assets, end of period (000's omitted)	$5,283	$5,499	$2,325	$1,102
Ratio to average net assets of:				
Expenses, net of waivers/reimbursements[f]	.52 %[g]	.51 %	.49 %	.50 %[g][h]
Expenses, before waivers/reimbursements[f]	.81 %[g]	.95 %	1.80 %	4.50 %[g][h]
Net investment income (loss)[c]	(.04)%[g]	1.52 %	3.70 %	2.13 %[g][h]
Portfolio turnover rate	30 %	32 %	38 %	34 %

See footnote summary on page 63.

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

	Class R			
	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	2011	January 26, 2010[a] to October 31, 2010
Net asset value, beginning of period	$ 11.34	$ 10.79	$ 10.50	$ 10.00
Income From Investment Operations				
Net investment income[b][c]	.02	.11	.43	.12
Net realized and unrealized gain on investment and foreign currency transactions	.07	.55	.15	.48
Net increase in net asset value from operations	.09	.66	.58	.60
Less: Dividends and Distributions				
Dividends from net investment income	(.01)	(.11)	(.29)	(.09)
Distributions from net realized gain on investment transactions	(.00)[d]	– 0 –	– 0 –	– 0 –
Tax return of capital	– 0 –	– 0 –	– 0 –	(.01)
Total dividends and distributions	(.01)	(.11)	(.29)	(.10)
Net asset value, end of period	**$ 11.42**	**$ 11.34**	**$ 10.79**	**$ 10.50**
Total Return				
Total investment return based on net asset value[e]	.78 %	6.18 %	5.59 %	6.04 %
Ratios/Supplemental Data				
Net assets, end of period (000's omitted)	$541	$539	$488	$11
Ratio to average net assets of:				
Expenses, net of waivers/reimbursements[f]	1.02 %[g]	1.01 %	.98 %	1.00 %[g][h]
Expenses, before waivers/reimbursements[f]	1.45 %[g]	1.60 %	2.16 %	5.74 %[g][h]
Net investment income[c]	.41 %[g]	.98 %	4.16 %	1.53 %[g][h]
Portfolio turnover rate	30 %	32 %	38 %	34 %

See footnote summary on page 63.

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

	Class K			
	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	Year Ended October 31, 2011	January 26, 2010[(a)] to October 31, 2010
Net asset value, beginning of period	$ 11.35	$ 10.79	$ 10.50	$ 10.00
Income From Investment Operations				
Net investment income[(b)(c)]	.04	.13	.28	.09
Net realized and unrealized gain on investment and foreign currency transactions	.07	.57	.31	.53
Net increase in net asset value from operations	.11	.70	.59	.62
Less: Dividends and Distributions				
Dividends from net investment income	(.03)	(.14)	(.30)	(.12)
Distributions from net realized gain on investment transactions	(.00)[(d)]	– 0 –	– 0 –	– 0 –
Tax return of capital	– 0 –	– 0 –	– 0 –	(.00)[(d)]
Total dividends and distributions	(.03)	(.14)	(.30)	(.12)
Net asset value, end of period	**$ 11.43**	**$ 11.35**	**$ 10.79**	**$ 10.50**
Total Return				
Total investment return based on net asset value[(e)]	.93 %	6.51 %	5.75 %	6.22 %
Ratios/Supplemental Data				
Net assets, end of period (000's omitted)	$2,232	$2,007	$566	$784
Ratio to average net assets of:				
Expenses, net of waivers/reimbursements[(f)]	.77 %[(g)]	.77 %	.75 %	.75 %[(g)(h)]
Expenses, before waivers/reimbursements[(f)]	1.17 %[(g)]	1.27 %	2.39 %	3.53 %[(g)(h)]
Net investment income[(c)]	.71 %[(g)]	1.19 %	2.76 %	1.12 %[(g)(h)]
Portfolio turnover rate	30 %	32 %	38 %	34 %

See footnote summary on page 63.

