AllianceBernstein Municipal Bond Inflation Strategy

Semi-Annual Report

April 30, 2013

AllianceBernstein

SEMI-ANNUAL REPORT

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 Municipal 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 after-tax return for investors subject to federal income taxes, without undue risk to principal. Real return is the rate of return after adjusting for inflation. The Strategy pursues its objective by investing principally in high-quality, predominantly investment grade, municipal securities, that pay interest exempt from federal taxation. As a fundamental policy, the Strategy will invest at least 80% of its net assets in municipal securities. These securities may be subject to the federal alternative minimum tax ("AMT") for some taxpayers.

The Strategy will invest at least 80% of its total assets in fixed-income securities rated A or better or the equivalent by one or more national rating agencies or deemed to be of comparable credit quality by AllianceBernstein L.P. (the "Adviser"). In deciding whether to take direct or indirect exposure, the Strategy may invest up to 20% of its total assets in fixed-income securities rated BB or B or the equivalent by one or more national rating agencies (or deemed to be of comparable credit quality by the Adviser), which are not investment grade ("junk bonds"). 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.

To provide inflation protection, the Strategy will typically enter into inflation swap agreements. The Strategy may use other inflation-protected instruments. Payments to the Strategy pursuant to swap agreements will result in taxable income, either ordinary income or capital gains, rather than income exempt from federal income taxation. It is expected that the Strategy's primary use of derivatives will be for the purpose of inflation protection.

The Strategy may also invest in forward commitments; zero coupon municipal securities and variable, floating and inverse floating rate municipal securities; certain types of mortgage related securities; and derivatives, such as options, futures, forwards and swaps.

The Strategy may also utilize leverage for investment purposes through the use of Tender Option Bonds ("TOBs") transactions. The Adviser will consider the impact of TOBs, 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.

Investment Results

The table on page 6 shows the Strategy's performance compared to its benchmark, the Barclays 1-10 Year Treasury Inflation-Protected Securities ("TIPS") Index and to the Lipper Intermediate Municipal Debt Funds

Average (the "Lipper Average"). Funds in the Lipper Average have generally similar investment objectives to the Strategy, although some may have different investment policies and sales management fees.

For the six-month period, all share classes underperformed the benchmark except for Class 1 shares, which performed in line with the benchmark, and Class 2 shares, which outperformed the benchmark, before sales charges. For the 12-month period, Class A and C shares underperformed the benchmark, while all other share classes outperformed the benchmark, before sales charges. All share classes underperformed the Lipper Average for both the six- and 12-month periods.

In order to pursue the investment objective of after-tax returns net of inflation, the Strategy invests in municipal bonds and uses derivatives for inflation protection. Over both the six- and 12-month periods, the Strategy's exposure to municipal securities detracted from performance as rates fell more for U.S. Treasuries than for municipal bonds. However, the Strategy's focus on A-rated municipals versus AA- and AAA-rated tax-exempts added to performance as medium-grade bonds outperformed the highest quality bonds for both periods.

The Strategy used derivatives, in the form of Consumer Price Index ("CPI") swaps, for hedging purposes, which detracted from relative performance for both periods. CPI swaps detracted from performance as they underperformed Treasury Inflation-Protected Securities in the benchmark.

Market Review and Investment Strategy

Within the municipal market, medium- and lower-credit-quality bonds outperformed high-grade issues over both six- and 12-month periods, as investor demand for income remained strong. Investors were also encouraged by evidence of steadily improving credit quality. Recent data shows municipal defaults falling to 0.01% of outstanding debt during the first two months of the first quarter, compared to an already low 0.11% in 2012. The Municipal Bond Investment Team (the "Team") continues to target opportunities to buy medium- and lower-credit quality municipal bonds in order to supplement the Strategy's income and to attempt to reduce the Strategy's interest rate exposure, should interest rates rise. The Team believes these bonds should outperform if rates rise—the U.S. Federal Reserve (the "Fed") has historically raised rates when the economy is strong in an attempt to control inflation, and medium- and lower-credit-quality bonds have historically performed well in a strong economy.

The Team believes the Strategy is well-positioned with respect to interest rate risk. The Team has generally avoided highly rated, long-maturity bonds that have significant potential for loss of principal if interest rates rise. Instead of buying highly rated bonds that are generally expected to perform in line with changes in overall yields, the Team has focused on shorter-maturity bonds that capture most of the yield of the longer-maturity bonds with less downside risk to principal. In the Team's view, the extra yield for medium and lower credit-quality bonds is still high by historical standards. Where possible, the Team has added holdings of this type both to supplement the Strategy's income and to benefit overall performance when this extra yield, or credit spread, contracts.

The Fund may purchase municipal securities that are insured under policies issued by certain insurance companies. Historically, insured municipal securities typically received a higher credit rating, which meant that the issuer of the securities paid a lower interest rate. As a result of declines in the credit quality and associated downgrades of most fund insurers, insurance has less value than it did in the past. The market now values insured municipal securities primarily based on the credit quality of the issuer of the security with little value given to the insurance feature. In purchasing such insured securities, the Adviser evaluates the risk and return of municipal securities through its own research. If an insurance company's rating is downgraded or the company becomes insolvent, the prices of municipal securities insured by the insurance company may decline. As of April 30, 2013, there were no investments in insured bonds or pre-refunded/escrowed to maturity bonds.

The Team believes that downgrades in insurance company ratings or insurance company insolvencies present limited risk to the Strategy.

In the Team's view, U.S. monetary policy could create additional market uncertainty in the coming year, as the Fed may reverse certain of the measures taken as a result of the 2008 global financial crisis. 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 fixed-income securities, including municipal bonds held in this Strategy. When the Fed removes certain of these measures, there may be downward pressure on prices of fixed-income securities, including those held in the Strategy. While the Team has pursued strategies it believes should benefit the Strategy's relative returns, the timing and the reversal of QE and the potential increase of the Federal Funds rate may impact the net asset value ("NAV") of this 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 stock or 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 (commonly referred to as "junk bonds") tend to have a higher probability that an issuer will default or fail to meet its payment obligations.

Municipal Market Risk: This is the risk that special factors may adversely affect the value of municipal securities and have a significant effect on the yield or value of the Strategy's investments in municipal securities. These factors include economic conditions, political or legislative changes, uncertainties related to the tax status of municipal securities, or the rights of investors in these securities. To the extent that the Strategy invests more of its assets in a particular state's municipal securities, the Strategy may be vulnerable to events adversely affecting that state, including economic, political and regulatory occurrences, court decisions, terrorism and catastrophic natural disasters, such as hurricanes or earthquakes. The Strategy's investments in certain municipal securities with principal and interest payments that are made from the revenues of a specific project or facility, and not general tax revenues, may have increased risks. Factors affecting the project or facility, such as local business or economic conditions, could have a significant effect on the project's ability to make payments of principal and interest on these securities.

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.

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

DISCLOSURES AND RISKS

(continued from previous page)

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

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

Liquidity Risk: Liquidity risk exists when particular investments, such as lower-rated securities, 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. The Strategy is subject to liquidity risk because the market for municipal securities is generally smaller than many other markets.

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 3.00% maximum front-end sales charge for Class A shares; and a 1% 1 year contingent deferred sales charge for Class C shares. Class 1 and 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 Municipal Bond Inflation Strategy		
Class 1*	0.47%	2.84%
Class 2*	0.52%	2.94%
Class A	0.28%	2.54%
Class C	-0.07%	1.84%
Advisor Class Shares**	0.42%	2.93%
Barclays 1-10 Year TIPS Index	0.47%	2.66%
Lipper Intermediate Municipal Debt Funds Average	1.46%	3.98%

* *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 4-5.

(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**			0.64%
1 Year	2.84%	2.84%	
Since Inception†	4.00%	4.00%	
Class 2 Shares**			0.73%
1 Year	2.94%	2.94%	
Since Inception†	4.12%	4.12%	
Class A Shares			0.42%
1 Year	2.54%	-0.55%	
Since Inception†	3.80%	2.83%	
Class C Shares			-0.26%
1 Year	1.84%	0.84%	
Since Inception†	3.09%	3.09%	
Advisor Class Shares‡			0.73%
1 Year	2.93%	2.93%	
Since Inception†	4.12%	4.12%	

The Strategy's current prospectus fee table shows the Strategy's total annual operating expense ratios as 0.74%, 0.64%, 0.95%, 1.65%, 0.65% for Class 1, Class 2, Class A, Class C, and Advisor Class shares, respectively, gross of any fee waivers or expense reimbursements. Contractual fee waivers and/or expense reimbursements limit the Strategy's annual operating expense ratios, exclusive of interest expense, to 0.60%, 0.50%, 0.80%, 1.50%, 0.50% for Class 1, Class 2, Class A, Class C, and Advisor Class 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 the NAV returns. Please note that these share classes are for investors purchasing shares through accounts established under certain fee-based programs sponsored and maintained by certain broker-dealers and financial intermediaries, institutional pension plans and/or investment advisory clients of, and certain other persons associated with, the Adviser and its affiliates or the Strategy. The inception date for these share classes are listed above.*

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

(Historical Performance continued on next page)

HISTORICAL PERFORMANCE

(continued from previous page)

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

	SEC Returns
Class 1 Shares*	
1 Year	3.24%
Since Inception**	4.05%
Class 2 Shares*	
1 Year	3.34%
Since Inception**	4.16%
Class A Shares	
1 Year	-0.08%
Since Inception**	2.88%
Class C Shares	
1 Year	1.24%
Since Inception**	3.14%
Advisor Class Shares†	
1 Year	3.33%
Since Inception**	4.16%

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

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

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

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

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	$ 1,002.80	$ 3.97	0.80%
Hypothetical**	$ 1,000	$ 1,020.83	$ 4.01	0.80%
Class C				
Actual	$ 1,000	$ 999.30	$ 7.44	1.50%
Hypothetical**	$ 1,000	$ 1,017.36	$ 7.50	1.50%
Advisor Class				
Actual	$ 1,000	$ 1,004.20	$ 2.48	0.50%
Hypothetical**	$ 1,000	$ 1,022.32	$ 2.51	0.50%
Class 1				
Actual	$ 1,000	$ 1,004.70	$ 2.98	0.60%
Hypothetical**	$ 1,000	$ 1,021.82	$ 3.01	0.60%
Class 2				
Actual	$ 1,000	$ 1,005.20	$ 2.49	0.50%
Hypothetical**	$ 1,000	$ 1,022.32	$ 2.51	0.50%

* *Expenses are equal to the 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

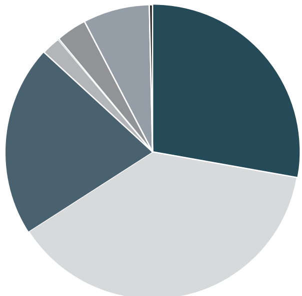
April 30, 2013 (unaudited)

PORTFOLIO STATISTICS

Net Assets ($mil): $861.9

QUALITY RATING BREAKDOWN*
Highest of S&P, Moody's and Fitch

- 27.8% AAA
- 38.1% AA
- 20.9% A
- 2.1% BBB
- 0.1% BB
- 3.4% A-1+
- 7.3% A-1
- 0.3% Not Rated



* *All data are as of April 30, 2013. The Strategy's quality rating breakdown is expressed as a percentage of the Strategy's total investments in municipal securities and may vary over time. The Strategy also enters into derivative transactions, which may be used for hedging or investment purposes (see "Portfolio of Investments" section of the report for additional details). The quality ratings are determined by using the Standard & Poor's Ratings Services ("S&P"), Moody's Investors Services, Inc. ("Moody's") and Fitch Ratings, Ltd. ("Fitch"). These ratings are a measure of the quality and safety of a bond or portfolio, based on the issuer's financial condition. AAA is the highest (best) and D is the lowest (worst). If applicable, the pre-refunded category includes bonds which are secured by U.S. Government Securities and therefore are deemed high-quality investment grade by the Adviser. If applicable, Not Applicable (N/A) includes non credit worthy investments; such as, equities, currency contracts, futures and options. If applicable, the Not Rated category includes bonds that are not rated by a Nationally Recognized Statistical Rating Organization.*

PORTFOLIO OF INVESTMENTS
April 30, 2013 (unaudited)

	Principal Amount (000)	U.S. $ Value
MUNICIPAL OBLIGATIONS – 97.2%		
Long-Term Municipal Bonds – 86.9%		
Alabama – 1.6%		
Alabama Pub Sch & Clg Auth		
5.00%, 12/01/15	$12,340	$ 13,723,314
Alaska – 0.5%		
Alaska Ind Dev & Export Auth		
Series 2010 A		
5.00%, 4/01/17	400	458,564
Valdez AK Marine Terminal		
(BP PLC)		
Series 2011B		
5.00%, 1/01/16	3,140	3,474,222
		3,932,786
Arizona – 1.9%		
Maricopa Cnty AZ CCD GO		
4.00%, 7/01/16	2,850	3,146,343
Phoenix AZ Civic Impt Corp.		
(Phoenix AZ Wastewater)		
5.00%, 7/01/26	3,330	4,009,187
Pima Cnty AZ Swr		
AGM		
5.00%, 7/01/21	1,765	2,142,851
Pima Cnty AZ USD #1 GO		
5.00%, 7/01/13	2,825	2,846,894
Salt River Proj Agric Impt & Pwr Dist AZ		
Series 2011A		
5.00%, 12/01/24	3,140	3,893,035
		16,038,310
Arkansas – 0.1%		
Fort Smith AR Sales & Use Tax		
2.375%, 5/01/27	635	638,886
California – 1.8%		
California Dept Wtr Res Pwr		
Series 2010M		
5.00%, 5/01/13	1,225	1,225,000
Series 2011N		
5.00%, 5/01/13	7,125	7,125,000
California GO		
5.00%, 10/01/16	275	315,189
Series 2011A		
5.00%, 10/01/20	5,000	6,144,300
San Francisco City/Cnty CA Arpt Commn		
(San Francisco CA Intl Airport)		
Series C		
5.00%, 5/01/19	450	547,168
NPFGC-RE		
Series 2006 32F		
5.25%, 5/01/18	290	349,427
		15,706,084

	Principal Amount (000)	U.S. $ Value
Colorado – 2.6%		
Denver CO City & Cnty Arpt		
(Denver Intl Airport)		
Series 2010 A		
5.00%, 11/15/23	$ 375	$ 452,726
Series 2011B		
4.00%, 11/15/14	4,730	4,971,372
Series 2012A		
5.00%, 11/15/24-11/15/25	8,395	9,951,923
Denver CO Urban Renewal Auth		
(Stapleton)		
Series 2010B-1		
5.00%, 12/01/19	200	219,072
Series 2013A		
5.00%, 12/01/19	4,015	4,814,105
Plaza Met Dist #1 CO		
5.00%, 12/01/20	1,310	1,454,493
Regional Trnsp Dist CO		
(Denver Transit Partners)		
5.25%, 7/15/24	440	505,811
		22,369,502
Connecticut – 0.9%		
Connecticut Clean Wtr Fund		
(Connecticut SRF)		
Series 2013A		
5.00%, 3/01/24	4,360	5,535,020
Connecticut GO AMBAC		
Series 2005B		
2.641%, 6/01/16[(a)]	1,750	1,817,882
		7,352,902
District of Columbia – 0.2%		
Metro Washington Arpt Auth VA		
Series 2010B		
5.00%, 10/01/13	1,495	1,524,093
Florida – 9.2%		
Citizens Ppty Ins Corp. FL		
Series 2010A		
5.00%, 6/01/16	315	353,707
Series 2011A-1		
5.00%, 6/01/15	1,720	1,871,910
Series 2012A		
5.00%, 6/01/22	2,315	2,811,730
Series 2012A-1		
5.00%, 6/01/16	3,165	3,556,985
NPFGC		
Series A		
5.00%, 3/01/15	275	296,962

	Principal Amount (000)	U.S. $ Value
Florida Brd of Ed GO		
(Florida GO)		
Series 2011C		
4.00%, 6/01/13	$ 1,970	$ 1,975,989
Series 2013A		
5.00%, 6/01/17	16,440	19,291,354
Florida Brd of Ed Lottery		
5.00%, 7/01/13	1,000	1,007,680
Series 2010 C		
5.00%, 7/01/16	550	626,032
Florida Dept Envrn Protn FL Forever		
(Florida Documentary Stamp Tax)		
Series 2011B		
5.00%, 7/01/20	3,775	4,600,139
Series 2013A		
4.00%, 7/01/16	1,765	1,940,935
5.00%, 7/01/18-7/01/19	3,905	4,675,832
Florida Hurricane Catastr Fd Fin Corp.		
Series 2008A		
5.00%, 7/01/13	665	670,061
Series 2010A		
5.00%, 7/01/15	700	766,983
Florida Mun Pwr Agy		
Series 2011B		
5.00%, 10/01/23	2,890	3,464,041
Florida Ports Fin Commn		
(Florida St Trnsp Trust Fund)		
Series 2011B		
5.00%, 6/01/15	1,900	2,052,608
Florida St		
(Florida GO)		
Series 2011B		
5.00%, 6/01/13	3,055	3,066,670
Greater Orlando Aviation FL		
(Greater Orlando Intl Airport)		
Series 2010 B		
5.00%, 10/01/13	420	428,068
Jacksonville FL Sales Tax		
5.00%, 10/01/20	1,720	2,082,989
Jacksonville FL Trnsp		
Series 2012A		
5.00%, 10/01/23-10/01/26	10,190	12,392,728
Lee Cnty FL Port Auth Arpt		
(Southwest Florida Intl Airport)		
AGM		
Series 2010A		
5.00%, 10/01/13	1,000	1,019,250
Martin Cnty FL IDA		
(Indiantown Cogen LP Proj)		
4.20%, 12/15/25	1,290	1,298,630
Miami Dade Cnty FL SPL Tax		
Series 2012A		
5.00%, 10/01/23	1,500	1,778,145