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

	Class I			
	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	2011	January 26, 2010[a] to October 31, 2010
Net asset value, beginning of period	$ 11.33	$ 10.78	$ 10.51	$ 10.00
Income From Investment Operations				
Net investment income[b][c]	.05	.18	.27	.16
Net realized and unrealized gain on investment and foreign currency transactions	.07	.53	.36	.48
Net increase in net asset value from operations	.12	.71	.63	.64
Less: Dividends and Distributions				
Dividends from net investment income	(.04)	(.16)	(.36)	(.12)
Distributions from net realized gain on investment transactions	(.00)[d]	– 0 –	– 0 –	– 0 –
Tax return of capital	– 0 –	– 0 –	– 0 –	(.01)
Total dividends and distributions	(.04)	(.16)	(.36)	(.13)
Net asset value, end of period	**$ 11.41**	**$ 11.33**	**$ 10.78**	**$ 10.51**
Total Return				
Total investment return based on net asset value[e]	1.06 %	6.65 %	6.11 %	6.46 %
Ratios/Supplemental Data				
Net assets, end of period (000's omitted)	$413	$267	$76	$11
Ratio to average net assets of:				
Expenses, net of waivers/ reimbursements[f]	.52 %[g]	.52 %	.50 %	.49 %[g][h]
Expenses, before waivers/ reimbursements[f]	.84 %[g]	.95 %	1.91 %	5.19 %[g][h]
Net investment income[c]	1.03 %[g]	1.54 %	3.67 %	2.03 %[g][h]
Portfolio turnover rate	30 %	32 %	38 %	34 %

See footnote summary on page 63.

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

	Class 1			
	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	Year Ended October 31, 2011	January 26, 2010[a] to October 31, 2010
Net asset value, beginning of period	$ 11.33	$ 10.78	$ 10.51	$ 10.00
Income From Investment Operations				
Net investment income[b][c]	.06	.16	.34	.15
Net realized and unrealized gain on investment and foreign currency transactions	.05	.55	.28	.48
Net increase in net asset value from operations	.11	.71	.62	.63
Less: Dividends and Distributions				
Dividends from net investment income	(.04)	(.16)	(.35)	(.11)
Distributions from net realized gain on investment transactions	(.00)[d]	– 0 –	– 0 –	– 0 –
Tax return of capital	– 0 –	– 0 –	– 0 –	(.01)
Total dividends and distributions	(.04)	(.16)	(.35)	(.12)
Net asset value, end of period	**$ 11.40**	**$ 11.33**	**$ 10.78**	**$ 10.51**
Total Return				
Total investment return based on net asset value[e]	.98 %	6.63 %	6.01 %	6.39 %
Ratios/Supplemental Data				
Net assets, end of period (000's omitted)	$283,958	$193,864	$105,201	$11
Ratio to average net assets of:				
Expenses, net of waivers/reimbursements[f]	.62 %[g]	.61 %	.58 %	.58 %[g][h]
Expenses, before waivers/reimbursements[f]	.83 %[g]	.96 %	1.20 %	5.29 %[g][h]
Net investment income[c]	1.05 %[g]	1.41 %	3.24 %	1.93 %[g][h]
Portfolio turnover rate	30 %	32 %	38 %	34 %

See footnote summary on page 63.

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

	Class 2			
	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	2011	January 26, 2010[a] to October 31, 2010
Net asset value, beginning of period	$ 11.33	$ 10.77	$ 10.51	$ 10.00
Income From Investment Operations				
Net investment income[b][c]	.05	.14	.39	.16
Net realized and unrealized gain on investment and foreign currency transactions	.07	.59	.23	.48
Net increase in net asset value from operations	.12	.73	.62	.64
Less: Dividends and Distributions				
Dividends from net investment income	(.05)	(.17)	(.36)	(.12)
Distributions from net realized gain on investment transactions	(.00)[d]	– 0 –	– 0 –	– 0 –
Tax return of capital	– 0 –	– 0 –	– 0 –	(.01)
Total dividends and distributions	(.05)	(.17)	(.36)	(.13)
Net asset value, end of period	**$ 11.40**	**$ 11.33**	**$ 10.77**	**$ 10.51**
Total Return				
Total investment return based on net asset value[e]	1.02 %	6.80 %	6.01 %	6.44 %
Ratios/Supplemental Data				
Net assets, end of period (000's omitted)	$46,115	$47,200	$16,550	$10,439
Ratio to average net assets of:				
Expenses, net of waivers/reimbursements[f]	.52 %[g]	.51 %	.49 %	.49 %[g][h]
Expenses, before waivers/reimbursements[f]	.73 %[g]	.86 %	1.84 %	5.18 %[g][h]
Net investment income[c]	.96 %[g]	1.36 %	3.73 %	2.05 %[g][h]
Portfolio turnover rate	30 %	32 %	38 %	34 %

See footnote summary on page 63.