	Principal Amount (000)	U.S. $ Value
Miami-Dade Cnty FL Aviation (Miami-Dade Intl Airport) Series 2012A		
4.00%, 10/01/14-10/01/15	$ 5,280	$ 5,618,857
Tampa FL Wtr & Swr Sys		
5.00%, 10/01/26	1,565	1,887,766
		79,536,051
Georgia – 1.6%		
Atlanta GA Arpt PFC (Hartsfield Jackson Atlanta Intl Arpt) Series 2010B		
5.00%, 1/01/18	2,500	2,954,275
Catoosa Cnty GA SD GO		
3.00%, 8/01/13	2,380	2,396,398
4.00%, 8/01/14	4,470	4,678,123
Georgia Mun Elec Auth Series 2011A		
5.00%, 1/01/21	3,045	3,729,577
		13,758,373
Illinois – 3.9%		
Chicago IL Brd of Ed GO		
5.00%, 12/01/17	1,690	1,945,866
Chicago IL GO Series 2008A		
5.25%, 1/01/21	1,165	1,341,649
Series 2010A		
5.00%, 1/01/24	1,975	2,256,635
Chicago IL O'Hare Intl Arpt (O'Hare Intl Arpt)		
5.00%, 1/01/17	1,930	2,192,634
Chicago IL Transit Auth Fed Hwy Grant (Chicago IL Fed Hwy Grant)		
5.00%, 6/01/15	1,250	1,346,900
Chicago IL Transit Auth Fed Hwy Grant (Chicago Il Fed Hwy Grant) AMBAC Series 2004A		
5.25%, 6/01/15	2,425	2,625,402
Cook Cnty IL GO		
5.00%, 11/15/25	2,200	2,547,688
Illinois Finance Auth (Illinois Unemployment) Series 2012A		
5.00%, 6/15/16	5,690	6,478,919
Illinois Finance Auth (The Admiral at The Lake)		
6.00%, 5/15/17	55	55,136
Illinois GO		
5.00%, 8/01/15	6,050	6,582,884

	Principal Amount (000)	U.S. $ Value
Series 2006A		
5.00%, 6/01/19	$ 1,040	$ 1,210,581
Series 2010		
5.00%, 1/01/18	500	571,455
Illinois Sales Tax		
5.00%, 6/15/17	1,450	1,694,195
Springfield ILL Metro San Dist		
Series 2011A		
5.00%, 1/01/21	2,170	2,514,878
		33,364,822
Indiana – 1.0%		
Indiana Mun Pwr Agy		
Series 2011A		
5.00%, 1/01/20-1/01/23	4,965	5,983,766
Indianapolis IN Loc Bond Bank		
(Indianapolis IN Arpt Auth)		
AMBAC		
5.25%, 1/01/14	2,260	2,331,823
		8,315,589
Kentucky – 0.5%		
Kentucky Turnpike Auth		
(Kentucky Turnpike Auth Spl Tax)		
Series 2012A		
5.00%, 7/01/25	2,275	2,796,612
AGM		
5.25%, 7/01/14	1,410	1,490,497
		4,287,109
Louisiana – 1.7%		
Louisiana Gas & Fuels Tax		
Series 2012A		
5.00%, 5/01/23-5/01/27	11,560	14,004,002
Orleans Parish LA Par SD GO		
AGM		
4.00%, 9/01/13	910	921,266
		14,925,268
Maryland – 1.5%		
Baltimore MD GO		
Series 2013B		
5.00%, 10/15/14	4,870	5,201,647
Maryland GO		
Series 2012		
5.00%, 3/15/16	7,130	8,061,677
		13,263,324
Massachusetts – 2.6%		
Boston MA GO		
Series 2012A		
5.00%, 4/01/15	1,300	1,416,610

	Principal Amount (000)	U.S. $ Value
Massachusetts GO AGM		
Series 2006C		
2.858%, 11/01/19[(a)]	$ 9,575	$ 10,174,874
Massachusetts Mun Whsl Elec Co.		
Series 2012A		
5.00%, 7/01/15	1,430	1,566,836
Massachusetts Spl Obl		
(Massachusetts Gas Tax) AGM		
Series 2005A		
2.846%, 6/01/20[(a)]	3,000	3,329,940
Metropolitan Boston Trnsp Pkg Corp. MA		
5.00%, 7/01/22-7/01/25	5,025	6,029,082
		22,517,342
Michigan – 2.9%		
Detroit MI City SD GO		
Series 2012A		
4.00%, 5/01/14	1,120	1,157,240
Detroit MI Swr Disp		
Series 2012A		
5.00%, 7/01/21	3,750	4,359,937
Michigan Finance Auth		
(Michigan Unemployment)		
Series 2012B		
5.00%, 7/01/23	17,050	17,988,432
Univ of Michigan		
Series 2012C		
4.00%, 4/01/14	1,795	1,856,892
		25,362,501
Minnesota – 0.8%		
Hennepin Cnty MN GO		
Series 2013A		
5.00%, 12/01/14	5,095	5,474,170
Minnesota Hgr Ed Fac Auth		
(Gustavus Adolfus College)		
5.00%, 10/01/21	1,295	1,559,620
		7,033,790
Mississippi – 0.3%		
Mississippi Dev Bank		
(Mississippi Lease Dept of Trsnp)		
Series 2013		
5.00%, 1/01/19[(b)]	1,500	1,801,035
Series 2013A		
5.00%, 1/01/19[(b)]	1,000	1,200,690
		3,001,725

	Principal Amount (000)	U.S. $ Value
Missouri – 0.9%		
Bi-State Dev Agy MO		
(St. Louis MO City & Cnty Sales Tax)		
Series 2010B		
4.00%, 10/15/13	$ 5,900	$ 5,994,872
Springfiled MO Pub Util		
5.00%, 12/01/17	1,390	1,617,835
		7,612,707
Nevada – 0.2%		
Clark Cnty NV Arpt		
(McCarran Airport)		
Series 2010 D		
5.00%, 7/01/21-7/01/22	775	918,074
Clark Cnty NV SD GO NPFGC-RE		
Series 2005 A		
5.00%, 6/15/18	450	493,110
		1,411,184
New Hampshire – 1.0%		
Manchester NH Arpt		
(Manchester-Boston Regional Arpt)		
Series 2012A		
5.00%, 1/01/23	7,170	8,371,262
New Jersey – 1.7%		
New Jersey EDA		
(New Jersey Lease Sch Fac)		
Series 2010DD-1		
5.00%, 12/15/17	480	567,360
New Jersey Trnsp Trust Fd Auth		
(New Jersey Trnsp Trust Fund)		
Series 2013A		
5.00%, 6/15/20	10,000	12,173,100
New Jersey Turnpike Auth		
(New Jersey Turnpike)		
Series 2013A		
5.00%, 1/01/23	1,800	2,213,568
		14,954,028
New Mexico – 1.1%		
Albuquerque NM GO		
Series 2013A		
4.00%, 7/01/16[(b)]	4,925	5,453,452
New Mexico Fin Auth		
(New Mexico Fed Hwy Grant)		
5.00%, 6/15/22	3,330	4,247,915
		9,701,367

	Principal Amount (000)	U.S. $ Value
New York – 9.1%		
Long Island Pwr Auth NY		
NPFGC		
Series 2006D		
2.506%, 9/01/15[(a)]	$ 3,500	$ 3,579,695
Metropolitan Trnsp Auth NY		
5.00%, 11/15/26	3,635	4,316,744
Series 2012C		
5.00%, 11/15/24-11/15/25	9,065	10,888,556
New York NY GO AGM		
Series 2005K		
4.416%, 8/01/16[(a)]	1,700	1,820,547
New York NY Mun Wtr Fin Auth		
5.00%, 6/15/26	3,875	4,664,609
Series 2002A		
2.895%, 6/15/13[(a)]	500	501,065
New York NY Trnsl Fin Auth		
Series 2012B		
5.00%, 11/01/26	6,830	8,381,776
Series 20131		
5.00%, 11/01/16-11/01/18	20,080	23,967,858
New York St Dormitory Auth		
(New York St Pers Income Tax)		
Series 2011C		
5.00%, 3/15/25	3,000	3,596,460
Series 2011E		
5.00%, 8/15/14	2,790	2,960,051
Series 2012B		
5.00%, 3/15/20	7,900	9,773,090
New York St Envrn Fac Corp.		
(New York NY Mun Wtr Fin Auth)		
5.00%, 6/15/25	3,000	3,661,080
		78,111,531
North Carolina – 1.5%		
North Carolina Eastern Mun Pwr Agy		
Series 2012B		
5.00%, 1/01/21	6,700	8,260,095
North Carolina GO		
Series 2013E		
5.00%, 5/01/16	2,330	2,645,715
North Carolina Ltd. Oblig		
Series 2013A		
5.00%, 5/01/16	1,600	1,803,520
		12,709,330
Ohio – 0.1%		
Cleveland OH COP		
Series 2010A		
5.00%, 11/15/17	700	808,647