(a) *Commencement of operations.*

(b) *Based on average shares outstanding.*

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

(d) *Amount is less than $.005.*

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

(f) *The expense ratios presented below exclude interest expense:*

	Six Months Ended April 30, 2013 (unaudited)	Year Ended October 31, 2012	Year Ended October 31, 2011	January 26, 2010(a) to October 31, 2010
Class A				
Net of waivers/reimbursements	.75%(g)	.75%	.75%	.75%(g)(h)
Before waivers/reimbursements	1.05%(g)	1.18%	1.83%	4.58%(g)(h)
Class C				
Net of waivers/reimbursements	1.45%(g)	1.45%	1.45%	1.45%(g)(h)
Before waivers/reimbursements	1.75%(g)	1.90%	2.80%	4.75%(g)(h)
Advisor Class				
Net of waivers/reimbursements	.45%(g)	.45%	.45%	.45%(g)(h)
Before waivers/reimbursements	.74%(g)	.89%	1.76%	4.44%(g)(h)
Class R				
Net of waivers/reimbursements	.95%(g)	.95%	.95%	.95%(g)(h)
Before waivers/reimbursements	1.38%(g)	1.54%	2.13%	5.69%(g)(h)
Class K				
Net of waivers/reimbursements	.70%(g)	.70%	.70%	.70%(g)(h)
Before waivers/reimbursements	1.10%(g)	1.21%	2.34%	3.48%(g)(h)
Class I				
Net of waivers/reimbursements	.45%(g)	.45%	.45%	.45%(g)(h)
Before waivers/reimbursements	.78%(g)	.89%	1.86%	5.16%(g)(h)
Class 1				
Net of waivers/reimbursements	.55%(g)	.55%	.55%	.55%(g)(h)
Before waivers/reimbursements	.76%(g)	.89%	1.18%	5.25%(g)(h)
Class 2				
Net of waivers/reimbursements	.45%(g)	.45%	.45%	.45%(g)(h)
Before waivers/reimbursements	.66%(g)	.80%	1.80%	5.13%(g)(h)

(g) *Annualized.*

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

See notes to financial statements.

BOARD OF DIRECTORS

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D. James Guzy[(1)]
Nancy P. Jacklin[(1)]
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Garry L. Moody[(1)]
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Greg J. Wilensky[(2)]**,** Vice President
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Joseph J. Mantineo, Treasurer and Chief Financial Officer
Phyllis J. Clarke, Controller

Custodian and Accounting Agent

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Independent Registered Public Accounting Firm

Ernst & Young LLP
5 Times Square
New York, NY 10036

Legal Counsel

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

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

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

Information Regarding the Review and Approval of the Portfolio's Investment Advisory Contract

The disinterested directors (the "directors") of AllianceBernstein Bond Fund, Inc. (the "Fund") unanimously approved the continuance of the Fund's Investment Advisory Contract (the "Advisory Agreement") with the Adviser in respect of AllianceBernstein Bond Inflation Strategy (the "Portfolio") at a meeting held on November 6-8, 2012.

Prior to approval of the continuance of the Advisory Agreement in respect of the Portfolio, the directors had requested from the Adviser, and received and evaluated, extensive materials. They reviewed the proposed continuance of the Advisory Agreement with the Adviser and with experienced counsel who are independent of the Adviser, who advised on the relevant legal standards. The directors also reviewed an independent evaluation prepared by the Fund's Senior Officer (who is also the Fund's Independent Compliance Officer) of the reasonableness of the advisory fee, in which the Senior Officer concluded that the contractual fee for the Portfolio was reasonable. The directors also discussed the proposed continuance in private sessions with counsel and the Fund's Senior Officer.

The directors considered their knowledge of the nature and quality of the services provided by the Adviser to the Portfolio gained from their experience as directors or trustees of most of the registered investment companies advised by the Adviser, their overall confidence in the Adviser's integrity and competence they have gained from that experience, the Adviser's initiative in identifying and raising potential issues with the directors and its responsiveness, frankness and attention to concerns raised by the directors in the past, including the Adviser's willingness to consider and implement organizational and operational changes designed to improve investment results and the services provided to the AllianceBernstein Funds. The directors noted that they have four regular meetings each year, at each of which they receive presentations from the Adviser on the investment results of the Portfolio and review extensive materials and information presented by the Adviser.

The directors also considered all other factors they believed relevant, including the specific matters discussed below. In their deliberations, the directors did not identify any particular information that was all-important or controlling, and different directors may have attributed different weights to the various factors. The directors determined that the selection of the Adviser to manage the Portfolio and the overall arrangements between the Portfolio and the Adviser, as provided in the Advisory Agreement, including the advisory fee, were fair and reasonable in light of the services performed, expenses incurred and such other matters as the directors considered relevant in the exercise of their business judgment. The material factors and conclusions that formed the basis for the directors' determinations included the following:

Nature, Extent and Quality of Services Provided

The directors considered the scope and quality of services provided by the Adviser under the Advisory Agreement, including the quality of the investment research capabilities of the Adviser and the other resources it has dedicated to performing services for the Portfolio. They noted the professional experience and qualifications of the Portfolio's portfolio management team and other senior personnel of the Adviser. The directors also considered that the Advisory Agreement provides that the Portfolio will reimburse the Adviser for the cost to it of providing certain clerical, accounting, administrative and other services to the Portfolio by employees of the Adviser or its affiliates. Requests for these reimbursements are made on a quarterly basis and subject to approval by the directors and, to the extent requested and paid, will result in a higher rate of total compensation from the Portfolio to the Adviser than the fee rate stated in the Portfolio's Advisory Agreement. The directors noted that the methodology used to determine the reimbursement amounts had been reviewed by an independent consultant retained by the Fund's Senior Officer. The quality of administrative and other services, including the Adviser's role in coordinating the activities of the Portfolio's other service providers, also were considered. The directors concluded that, overall, they were satisfied with the nature, extent and quality of services provided to the Portfolio under the Advisory Agreement.

Costs of Services Provided and Profitability

The directors reviewed a schedule of the revenues, expenses and related notes indicating the profitability of the Portfolio to the Adviser for calendar years 2010 and 2011 that had been prepared with an expense allocation methodology arrived at in consultation with an independent consultant retained by the Fund's Senior Officer. The directors reviewed the assumptions and methods of allocation used by the Adviser in preparing fund-specific profitability data and noted that there are a number of potentially acceptable allocation methodologies for information of this type. The directors noted that the profitability information reflected all revenues and expenses of the Adviser's relationship with the Portfolio, including those relating to its subsidiaries that provide transfer agency and distribution services to the Portfolio. The directors recognized that it is difficult to make comparisons of the profitability of the Advisory Agreement with the profitability of advisory contracts for unaffiliated funds because comparative information is not generally publicly available and is affected by numerous factors. The directors focused on the profitability of the Adviser's relationship with the Portfolio before taxes and distribution expenses. The directors noted that the Adviser's relationship with the Portfolio (January 2010 inception) was not profitable to it in 2010 or 2011.

Fall-Out Benefits

The directors considered the other benefits to the Adviser and its affiliates from their relationships with the Portfolio, including but not limited to, benefits relating to 12b-1 fees and sales charges received by the Fund's principal underwriter (which is a wholly owned subsidiary of the Adviser) in respect of certain classes of the Portfolio's shares and transfer agency fees paid by the Portfolio to a wholly owned subsidiary of the Adviser. The directors recognized that the

Portfolio's unprofitability to the Adviser would be exacerbated without these benefits. The directors understood that the Adviser also might derive reputational and other benefits from its association with the Portfolio.

Investment Results

In addition to the information reviewed by the directors in connection with the meeting, the directors receive detailed performance information for the Portfolio at each regular Board meeting during the year. At the November 2012 meeting, the directors reviewed information prepared by Lipper showing the performance of the Class A Shares of the Portfolio as compared with that of a group of similar funds selected by Lipper (the "Performance Group") and as compared with that of a broader array of funds selected by Lipper (the "Performance Universe") for the 1-year period ended July 31, 2012, and information prepared by the Adviser showing performance of the Class A Shares as compared with the Barclays Capital U.S. 1-10 Year Treasury Inflation Protected Securities (TIPS) Index (the "Index") for the 1-year period ended September 30, 2012 and the period since inception (January 2010 inception). The directors noted that the Portfolio was in the 4th quintile of the Performance Group and the Performance Universe for the 1-year period and that it lagged the Index in the 1-year period but outperformed it in the period since inception. Based on their review, the directors concluded that the Portfolio's performance was acceptable.

Advisory Fees and Other Expenses

The directors considered the advisory fee rate paid by the Portfolio to the Adviser and information prepared by Lipper concerning advisory fee rates paid by other funds in the same Lipper category as the Portfolio at a common asset level. The directors recognized that it is difficult to make comparisons of advisory fees because there are variations in the services that are included in the fees paid by other funds.