	Principal Amount (000)	U.S. $ Value
Oregon – 3.2%		
Deschutes Cnty OR SD #1 GO		
5.00%, 6/15/20	$ 5,180	$ 6,442,832
Multnomah Cnty OR SD #1J GO		
Series 2013A		
5.00%, 6/15/15[(b)]	14,605	16,022,853
Tri-County Met Trnsp Dist OR Grant Prog		
Series 2011A		
5.00%, 10/01/25	4,605	5,465,629
		27,931,314
Pennsylvania – 9.6%		
Allegheny Cnty PA Sani Auth		
(Allegheny Cnty PA Swr)		
AGM		
5.00%, 6/01/19	2,250	2,713,050
Montgomery Cnty PA IDA		
(New Regional Medical Ctr)		
5.00%, 8/01/19	475	560,077
Pennsylvania Econ Dev Fin Auth		
(Pennsylvania Unemployment)		
5.00%, 7/01/21	7,550	8,918,136
Series 2012A		
5.00%, 7/01/18-7/01/19	25,815	31,359,536
Pennsylvania GO		
Series 2013		
5.00%, 4/01/16	15,650	17,677,770
NPFGC-RE		
5.50%, 2/01/14	5,290	5,498,849
Pennsylvania IDA		
(Pennsylvania IDA Econ Dev)		
5.00%, 7/01/16	5,000	5,620,750
Pennsylvania Pub Sch Bldg Auth		
(Philadelphia PA SD Lease)		
5.00%, 4/01/23-4/01/26	5,150	5,860,604
Philadelphia PA Gas Works		
Series 2011-1975		
5.00%, 7/01/14	1,900	1,992,701
Philadelphia PA SD GO		
Series 2011E		
5.25%, 9/01/22	1,800	2,100,636
Philadelphia PA Wtr & WstWtr		
AGM		
Series 2010A		
5.00%, 6/15/18	550	652,515
		82,954,624
Puerto Rico – 1.8%		
Puerto Rico Elec Pwr Auth		
Series 2007TT		
5.00%, 7/01/21	2,000	2,059,620

	Principal Amount (000)	U.S. $ Value
Series 2010AAA		
5.25%, 7/01/21	$ 1,830	$ 1,946,498
NPFGC		
5.00%, 7/01/19	3,400	3,633,614
Puerto Rico Govt Dev Bank		
5.25%, 1/01/15	3,535	3,607,998
Puerto Rico Hwy & Trnsp Auth		
(Puerto Rico Hwy & Trnsp Spl Tax)		
Series 2007N		
2.715%, 7/01/28[(a)]	4,650	3,615,700
Puerto Rico Pub Bldgs Auth		
(Puerto Rico GO)		
Series 2007 M		
5.75%, 7/01/16	275	295,653
		15,159,083
South Carolina – 1.9%		
Horry Cnty SC SD GO		
Series 2012B		
5.00%, 3/01/16	1,470	1,650,634
Renewable Water Resources Sew Sys SC		
5.00%, 1/01/24	2,570	3,159,609
South Carolina Pub Svc Auth		
Series 2012C		
5.00%, 12/01/15-12/01/18	9,545	11,253,326
		16,063,569
Tennessee – 0.3%		
Met Govt Nashville-DAV TN GO		
5.00%, 7/01/23	2,385	3,003,907
Texas – 8.2%		
Conroe TX ISD GO		
5.00%, 2/15/24-2/15/26	6,240	7,548,553
Corpus Christi TX Util Sys		
5.00%, 7/15/21	5,675	6,990,295
Denton TX ISD GO		
Series 2012A		
2.125%, 8/01/42	2,135	2,195,378
Garland TX GO		
Series 2010		
5.00%, 2/15/26	500	590,520
Georgetown TX ISD GO		
Series 2013A		
5.00%, 2/15/22[(c)]	5,965	7,581,336
Houston TX Arpt Sys		
Series 2011A		
5.00%, 7/01/19	2,105	2,496,109
Houston TX ISD GO		
2.00%, 6/01/29	4,345	4,421,559

	Principal Amount (000)	U.S. $ Value
Houston TX Util Sys		
Series 2011D		
5.00%, 11/15/27	$ 2,735	$ 3,285,419
Series 2011E		
5.00%, 11/15/14	6,900	7,392,453
Lubbock TX GO		
5.00%, 2/15/19(b)	1,740	2,106,166
Midlothian TX ISD GO		
Series 2011B		
2.25%, 8/01/51	5,000	5,111,550
North Texas Tollway Auth TX		
(Texas St Hwy Fund Third Tier)		
Series 2011D		
5.25%, 9/01/26	3,625	4,382,262
Red River TX Hlth Facs Dev Corp.		
(Mrc Crestview Proj)		
6.00%, 11/15/16	735	744,305
Rockwall ISD GO		
5.00%, 2/15/19(b)	3,280	4,005,110
San Antonio TX Elec & Gas		
5.00%, 2/01/21	7,110	8,917,006
San Antonio TX ISD GO		
5.00%, 8/15/26	1,710	2,035,909
Univ of Texas		
Series 2010A		
5.00%, 8/15/22	1,070	1,304,490
		71,108,420
Virginia – 3.7%		
Fairfax Cnty VA Econ Dev Dist		
(Fairfax Cnty VA Trnsp Impt Dist)		
5.00%, 4/01/25-4/01/26	6,000	6,979,620
Virginia College Bldg Auth		
(Virginia Lease 21st Century College Prog)		
5.00%, 2/01/14-2/01/21	16,430	18,838,998
Virginia Pub Bldg Auth		
(Virginia Lease Pub Fac)		
Series 2011A		
4.00%, 8/01/13	4,050	4,087,787
Virginia Trnsp Brd		
(Virginia Lease Trnsp Fund)		
5.00%, 5/15/15	1,655	1,811,149
		31,717,554
Washington – 4.6%		
Central Puget Sound WA RTA		
Series 2012P		
5.00%, 2/01/23-2/01/25	7,815	9,650,590
Chelan Cnty WA PUD #1		
Series 2011B		
5.50%, 7/01/25	3,305	3,973,271

	Principal Amount (000)	U.S. $ Value
Energy Northwest WA		
(Bonneville Power Admin)		
Series 2011A		
5.00%, 7/01/18	$ 680	$ 819,522
Series 2012A		
5.00%, 7/01/13-7/01/19	5,450	6,415,994
King Cnty WA SD #414 GO		
5.00%, 12/01/16	3,735	4,312,954
Seattle WA Mun Light & Pwr		
Series 2010B		
5.00%, 2/01/20	4,080	5,033,904
Washington St GO		
Series 2009 B		
5.00%, 1/01/22	710	861,436
Series 20102		
5.00%, 2/01/19	3,295	4,008,400
Series 2013D		
5.00%, 2/01/23	3,385	4,290,217
		39,366,288
Wisconsin – 2.4%		
Wisconsin Clean Wtr		
(Wisconsin SRF)		
Series 20131		
5.00%, 6/01/24	4,490	5,690,401
Wisconsin Trnsp Auth		
(Wisconsin Trnsp Auth Spl Tax)		
Series 20131		
5.00%, 7/01/23-7/01/24	12,000	15,365,205
		21,055,606
Total Long-Term Municipal Bonds		
(cost $729,034,866)		748,692,192
Short-Term Municipal Notes – 10.3%		
Connecticut – 2.9%		
Connecticut Hlth & Ed Fac Auth		
(Yale University)		
Series 2001V-1		
0.15%, 7/01/36[(d)]	13,255	13,255,000
Series 2001V-2		
0.14%, 7/01/36[(d)]	7,670	7,670,000
Series 2005Y-3		
0.15%, 7/01/35[(d)]	4,100	4,100,000
		25,025,000
Massachusetts – 2.6%		
Massachusetts Dev Fin Agy		
(Boston University)		
Series 2008 U-6C		
0.17%, 10/01/42[(d)]	7,000	7,000,000

	Principal Amount (000)	U.S. $ Value
Massachusetts Hlth & Ed Facs Auth (Harvard Univ) Series 1999R 0.14%, 11/01/49(d)	$ 6,475	$ 6,475,000
Massachusetts Hlth & Ed Facs Auth (Stonehill College) Series 2008K 0.17%, 7/01/37(d)	9,085	9,085,000
		22,560,000
Mississippi – 2.6%		
Mississippi Business Fin Corp. (Chevron USA, Inc.) Series 2009 B 0.20%, 12/01/30(d)	10,100	10,100,000
Series 2009 F 0.18%, 12/01/30(d)	2,000	2,000,000
Series 2010G 0.17%, 11/01/35(d)	10,000	10,000,000
		22,100,000
Texas – 2.2%		
Houston TX Hgr Ed Fin Corp. (Rice University) Series 2008B 0.17%, 5/15/48(d)	4,365	4,365,000
Lower Neches Valley Auth TX (Exxon Mobil Corp.) 0.17%, 11/01/38-11/01/51(d)	15,025	15,025,000
		19,390,000
Total Short-Term Municipal Notes (cost $89,075,000)		89,075,000
Total Municipal Obligations (cost $818,109,866)		837,767,192
CORPORATES – INVESTMENT GRADES – 1.8%		
Financial Institutions – 1.3%		
Banking – 1.1%		
Bank of America Corp. 7.375%, 5/15/14	1,200	1,279,721
Capital One Financial Corp. 2.125%, 7/15/14	736	747,610
Goldman Sachs Group, Inc. (The) 5.15%, 1/15/14	1,510	1,557,787
6.00%, 5/01/14	1,200	1,262,534
JPMorgan Chase & Co. 2.05%, 1/24/14	1,570	1,589,547
Morgan Stanley 1.75%, 2/25/16	3,362	3,386,136
		9,823,335