The directors also considered the advisory fees the Adviser charges non-fund clients pursuing a similar investment style. For this purpose, they reviewed the relevant advisory fee information from the Adviser's Form ADV and the evaluation from the Fund's Senior Officer. The directors noted that the institutional fee schedule started at the same rate as the Portfolio's starting fee rate, but had breakpoints at lower asset levels than those in the fee schedule applicable to the Portfolio. As a result, the application of the institutional fee schedule to the level of assets of the Portfolio would result in a fee rate lower than the rate being paid by the Portfolio. The directors noted that the Adviser may, in some cases, agree to fee rates with large institutional clients that are lower than those reviewed by the directors and that they had previously discussed with the Adviser its policies in respect of such arrangements.

The Adviser reviewed with the directors the significantly greater scope of the services it provides to the Portfolio relative to institutional clients. The Adviser also noted that because mutual funds are constantly issuing and redeeming shares, they are more difficult to manage than an institutional account, where the assets tend to be relatively stable. In light of the substantial differences in services rendered by the Adviser to institutional clients as compared to funds such as the Portfolio, the directors considered these fee comparisons inapt and did not place significant weight on them in their deliberations.

The directors also considered the total expense ratio of the Class A shares of the Portfolio in comparison to the fees and expenses of funds within two comparison groups created by Lipper: an Expense Group and an Expense Universe. Lipper described an Expense Group as a representative sample of funds similar to the Portfolio and an Expense Universe as a broader group, consisting of all funds in the investment classification/objective with a similar load type as the Portfolio. The Class A expense ratio of the Portfolio was based on the Portfolio's latest fiscal year and reflected fee waivers and/or expense reimbursements as a result of an expense limitation agreement between the Adviser and the Portfolio. The directors noted that it was likely that the expense ratios of some of the other funds in the Portfolio's Lipper category were lowered by waivers or reimbursements by those funds' investment advisers, which in some cases might be voluntary or temporary. The directors view the expense ratio information as relevant to their evaluation of the Adviser's services because the Adviser is responsible for coordinating services provided to the Portfolio by others.

The directors noted that, at the Portfolio's current size, its contractual effective advisory fee rate of 50 basis points was the same as the Expense Group median and that, in the Portfolio's latest fiscal year, the administrative expense reimbursement of 10 basis points had been waived by the Adviser. The directors noted that the Portfolio's total expense ratio, which reflected an expense limitation agreement between the Adviser and the Portfolio, was lower than the Expense Group and the Expense Universe medians. The directors concluded that the Portfolio's expense ratio was satisfactory.

Economies of Scale

The directors noted that the advisory fee schedule for the Portfolio contains breakpoints that reduce the fee rates on assets above specified levels. The directors took into consideration prior presentations by an independent consultant on economies of scale in the mutual fund industry and for the AllianceBernstein Funds, and by the Adviser concerning certain of its views on economies of scale. The directors also had requested and received from the Adviser certain updates on economies of scale at the May 2012 meetings. The directors believe that economies of scale may be realized (if at all) by the Adviser across a variety of products and services, and not only in respect of a single fund. The directors noted that there is no established methodology for setting breakpoints that give effect to fund-specific services provided by a fund's adviser and to the economies of scale that an adviser may realize in its overall mutual fund business or those components of it which directly or indirectly affect a fund's operations. The directors observed that in the mutual fund industry as a whole, as well as among funds similar to the Portfolio, there is no uniformity or pattern in the fees and asset levels at which breakpoints (if any) apply. The directors also noted that the advisory agreements for many funds do not have breakpoints at all. Having taken these factors into account, the directors concluded that the Portfolio's shareholders would benefit from a sharing of economies of scale in the event the Portfolio's net assets exceed a breakpoint in the future.

THE FOLLOWING IS NOT PART OF THE SHAREHOLDER REPORTS OR THE FINANCIAL STATEMENTS

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

The following is a summary of the evaluation of the Investment Advisory Agreement between AllianceBernstein L.P. (the "Adviser") and AllianceBernstein Bond Fund, Inc. (the "Fund") in respect of AllianceBernstein Bond Inflation Strategy (the "Strategy").[2] The evaluation of the Investment Advisory Agreement was prepared by Philip L. Kirstein, the Senior Officer of the Fund, for the Directors of the Fund, as required by the September 1, 2004 Assurance of Discontinuance ("AoD") between the Adviser and the New York State Attorney General (the "NYAG"). The Senior Officer's evaluation of the Investment Advisory Agreement is not meant to diminish the responsibility or authority of the Board of Directors of the Fund to perform its duties pursuant to Section 15 of the Investment Company Act of 1940 (the "40 Act") and applicable state law. The purpose of the summary is to provide shareholders with a synopsis of the independent evaluation of the reasonableness of the advisory fees proposed to be paid by the Strategy which was provided to the Directors in connection with their review of the proposed approval of the continuance of the Investment Advisory Agreement. The Senior Officer's evaluation considered the following factors:

1. Advisory fees charged to institutional and other clients of the Adviser for like services;
2. Advisory fees charged by other mutual fund companies for like services;
3. Costs to the Adviser and its affiliates of supplying services pursuant to the advisory agreement, excluding any intra-corporate profit;
4. Profit margins of the Adviser and its affiliates from supplying such services;
5. Possible economies of scale as the Strategy grows larger; and
6. Nature and quality of the Adviser's services including the performance of the Strategy.