	Principal Amount (000)	U.S. $ Value
Finance – 0.2%		
General Electric Capital Corp. 2.15%, 1/09/15	$ 1,576	$ 1,616,552
		11,439,887
Industrial – 0.4%		
Consumer Cyclical - Automotive – 0.1%		
Daimler Finance North America LLC 6.50%, 11/15/13	904	933,044
Consumer Cyclical - Entertainment – 0.1%		
Viacom, Inc. 1.25%, 2/27/15	800	805,884
Technology – 0.2%		
International Business Machines Corp. 0.55%, 2/06/15	1,715	1,718,571
		3,457,499
Utility – 0.1%		
Electric – 0.1%		
Exelon Generation Co. LLC 5.35%, 1/15/14	831	858,589
Total Corporates – Investment Grades (cost $15,541,980)		15,755,975
AGENCIES – 0.7%		
Federal Home Loan Bank Series 656 5.375%, 5/18/16[c] (cost $5,802,322)	5,315	6,117,151
	Shares	
SHORT-TERM INVESTMENTS – 2.2%		
Investment Companies – 2.2%		
AllianceBernstein Fixed-Income Shares, Inc. – Government STIF Portfolio, 0.09%[e] (cost $18,544,036)	18,544,036	18,544,036

	Principal Amount (000)	U.S. $ Value
U.S. Treasury Bill – 0.0%		
U.S. Treasury Bill		
Zero Coupon, 11/14/13(c)		
(cost $299,728)	$ 300	$ 299,728
Total Short-Term Investments		
(cost $18,843,764)		18,843,764
Total Investments – 101.9%		
(cost $858,297,932)		878,484,082
Other assets less liabilities – (1.9)%		(16,537,190)
Net Assets – 100.0%		**$ 861,946,892**

INFLATION (CPI) SWAP CONTRACTS (see Note D)

			Rate Type		
Swap Counterparty	Notional Amount (000)	Termination Date	Payments made by the Fund	Payments received by the Fund	Unrealized Appreciation/ (Depreciation)
Barclays Bank PLC	$ 5,500	6/2/19	2.58%	CPI#	$ (117,102)
Barclays Bank PLC	2,000	4/8/15	2.22%	CPI#	(23,752)
Barclays Bank PLC	38,000	4/24/15	2.02%	CPI#	(282,335)
Barclays Bank PLC	5,500	6/1/15	2.038%	CPI#	15,992
Barclays Bank PLC	6,000	2/26/17	2.37%	CPI#	(104,172)
Barclays Bank PLC	3,000	7/19/17	2.038%	CPI#	61,572
Barclays Bank PLC	4,000	6/15/20	2.48%	CPI#	(6,138)
Barclays Bank PLC	1,500	8/4/20	2.308%	CPI#	37,386
Barclays Bank PLC	2,000	11/10/20	2.5%	CPI#	23,915
Barclays Bank PLC	6,000	5/4/21	2.845%	CPI#	(247,487)
Barclays Bank PLC	3,000	5/12/21	2.815%	CPI#	(116,641)
Barclays Bank PLC	14,000	4/3/22	2.663%	CPI#	(258,030)
Barclays Bank PLC	16,700	10/5/22	2.765%	CPI#	(173,229)
Barclays Bank PLC	5,400	3/6/27	2.695%	CPI#	3,284
Citibank, NA	2,000	4/15/14	2.06%	CPI#	(5,874)
Citibank, NA	10,000	5/4/16	2.71%	CPI#	(320,401)
Citibank, NA	14,000	5/30/17	2.125%	CPI#	(74,294)
Citibank, NA	11,500	6/21/17	2.153%	CPI#	(52,985)
Citibank, NA	9,000	6/29/22	2.398%	CPI#	106,954
Citibank, NA	5,400	7/19/22	2.40%	CPI#	83,427
Citibank, NA	4,000	8/10/22	2.55%	CPI#	15,818
Citibank, NA	15,500	12/7/22	2.748%	CPI#	(217,141)
Citibank, NA	15,800	2/8/28	2.94%	CPI#	(351,012)
Deutsche Bank AG	16,300	6/30/14	1.998%	CPI#	(85,079)
Deutsche Bank AG	14,200	7/21/14	2.155%	CPI#	(151,709)
Deutsche Bank AG	11,000	6/20/21	2.655%	CPI#	(258,960)
Deutsche Bank AG	9,800	9/7/21	2.40%	CPI#	104,119
JPMorgan Chase Bank, NA	12,000	3/26/28	2.88%	CPI#	(165,163)
JPMorgan Chase Bank, NA	32,000	5/30/14	1.575%	CPI#	(59,383)
JPMorgan Chase Bank, NA	1,000	7/29/20	2.305%	CPI#	24,283

Swap Counterparty	Notional Amount (000)	Termination Date	Rate Type Payments made by the Fund	Rate Type Payments received by the Fund	Unrealized Appreciation/ (Depreciation)
JPMorgan Chase Bank, NA	$ 19,000	8/17/22	2.523%	CPI#	$ 156,618
JPMorgan Chase Bank, NA	1,400	6/30/26	2.89%	CPI#	(55,202)
JPMorgan Chase Bank, NA	3,300	7/21/26	2.935%	CPI#	(154,254)
JPMorgan Chase Bank, NA	2,400	10/3/26	2.485%	CPI#	79,327
JPMorgan Chase Bank, NA	5,400	11/14/26	2.488%	CPI#	174,966
JPMorgan Chase Bank, NA	4,850	12/23/26	2.484%	CPI#	170,761
JPMorgan Chase Bank, NA	21,350	2/20/28	2.899%	CPI#	(341,121)
Morgan Stanley Capital Services LLC	6,000	4/16/16	2.11%	CPI#	(21,339)
Morgan Stanley Capital Services LLC	50,000	4/16/18	2.395%	CPI#	(294,921)
Morgan Stanley Capital Services LLC	10,000	4/16/23	2.69%	CPI#	(83,543)
Morgan Stanley Capital Services LLC	1,000	5/6/13	1.95%	CPI#	11,262
Morgan Stanley Capital Services LLC	9,000	10/28/13	1.61%	CPI#	295,270
Morgan Stanley Capital Services LLC	22,000	10/3/14	1.53%	CPI#	317,702
Morgan Stanley Capital Services LLC	6,000	4/5/16	2.535%	CPI#	(129,274)
Morgan Stanley Capital Services LLC	2,000	10/14/20	2.37%	CPI#	43,632
Morgan Stanley Capital Services LLC	13,000	5/23/21	2.68%	CPI#	(325,903)
Morgan Stanley Capital Services LLC	5,000	8/15/26	2.885%	CPI#	(178,692)
					$ (2,928,848)

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

(a) *Variable rate coupon, rate shown as of April 30, 2013.*

(b) *When-Issued or delayed delivery security.*

(c) *Position, or a portion thereof, has been segregated to collateralize OTC derivatives outstanding. The aggregate market value of these securities amounted to $4,660,615.*

(d) *Variable Rate Demand Notes are instruments whose interest rates change on a specific date (such as coupon date or interest payment date) or whose interest rates vary with changes in a designated base rate (such as the prime interest rate). This instrument is payable on demand and is secured by letters of credit or other credit support agreements from major banks.*

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

As of April 30, 2013, the Fund held 5.2% of net assets in insured bonds (of this amount 0.0% represents the Fund's holding in pre-refunded or escrowed to maturity bonds).

Glossary:

AGM – Assured Guaranty Municipal
AMBAC – Ambac Assurance Corporation
CCD – Community College District
COP – Certificate of Participation
EDA – Economic Development Agency
GO – General Obligation
IDA – Industrial Development Authority/Agency
ISD – Independent School District
NPFGC – National Public Finance Guarantee Corporation
NPFGC-RE – National Public Finance Guarantee Corporation Reinsuring FGIC
PFC – Passenger Facility Charge
PUD – Public Utility District
RTA – Regional Transportation Authority
SD – School District
SRF – State Revolving Fund
USD – Unified School District

See notes to financial statements.

STATEMENT OF ASSETS & LIABILITIES

April 30, 2013 (unaudited)

Assets	
Investments in securities, at value	
Unaffiliated issuers (cost $839,753,896)	$ 859,940,046
Affiliated issuers (cost $18,544,036)	18,544,036
Receivable for capital stock sold	10,019,178
Interest and dividends receivable	8,702,730
Unrealized appreciation on inflation swap contracts	1,726,288
Receivable for investment securities sold	230,000
Total assets	899,162,278
Liabilities	
Payable for investment securities purchased	30,580,353
Unrealized depreciation on inflation swap contracts	4,655,136
Payable for capital stock redeemed	1,539,987
Advisory fee payable	280,989
Distribution fee payable	88,999
Administrative fee payable	22,142
Transfer Agent fee payable	398
Accrued expenses	47,382
Total liabilities	37,215,386
Net Assets	**$ 861,946,892**
Composition of Net Assets	
Capital stock, at par	$ 80,210
Additional paid-in capital	843,765,382
Undistributed net investment income	384,186
Accumulated net realized gain on investment transactions	459,812
Net unrealized appreciation on investments	17,257,302
	$ 861,946,892

Net Asset Value Per Share—24 billion shares of capital stock authorized, $.001 par value

Class	Net Assets	Shares Outstanding	Net Asset Value
A	$ 113,593,149	10,562,498	$ 10.75*
C	$ 39,806,063	3,709,325	$ 10.73
Advisor	$ 170,788,735	15,871,538	$ 10.76
1	$ 367,287,725	34,203,006	$ 10.74
2	$ 170,471,220	15,864,065	$ 10.75

* *The maximum offering price per share for Class A shares was $11.08 which reflects a sales charge of 3.0%.*

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended April 30, 2013 (unaudited)

Investment Income		
Interest	$ 6,242,879	
Dividends—Affiliated issuers	10,416	$ 6,253,295
Expenses		
Advisory fee (see Note B)	1,591,297	
Distribution fee—Class A	141,814	
Distribution fee—Class C	187,389	
Distribution fee—Class 1	141,347	
Transfer agency—Class A	9,173	
Transfer agency—Class C	3,786	
Transfer agency—Advisor Class	10,044	
Transfer agency—Class 1	16,303	
Transfer agency—Class 2	6,885	
Custodian	84,019	
Registration fees	71,430	
Administrative	29,706	
Audit	21,934	
Legal	20,512	
Printing	18,113	
Directors' fees	5,787	
Miscellaneous	10,022	
Total expenses	2,369,561	
Less: expenses waived and reimbursed by the Adviser (see Note B)	(306,047)	
Net expenses		2,063,514
Net investment income		4,189,781
Realized and Unrealized Gain (Loss) on Investment Transactions		
Net realized gain on:		
Investment transactions		427,235
Swap contracts		57,119
Net change in unrealized appreciation/depreciation of:		
Investments		2,340,237
Swap contracts		(4,752,182)
Net loss on investment transactions		(1,927,591)
Net Increase in Net Assets from Operations		**$ 2,262,190**

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	$ 4,189,781	$ 6,011,004
Net realized gain on investment transactions	484,354	866,904
Net change in unrealized appreciation/ depreciation of investments	(2,411,945)	17,188,927
Net increase in net assets from operations	2,262,190	24,066,835
Dividends and Distributions to Shareholders from		
Net investment income		
Class A	(545,737)	(926,220)
Class C	(90,598)	(186,712)
Advisor Class	(724,770)	(1,102,559)
Class 1	(1,903,109)	(2,576,922)
Class 2	(850,003)	(1,029,039)
Net realized gain on investment transactions		
Class A	(135,299)	(122,501)
Class C	(58,740)	(48,220)
Advisor Class	(140,735)	(91,970)
Class 1	(388,019)	(218,955)
Class 2	(156,157)	(83,342)
Capital Stock Transactions		
Net increase	334,933,660	226,653,362
Total increase	332,202,683	244,333,757
Net Assets		
Beginning of period	529,744,209	285,410,452
End of period (including undistributed net investment income of $384,186 and $308,622, respectively)	**$ 861,946,892**	**$ 529,744,209**

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 Municipal Bond Inflation Strategy Portfolio. The Municipal Bond Inflation Strategy Portfolio (the "Strategy") has authorized the issuance of offers Class A, Class B, Class C, Advisor Class, 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 R, Class K and Class I shares have been authorized by the Strategy but are not currently being offered. Class A shares are sold with a front-end sales charge of up to 3.0% for purchases not exceeding $500,000. With respect to purchases of $500,000 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 rates, coupon rates, yield curves, option adjusted spreads, default rates, credit spreads and other unique security features in order to estimate the relevant cash flows which is then discounted to calculate fair values. If these inputs are unobservable and significant to the fair value, these investments will be classified as Level 3. In addition, non-agency rated investments 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:				
Long-Term Municipal Bonds	$ – 0 –	$ 746,438,258	$ 2,253,934	$ 748,692,192
Short-Term Municipal Notes	– 0 –	89,075,000	– 0 –	89,075,000
Corporates—Investment Grades	– 0 –	15,755,975	– 0 –	15,755,975
Agencies	– 0 –	6,117,151	– 0 –	6,117,151
Short-Term Investments:				
Investment Companies	18,544,036	– 0 –	– 0 –	18,544,036
U.S. Treasury Bill	– 0 –	299,728	– 0 –	299,728
Total Investments in Securities	18,544,036	857,686,112	2,253,934	878,484,082
Other Financial Instruments* :				
Assets:				
Inflation (CPI) Swap Contracts	– 0 –	1,726,288	– 0 –	1,726,288
Liabilities:				
Inflation (CPI) Swap Contracts	– 0 –	(4,655,136)	– 0 –	(4,655,136)
Total^	**$ 18,544,036**	**$ 854,757,264**	**$ 2,253,934**	**$ 875,555,234**

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

^ *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.

	Long-Term Municipal Bonds	Inflation (CPI) Swap Contracts	Total
Balance as of 10/31/12	**$ 896,677**	**$ 1,823,334**	**$ 2,720,011**
Accrued discounts/(premiums)	(3,845)	– 0 –	(3,845)
Realized gain (loss)	1,171	– 0 –	1,171
Change in unrealized appreciation/depreciation	(3,134)	– 0 –	(3,134)
Purchases	1,453,065	– 0 –	1,453,065
Sales	(90,000)	– 0 –	(90,000)
Transfers in to Level 3	– 0 –	– 0 –	– 0 –
Transfers out of Level 3	– 0 –	(1,823,334)	(1,823,334)
Balance as of 4/30/13+	**$ 2,253,934**	**$ – 0 –**	**$ 2,253,934**
Net change in unrealized appreciation/depreciation from Investments held as of 4/30/13*	$ (3,134)	$ – 0 –	$ (3,134)

\+ *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. 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.

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.

4. 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 original issue discounts and market discounts as adjustments to interest income.

5. 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.

6. 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 fee is accrued daily and paid monthly. 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 .80%, 1.50%, .50%, .60% and .50% of the daily average net assets for the Class A, Class C, Advisor Class, 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 which would exceed 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 by the Adviser for additional one-year terms. For the six months ended April 30, 2013, such reimbursement amounted to $306,047, 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 $29,706.

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 $12,097 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 $0 from the sale of Class A shares and received $6,870 and $3,150 in contingent deferred sales charges imposed upon redemptions by shareholders of Class A and Class C shares, respectively, 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)
$ 5,713	$ 264,575	$ 251,744	$ 18,544	$ 10

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 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 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 amount of $296,301 and $953,512 for Class C 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)	$ 301,651,481	$ 42,952,902
U.S. government securities	– 0 –	– 0 –

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 swap transactions) are as follows:

Gross unrealized appreciation	$ 20,556,798
Gross unrealized depreciation	(370,648)
Net unrealized appreciation	$ 20,186,150

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

- **Swap Agreements**

  The Strategy may enter into swaps to hedge its exposure to interest rates or credit risk. 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.

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

During the six months ended April 30, 2013, the Strategy held inflation (CPI) swap contracts for hedging purposes.

Documentation governing the Strategy's OTC derivatives may contain provisions for early termination of such transaction in the event the net assets of the Strategy decline below specific levels set forth in the documentation ("net asset contingent features"). If these levels are triggered, the Strategy's counterparty has the right to terminate such transaction and require the Strategy to pay or receive a settlement amount in connection with the terminated transaction. As of April 30, 2013, the Strategy had OTC derivatives with contingent features in net liability positions in the amount of $2,928,848. The fair value of assets pledged as collateral by the Strategy for such derivatives was $4,660,615. If a trigger event had occurred at April 30, 2013, for those derivatives in a net liability position, an amount of $560,797 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**
Interest rate contracts	Unrealized appreciation on inflation swap contracts	$ 1,726,288	Unrealized depreciation on inflation swap contracts	$ 4,655,136
Total		$ 1,726,288		$ 4,655,136

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)
Interest rate contracts........	Net realized gain (loss) on swap contracts: Net change in unrealized appreciation/ depreciation of swap contracts	$ 57,119	$ (4,752,182)
Total		$ 57,119	$ (4,752,182)

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

Inflation Swap Contracts:	
Average notional amount	$ 392,000,000

NOTE E
Capital Stock

Each class consists of 3,000,000,000 authorized shares. Transactions in capital shares for Class A, Class C, Advisor Class, Class 1 and Class 2 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	4,644,581	4,102,533	$ 50,112,861	$ 43,442,993
Shares issued in reinvestment of dividends and distributions	46,733	72,554	493,515	766,041
Shares redeemed	(1,511,827)	(3,029,718)	(16,315,241)	(31,985,941)
Net increase	**3,179,487**	**1,145,369**	**$ 34,291,135**	**$ 12,223,093**
Class C				
Shares sold	890,171	1,433,167	$ 9,596,833	$ 15,136,166
Shares issued in reinvestment of dividends and distributions	10,866	17,757	117,212	186,685
Shares redeemed	(479,882)	(486,097)	(5,164,762)	(5,152,933)
Net increase	**421,155**	**964,827**	**$ 4,549,283**	**$ 10,169,918**
Advisor Class				
Shares sold	9,437,900	5,902,266	$ 101,628,564	$ 62,380,255
Shares issued in reinvestment of dividends and distributions	56,386	77,611	609,119	821,381
Shares redeemed	(1,561,634)	(2,103,271)	(16,849,646)	(22,379,392)
Net increase	**7,932,652**	**3,876,606**	**$ 85,388,037**	**$ 40,822,244**
Class 1				
Shares sold	15,598,156	13,680,419	$ 167,888,640	$ 144,989,020
Shares issued in reinvestment of dividends and distributions	163,148	113,453	1,758,162	1,200,618
Shares redeemed	(3,470,337)	(2,741,573)	(37,407,209)	(29,072,156)
Net increase	**12,290,967**	**11,052,299**	**$ 132,239,593**	**$ 117,117,482**
Class 2				
Shares sold	8,680,514	5,129,537	$ 93,436,587	$ 54,427,562
Shares issued in reinvestment of dividends and distributions	70,892	50,466	764,247	533,805
Shares redeemed	(1,460,487)	(815,266)	(15,735,222)	(8,640,742)
Net increase	**7,290,919**	**4,364,737**	**$ 78,465,612**	**$ 46,320,625**

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.