These factors, with the exception of the first factor, are generally referred to as the "*Gartenberg* factors," which were articulated by the United States Court of Appeals for the Second Circuit in 1982. *Gartenberg v. Merrill Lynch Asset Management, Inc.*, 694 F. 2d 923 (2d Cir. 1982). On March 30, 2010, the Supreme Court held the *Gartenberg* decision was correct in its basic formulation

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

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

of what §36(b) requires: to face liability under §36(b), "an investment adviser must charge a fee that is so disproportionately large that it bears no reasonable relationship to the services rendered and could not have been the product of arm's length bargaining." *Jones v. Harris Associates L.P.,* 130 S. Ct. 1418 (2010). In *Jones*, the Court stated the *Gartenberg* approach fully incorporates the correct understanding of fiduciary duty within the context of section 36(b) and noted with approval that "*Gartenberg* insists that all relevant circumstances be taken into account" and "uses the range of fees that might result from arm's length bargaining as the benchmark for reviewing challenged fees."[3]

PORTFOLIO ADVISORY FEES, EXPENSE CAPS, REIMBURSEMENTS & RATIOS

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

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

The Adviser is reimbursed as specified in the Investment Advisory Agreement for certain clerical, legal, accounting, administrative and other services provided to the Strategy. During the Strategy's most recently completed fiscal year, the Adviser was entitled to receive $66,574 (0.10% of the Strategy's average daily net assets) for providing such services, but waived the amount in its entirety.

3 *Jones v. Harris at 1427.*

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

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 at the end of the Strategy's fiscal year upon at least 60 days written notice. In addition, set forth below are the Strategy's gross expense ratios, annualized for the most recent semi-annual period:

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

I. ADVISORY FEES CHARGED TO INSTITUTIONAL AND OTHER CLIENTS

The advisory fees charged to investment companies which the Adviser manages and sponsors are normally higher than those charged to similar sized institutional accounts, including pension plans and sub-advised investment companies. The fee differential reflects, among other things, different services provided to such clients, and different liabilities assumed. Services provided by the Adviser to the Strategy that are not provided to non-investment company clients include providing office space and personnel to serve as Fund Officers, who among other responsibilities make the certifications required under the Sarbanes–Oxley Act of 2002, and coordinating with and monitoring the Portfolio's third party service providers such as Fund counsel, auditors, custodians, transfer agents and pricing services. The accounting, administrative, legal and compliance requirements for the Strategy are more costly than those for institutional client assets due to the greater complexities and time required for investment companies, although as previously noted, the Adviser is entitled to be reimbursed for providing some of these services. Also, retail mutual funds managed by the Adviser are widely held and accordingly, servicing the Strategy's investors is more time consuming and labor intensive compared to servicing institutional clients since the Adviser needs to communicate with a more extensive network of financial intermediaries and shareholders. The Adviser also believes that it incurs substantial entrepreneurial risk when offering a new mutual fund since establishing a new mutual fund requires a large upfront investment and it may take a long time for the fund to achieve profitability since the fund must be priced to scale from inception in order to be competitive and assets are acquired one account at a time. In addition, managing the cash flow of an investment company may be more

5 Annualized.

difficult than that of a stable pool of assets, such as an institutional account with little cash movement in either direction, particularly if the Strategy is in net redemption and the Adviser is frequently forced to sell securities to raise cash for redemptions. However, managing a fund with positive cash flow may be easier at times than managing a stable pool of assets. Finally, in recent years, investment advisers have been sued by institutional clients and have suffered reputational damage both by the attendant publicity and outcomes other than complete victories. Accordingly, the legal and reputational risks associated with institutional accounts are greater than previously thought, although arguably still not equal to those related to the mutual fund industry.

Notwithstanding the Adviser's view that managing an investment company is not comparable to managing other institutional accounts because the services provided are different, the Supreme Court has indicated consideration should be given to the advisory fees charged to institutional accounts with a similar investment style as the Strategy.[6] In addition to the AllianceBernstein Institutional fee schedule, set forth below is what would have been the effective advisory fee for the Strategy had the AllianceBernstein Institutional fee schedule been applicable to the Strategy versus the Strategy's advisory fees based on September 30, 2012 net assets. [7]

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

The Adviser represented that it does not sub-advise any registered investment companies that have a similar investment strategy as the Strategy.