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. This risk is significantly greater for fixed-income securities with longer maturities.

Municipal Market Risk—This is the risk that special factors may adversely affect the value of municipal securities and have a significant effect on the yield or value of the Strategy's investments in municipal securities. These factors include economic conditions, political or legislative changes, uncertainties related to the tax status of municipal securities, or the rights of investors in these securities. To the extent that the Strategy invests more of its assets in a particular state's municipal securities, the Strategy may be vulnerable to events adversely affecting that state, including economic, political and regulatory occurrences, court decisions, terrorism and catastrophic natural disasters, such as hurricanes or earthquakes. The Strategy's investments in certain municipal securities with principal and interest payments that are made from the revenues of a specific project or facility, and not general tax revenues, may have increased risks. Factors affecting the project or facility, such as local business or economic conditions, could have a significant effect on the project's ability to make payments of principal and interest on these securities.

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.

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.

Tax Risk—There is no guarantee that all of the Strategy's income will remain exempt from federal or state income taxes. From time to time, the U.S. Government and the U.S. Congress consider changes in federal tax law that could limit or eliminate the federal tax exemption for municipal bond income, which would in effect reduce the income received by shareholders from the Strategy by increasing taxes on that income. In such event, the Strategy's NAV could also decline as yields on municipal bonds, which are typically lower than those on taxable bonds, would be expected to increase to approximately the yield of comparable taxable bonds. Actions or anticipated actions affecting the tax exempt status of municipal bonds could also result in significant shareholder redemptions of Strategy shares as investors anticipate adverse effects on the Strategy or seek higher yields to offset the potential loss of the tax deduction. As a result, the Strategy would be required to maintain higher levels of cash to meet the redemptions, which would negatively affect the Strategy's yield.

Duration Risk—Duration is the 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%.

Below Investment Grade Securities Risk—Investments in fixed-income securities with lower ratings (commonly known as "junk bonds") tend to have a higher probability that an issuer will default or fail to meet its payment obligations. These securities may be subject to greater price volatility due to such factors as specific corporate developments, interest rate sensitivity, negative performance of the junk bond market generally and less secondary market liquidity.

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	$ 892,092	$ 233,340
Long-term capital gains	14,487	– 0 –
Total taxable distributions	906,579	233,340
Tax-exempt income	5,479,861	2,182,854
Total distributions paid	$ 6,386,440	$ 2,416,194

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

Undistributed tax-exempt income	$ 341,949
Undistributed ordinary income	247,370
Undistributed capital gains	607,038
Unrealized appreciation/(depreciation)	19,669,247
Total accumulated earnings/(deficit)	$ 20,865,604[(a)]

(a) *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	$ 10.80	$ 10.32	$ 10.09	$ 10.00
Income From Investment Operations				
Net investment income[b][c]	.06	.14	.16	.11
Net realized and unrealized gain (loss) on investment transactions	(.03)	.50	.26	.06
Net increase in net asset value from operations	.03	.64	.42	.17
Less: Dividends and Distributions				
Dividends from net investment income	(.06)	(.14)	(.17)	(.08)
Distributions from net realized gain on investment transactions	(.02)	(.02)	(.02)	– 0 –
Total dividends and distributions	(.08)	(.16)	(.19)	(.08)
Net asset value, end of period	**$ 10.75**	**$ 10.80**	**$ 10.32**	**$ 10.09**
Total Return				
Total investment return based on net asset value[d]	.28 %	6.22 %	4.24 %	1.70 %
Ratios/Supplemental Data				
Net assets, end of period (000's omitted)	$113,593	$79,735	$64,342	$28,200
Ratio to average net assets of:				
Expenses, net of waivers/reimbursements	.80 %[e]	.80 %	.80 %	.80 %[e]
Expenses, before waivers/reimbursements	.90 %[e]	.95 %	1.20 %	2.15 %[e]
Net investment income[b]	1.17 %[e]	1.34 %	1.57 %	1.43 %[e]
Portfolio turnover rate	7 %	10 %	26 %	1 %

See footnote summary on page 50.

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	$ 10.78	$ 10.30	$ 10.08	$ 10.00
Income From Investment Operations				
Net investment income[b][c]	.03	.07	.09	.06
Net realized and unrealized gain (loss) on investment transactions	(.04)	.50	.25	.06
Net increase in net asset value from operations	(.01)	.57	.34	.12
Less: Dividends and Distributions				
Dividends from net investment income	(.02)	(.07)	(.10)	(.04)
Distributions from net realized gain on investment transactions	(.02)	(.02)	(.02)	– 0 –
Total dividends and distributions	(.04)	(.09)	(.12)	(.04)
Net asset value, end of period	**$ 10.73**	**$ 10.78**	**$ 10.30**	**$ 10.08**
Total Return				
Total investment return based on net asset value[d]	(.07)%	5.51 %	3.45 %	1.23 %
Ratios/Supplemental Data				
Net assets, end of period (000's omitted)	$39,806	$35,436	$23,919	$11,804
Ratio to average net assets of:				
Expenses, net of waivers/reimbursements	1.50 %[e]	1.50 %	1.50 %	1.50 %[e]
Expenses, before waivers/reimbursements	1.60 %[e]	1.65 %	1.91 %	2.76 %[e]
Net investment income[b]	.47 %[e]	.64 %	.87 %	.78 %[e]
Portfolio turnover rate	7 %	10 %	26 %	1 %

See footnote summary on page 50.

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	$ 10.81	$ 10.32	$ 10.10	$ 10.00
Income From Investment Operations				
Net investment income[b][c]	.07	.17	.19	.12
Net realized and unrealized gain (loss) on investment transactions	(.02)	.51	.25	.08
Net increase in net asset value from operations	.05	.68	.44	.20
Less: Dividends and Distributions				
Dividends from net investment income	(.08)	(.17)	(.20)	(.10)
Distributions from net realized gain on investment transactions	(.02)	(.02)	(.02)	– 0 –
Total dividends and distributions	(.10)	(.19)	(.22)	(.10)
Net asset value, end of period	**$ 10.76**	**$ 10.81**	**$ 10.32**	**$ 10.10**
Total Return				
Total investment return based on net asset value[d]	.42 %	6.64 %	4.44 %	1.97 %
Ratios/Supplemental Data				
Net assets, end of period (000's omitted)	$170,789	$85,781	$41,924	$12,310
Ratio to average net assets of:				
Expenses, net of waivers/reimbursements	.50 %[e]	.50 %	.50 %	.50 %[e]
Expenses, before waivers/reimbursements	.60 %[e]	.65 %	.88 %	1.57 %[e]
Net investment income[b]	1.46 %[e]	1.63 %	1.85 %	1.81 %[e]
Portfolio turnover rate	7 %	10 %	26 %	1 %

See footnote summary on page 50.

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	$ 10.78	$ 10.30	$ 10.08	$ 10.00
Income From Investment Operations				
Net investment income[b][c]	.07	.16	.17	.11
Net realized and unrealized gain (loss) on investment transactions	(.02)	.50	.27	.07
Net increase in net asset value from operations	.05	.66	.44	.18
Less: Dividends and Distributions				
Dividends from net investment income	(.07)	(.16)	(.20)	(.10)
Distributions from net realized gain on investment transactions	(.02)	(.02)	(.02)	– 0 –
Total dividends and distributions	(.09)	(.18)	(.22)	(.10)
Net asset value, end of period	**$ 10.74**	**$ 10.78**	**$ 10.30**	**$ 10.08**
Total Return				
Total investment return based on net asset value[d]	.47 %	6.45 %	4.40 %	1.78 %
Ratios/Supplemental Data				
Net assets, end of period (000's omitted)	$367,288	$236,285	$111,857	$10
Ratio to average net assets of:				
Expenses, net of waivers/reimbursements	.60 %[e]	.60 %	.60 %	.60 %[e]
Expenses, before waivers/reimbursements	.69 %[e]	.74 %	.92 %	2.70 %[e]
Net investment income[b]	1.36 %[e]	1.54 %	1.66 %	1.38 %[e]
Portfolio turnover rate	7 %	10 %	26 %	1 %

See footnote summary on page 50.