II. MANAGEMENT FEES CHARGED BY OTHER MUTUAL FUND COMPANIES FOR LIKE SERVICES.

Lipper, Inc. ("Lipper"), an analytical service that is not affiliated with the Adviser, compared the fees charged to the Strategy with fees charged to other

6 *The Supreme Court stated that "courts may give such comparisons the weight that they merit in light of the similarities and differences between the services that the clients in question require, but the courts must be wary of inapt comparisons." Among the significant differences the Supreme Court noted that may exist between services provided to mutual funds and institutional accounts are "higher marketing costs." Jones v. Harris at 1428.*

7 *The Adviser has indicated that with respect to institutional accounts with assets greater than $300 million, it will negotiate a fee schedule. Discounts that are negotiated vary based upon each client relationship.*

investment companies for similar services offered by other investment advisers.[8] Lipper's analysis included the comparison of the Strategy's contractual management fee, estimated at the approximate current asset level of the Strategy, to the median of the Strategy's Lipper Expense Group ("EG")[9] and the Strategy's contractual management fee ranking.[10]

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

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

Lipper also compared the Strategy's total expense ratio to the medians of the Strategy's EG and Lipper Expense Universe ("EU"). The EU[11] is a broader group compared to the EG, consisting of all funds that have the same investment classification/objective and load type as the subject Strategy.

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

8 *The Supreme Court cautioned against accepting mutual fund fee comparisons without careful scrutiny since "these comparisons are problematic because these fees, like those challenged, may not be the product of negotiations conducted at arm's length." Jones v. Harris at 1429.*

9 *Lipper does not consider average account size when constructing EGs. Funds with relatively small average account sizes tend to have higher transfer agent expense ratio than comparable sized funds that have relatively large average account sizes. There are limitations to Lipper expense category data because different funds categorize expenses differently.*

10 *The contractual management fee is calculated by Lipper using the Strategy's contractual management fee rate at a hypothetical asset level. The hypothetical asset level is based on the combined net assets of all classes of the Strategy, rounded up to the next $25 million. Lipper's total expense ratio information is based on the most recent annual report except as otherwise noted. A ranking of "1" would mean that Strategy had the lowest effective fee rate in the Lipper peer group.*

11 *Except for asset (size) comparability, Lipper uses the same criteria for selecting an EG when selecting an EU. Unlike the EG, the EU allows for the same adviser to be represented by more than just one fund.*

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

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

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

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

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

The profitability information for the Strategy, prepared by the Adviser for the Board of Directors, was reviewed by the Senior Officer and the independent consultant. The Adviser's profitability from providing investment advisory services to the Strategy in 2011 was negative.

In addition to the Adviser's direct profits from managing the Strategy, certain of the Adviser's affiliates have business relationships with the Strategy and may earn a profit from providing other services to the Strategy. The courts have referred to this type of business opportunity as "fall-out benefits" to the Adviser and indicated that such benefits should be factored into the evaluation of the total relationship between the Strategy and the Adviser. Neither case law nor common business practice precludes the Adviser's affiliates from earning a reasonable profit on this type of relationship provided the affiliates' charges and services are competitive. These affiliates provide transfer agent and distribution related services to the Strategy and receive transfer agent fees, front-end sales loads, Rule 12b-1 payments and contingent deferred sales charges ("CDSC"). During the Strategy's most recently completed fiscal year, ABI received from the Portfolio \$3,922, \$114,082 and \$5,850 in front-end sales charges, Rule 12b-1 and CDSC fees, respectively.

AllianceBernstein Investments, Inc. ("ABI"), an affiliate of the Adviser, is the Strategy's principal underwriter. ABI and the Adviser have disclosed in the Strategy's prospectus that they may make revenue sharing payments from their own resources, in addition to revenues derived from sales loads and Rule 12b-1 fees, to firms that sell shares of the Strategy. In 2011, ABI paid approximately 0.04% of the average monthly assets of the AllianceBernstein Mutual Funds or approximately \$17 million for distribution services and educational support (revenue sharing payments).

Fees and reimbursements for out of pocket expenses charged by AllianceBernstein Investor Services, Inc. ("ABIS"), the affiliated transfer agent for the Strategy, are charged on a per account basis, based on the level of service provided and the class of share held by the account. ABIS also receives a fee per shareholder sub-account for each account maintained by an intermediary on an omnibus basis. During the Strategy's most recently completed fiscal year, ABIS received $17,888 in fees from the Strategy.