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	Year Ended October 31, 2011	January 26, 2010[(a)] to October 31, 2010
Net asset value, beginning of period	$ 10.79	$ 10.31	$ 10.08	$ 10.00
Income From Investment Operations				
Net investment income[(b)(c)]	.08	.17	.17	.11
Net realized and unrealized gain (loss) on investment transactions	(.02)	.50	.28	.07
Net increase in net asset value from operations	.06	.67	.45	.18
Less: Dividends and Distributions				
Dividends from net investment income	(.08)	(.17)	(.20)	(.10)
Distributions from net realized gain on investment transactions	(.02)	(.02)	(.02)	– 0 –
Total dividends and distributions	(.10)	(.19)	(.22)	(.10)
Net asset value, end of period	**$ 10.75**	**$ 10.79**	**$ 10.31**	**$ 10.08**
Total Return				
Total investment return based on net asset value[(d)]	.52 %	6.54 %	4.54 %	1.85 %
Ratios/Supplemental Data				
Net assets, end of period (000's omitted)	$170,471	$92,507	$43,368	$10,044
Ratio to average net assets of:				
Expenses, net of waivers/reimbursements	.50 %[(e)]	.50 %	.50 %	.50 %[(e)]
Expenses, before waivers/reimbursements	.59 %[(e)]	.64 %	.85 %	2.61 %[(e)]
Net investment income[(b)]	1.46 %[(e)]	1.64 %	1.77 %	1.49 %[(e)]
Portfolio turnover rate	7 %	10 %	26 %	1 %

(a) Commencement of operations.

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

(c) Based on average shares outstanding.

(d) 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 strategy distributions or the redemption of strategy shares. Total investment return calculated for a period of less than one year is not annualized.

(e) Annualized.

See notes to financial statements.

BOARD OF DIRECTORS

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Phyllis J. Clarke, Controller

Custodian and Accounting Agent

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

Principal Underwriter

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

Transfer Agent

AllianceBernstein Investor Services, Inc.
P.O. Box 786003
San Antonio, TX 78278-6003
Toll-Free (800) 221-5672

Independent Registered Public Accounting Firm

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

Legal Counsel

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

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

(2) *The day-to-day management of, and investment decisions for, the Strategy's portfolio are made by the Adviser's Municipal Bond Investment Team. Messrs. Michael G. Brooks, Robert "Guy" B. Davidson III, Wayne D. Godlin and Terrance T. Hults 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 Municipal 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 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 AllianceBernstein Funds 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 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 5th quintile of the Performance Group and the Performance Universe for the 1-year period, and that it lagged the Index in both periods. Based on their review, and taking into consideration the Portfolio's short operating history, 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 Adviser informed the directors that there were no institutional products managed by it that have a substantially similar investment style. The directors reviewed the relevant advisory fee information from the Adviser's Form ADV and the evaluation from the Fund's Senior Officer, and noted that the Adviser charged institutional clients lower fees for advising comparably sized institutional accounts using strategies that differ from those of the Portfolio but which invest in fixed income securities.

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 lower than the Expense Group median and that, in the Portfolio's latest fiscal year, the administrative expense reimbursement of 5 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 median and higher than the Expense Universe median. 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 REPORT OR THE FINANCIAL STATEMENTS

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

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

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

These factors, with the exception of the first factor, are generally referred to as the "*Gartenberg* factors," which were articulated by the United States Court of Appeals for the Second Circuit in 1982. *Gartenberg v. Merrill Lynch Asset Management, Inc.*, 694 F. 2d 923 (2d Cir. 1982). On March 30, 2010, the Supreme Court held the *Gartenberg* decision was correct in its basic formulation of what §36(b) requires: to face liability under §36(b), "an investment adviser must charge a fee that is so disproportionately large that it bears no reasonable relationship to the services rendered and could not have been the product of

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."

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]

Strategy	Category	Advisory Fee Based on % of Average Daily Net Assets	Net Assets 09/30/12 ($MM)
Municipal Bond Inflation Strategy	High Income	50 bp on 1st $2.5 billion 45 bp on next $2.5 billion 40 bp on the balance	$509.8

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 $75,639 (0.05% of the Strategy's average daily net assets) for such services, but waived the amount in its entirety.

The Adviser agreed to waive that portion of its advisory fees and/or reimburse the Strategy for that portion of the Strategy's total operating expenses to the degree necessary to limit the Strategy's expense ratios to the amounts set forth below for the Strategy's current fiscal year. The waiver is terminable by the Adviser 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
Municipal Bond Inflation Strategy	Advisor	0.50%	0.67%	October 31 (ratio as of April 30, 2012)
	Class A	0.80%	0.96%	
	Class C	1.50%	1.67%	
	Class 1	0.60%	0.76%	
	Class 2	0.50%	0.66%	

3 Jones v. Harris *at 1427.*

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

5 *Annualized.*

I. ADVISORY FEES CHARGED TO INSTITUTIONAL AND OTHER CLIENTS

The advisory fees charged to investment companies which the Adviser manages and sponsors are normally higher than those charged to similar sized institutional accounts, including pension plans and sub-advised investment companies. The fee differential reflects, among other things, different services provided to such clients, and different liabilities assumed. Services provided by the Adviser to the Strategy that are not provided to non-investment company clients include providing office space and personnel to serve as Fund Officers, who among other responsibilities make the certifications required under the Sarbanes–Oxley Act of 2002, and coordinating with and monitoring the Strategy's third party service providers such as Fund counsel, auditors, custodians, transfer agents and pricing services. The accounting, administrative, legal and compliance requirements for the Strategy are more costly than those for institutional client assets due to the greater complexities and time required for investment companies, although as previously noted, the Adviser is entitled to be reimbursed for providing some of these services. Also, retail mutual funds managed by the Adviser are widely held and accordingly, servicing the Strategy's investors is more time consuming and labor intensive compared to servicing institutional clients since the Adviser needs to communicate with a more extensive network of financial intermediaries and shareholders. The Adviser also believes that it incurs substantial entrepreneurial risk when offering a new mutual fund since establishing a new mutual fund requires a large upfront investment and it may take a long time for the fund to achieve profitability since the fund must be priced to scale from inception in order to be competitive and assets are acquired one account at a time. In addition, managing the cash flow of an investment company may be more difficult than that of a stable pool of assets, such as an institutional account with little cash movement in either direction, particularly if the Strategy is in net redemption and the Adviser is frequently forced to sell securities to raise cash for redemptions. However, managing a fund with positive cash flow may be easier at times than managing a stable pool of assets. Finally, in recent years, investment advisers have been sued by institutional clients and have suffered reputational damage both by the attendant publicity and outcomes other than complete victories. Accordingly, the legal and reputational risks associated with institutional accounts are greater than previously thought, although arguably still not equal to those related to the mutual fund industry.

Notwithstanding the Adviser's view that managing an investment company is not comparable to managing other institutional accounts because the services provided are different, the Supreme Court has indicated consideration should be given to the advisory fees charged to institutional accounts with a similar investment style as the Strategy.[6] However, with respect to the Strategy, the

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.*

Adviser represented that there is no category in the Form ADV for institutional products that have a substantially similar investment styles as the Strategy.

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

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

Lipper, Inc. ("Lipper"), an analytical service that is not affiliated with the Adviser, compared the fees charged to the Strategy with fees charged to other investment companies for similar services offered by other investment advisers.[7] Lipper's analysis included the comparison of the Strategy's contractual management fee, estimated at the approximate current asset level of the Strategy, to the median of the Strategy's Lipper Expense Group ("EG")[8] and the Strategy's contractual management fee ranking.[9]

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

Strategy	Contractual Management Fee (%)	Lipper Expense Group Median (%)	Rank
Municipal Bond Inflation Strategy	0.500	0.538	3/10

Lipper also compared the Strategy's total expense ratio to the medians of the Strategy's EG and Lipper Expense Universe ("EU"). The EU[10] is a broader group compared to the EG, consisting of all funds that have the same investment classification/objective and load type as the subject Strategy.

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

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

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

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

Strategy	Expense Ratio (%)[11]	Lipper Exp. Group Median (%)	Lipper Group Rank	Lipper Exp. Universe Median (%)	Lipper Universe Rank
Municipal Bond Inflation Strategy	0.800	0.884	2/10	0.770	22/37

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 \$0, \$347,324 and \$19,284 in front-end sales charges, Rule 12b-1 and CDSC fees, respectively.

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

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 $18,000 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[12] study on advisory fees and various fund characteristics.[13] The independent consultant first reiterated the results of his previous two dimensional comparison analysis (fund size and family size) with the Board of Directors.[14] 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[15] relative to its Lipper Performance Group ("PG") and Lipper Performance Universe ("PU")[16] for the periods ended July 31, 2012.[17]

12 *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.*

13 *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.*

14 *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.*

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

16 *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.*

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

Strategy	Strategy Return (%)	PG Median (%)	PU Median (%)	PG Rank	PU Rank
Municipal Bond Inflation Strategy					
1 year	4.75	7.66	8.09	10/10	44/46

Set forth below are the 1 year and since inception net performance returns of the Strategy (in bold)[18] versus its benchmark.[19] Strategy and benchmark volatility and reward-to-variability ratio ("Sharpe Ratio") information is also shown.[20]

	Periods Ending July 31, 2012 Annualized Performance				
			Annualized		
	1 Year (%)	Since Inception (%)	Volatility (%)	Sharpe (%)	Risk Period (Year)
Municipal Bond Inflation Strategy	4.75	4.25	2.78	1.58	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

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

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

20 *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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ALLIANCEBERNSTEIN MUNICIPAL BOND INFLATION STRATEGY
1345 Avenue of the Americas
New York, NY 10105
800.221.5672

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