V. POSSIBLE ECONOMIES OF SCALE

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

An independent consultant, retained by the Senior Officer, provided the Board of Directors information on the Adviser's firm-wide average costs from 2005 through 2011 and the potential economies of scale. The independent consultant noted that from 2005 through 2007 the Adviser experienced significant growth in assets under management ("AUM"). During this period, operating expenses increased, in part to keep up with growth, and in part reflecting market returns. However, from 2008 through the first quarter of 2009, AUM rapidly and significantly decreased due to declines in market value and client withdrawals. When AUM rapidly decreased, some operating expenses categories, including base compensation and office space, adjusted more slowly during this period, resulting in an increase in average costs. Since 2009, AUM has experienced less significant changes. The independent consultant noted that changes in operating expenses reflect changes in business composition and business practices in response to changes in financial markets. Finally, the independent consultant concluded that the increase in average cost and the decline in net operating margin across the Adviser since late 2008 are inconsistent with the view that there are currently reductions in average costs due to economies of scale that can be shared with the AllianceBernstein Mutual Funds managed by the Adviser through lower fees.

Previously in February 2008, the independent consultant provided the Board of Directors an update of the Deli[13] study on advisory fees and various fund characteristics.[14] The independent consultant first reiterated the results of his previous two dimensional comparison analysis (fund size and family size) with

13 *The Deli study, originally published in 2002 based on 1997 data and updated for the February 2008 Presentation, may be of diminished value due to the age of the data used in the presentation and the changes experienced in the industry over the last four years.*

14 *As mentioned previously, the Supreme Court cautioned against accepting mutual fund fee comparisons without careful scrutiny since the fees may not be the product of negotiations conducted at arm's length. See Jones V. Harris at 1429.*

the Board of Directors.[15] The independent consultant then discussed the results of the regression model that was utilized to study the effects of various factors on advisory fees. The regression model output indicated that the bulk of the variation in fees predicted were explained by various factors, but substantially by fund AUM, family AUM, index fund indicator and investment style. The independent consultant also compared the advisory fees of the AllianceBernstein Mutual Funds to similar funds managed by 19 other large asset managers, regardless of the fund size and each Adviser's proportion of mutual fund assets to non-mutual fund assets.

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

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

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

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

15 The two dimensional analysis showed patterns of lower advisory fees for funds with larger asset sizes and funds from larger family sizes compared to funds with smaller asset sizes and funds from smaller family sizes, which according to the independent consultant is indicative of a sharing of economies of scale and scope. However, in less liquid and active markets, such is not the case, as the empirical analysis showed potential for diseconomies of scale in those markets. The empirical analysis also showed diminishing economies of scale and scope as funds surpassed a certain high level of assets.

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

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

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

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

Periods Ending July 31, 2012
Annualized Performance

	1 Year (%)	Since Inception (%)	Annualized Volatility (%)	Annualized Sharpe (%)	Risk Period (Year)
Bond Inflation Strategy	4.40	6.62	3.14	1.30	1
Barclays Capital 1-10yr TIPS Index	4.84	6.58	2.71	1.65	1
Inception Date: January 26, 2010					

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

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

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

21 *Strategy and benchmark volatility and Sharpe Ratio information was obtained through Lipper LANA, a database maintained by Lipper. Volatility is a statistical measure of the tendency of a market price or yield to vary over time. A Sharpe Ratio is a risk adjusted measure of return that divides a fund's return in excess of the riskless return by the fund's standard deviation. A strategy with a greater volatility would be viewed as more risky than a strategy with equivalent performance but lower volatility; for that reason, a greater return would be demanded for the more risky fund. A strategy with a higher Sharpe Ratio would be viewed as better performing than a strategy with a lower Sharpe Ratio.*

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ALLIANCEBERNSTEIN FAMILY OF FUNDS

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

Asset Allocation/Multi-Asset Funds
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

Global & International
Global Thematic Growth Fund
International Discovery Equity Portfolio
International Growth Fund

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

Global & International
Emerging Markets Equity Portfolio
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
Dynamic All Market Fund
Global Real Estate Investment Fund
Global Risk Allocation Fund**
Market Neutral Strategy-Global
Market Neutral Strategy-U.S.
Real Asset Strategy
Select US Long/Short Portfolio
Unconstrained Bond Fund

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

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

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

* An investment in Exchange Reserves 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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