

**IMPORTANT: This letter requires your immediate attention. If you have any questions about the content of this letter, you should seek independent professional advice.**

**AllianceBernstein (Luxembourg) S.à r.l.**

*Société à responsabilité limitée*

**2-4, rue Eugène Ruppert**

**L-2453 Luxembourg**

**R.C.S. Luxembourg B 34 405**

14 August 2013

To: Shareholders of the Portfolios of AllianceBernstein (the "**Fund**")

### **Revision of the Management Regulations**

Dear Shareholder:

Unless otherwise defined herein, capitalized terms shall have the same meaning as defined in the Fund's management regulations ("**Management Regulations**").

Due to an inadvertent oversight, certain provisions relating to the fees from subscriptions and redemptions in kind in the Management Regulations of the Fund are not consistent with the disclosure in the prospectus of the Fund. AllianceBernstein has been charging such fees pursuant to the disclosure in the prospectus rather than the Management Regulations. This is considered a breach of chapter 5.10(a) of the Code on Unit Trusts and Mutual Funds (the "**Code**") by AllianceBernstein (Luxembourg) S.à r.l., the management company of the Fund ("**Management Company**"), to the extent that the Management Company did not manage the Fund in accordance with the Fund's Management Regulations (being the Fund's constitutive document). In this connection, the Management Company proposes to amend the Management Regulations of the Fund to remedy this breach.

#### **A. Background**

In the context of "in kind" subscriptions and redemptions, the Management Company has the discretion under the Fund's current Management Regulations to accept securities as payment for Shares ("**Subscriptions in Kind**") and pay redemptions in kind on a pro rata basis of all investments held by the Fund to the extent reasonably possible ("**Redemptions in Kind**") if requested by the Shareholder. There is an expense that is associated with such "in kind" subscriptions and redemptions, mainly costs relating to the drawing up of an auditor's report for purposes of valuing the securities.

The Fund's current Management Regulations provide that expenses in connection with Subscriptions in Kind/Redemptions in Kind will be borne by the subscriber/shareholder that has chosen this method of payment/redemption, or by the Management Company at its discretion; on the other hand, the Fund's prospectus dated September 2012 provides that (i) expenses in connection with Subscriptions in Kind will be borne by the investor that has chosen this method of payment or by the Fund when the quantifiable benefits to the Fund exceed the cost of such auditor's report and (ii) expenses in connection with Redemptions in Kind will be borne by the shareholder that has chosen this method of redemption or by the Management Company when the quantifiable benefits to the Fund exceed the cost of such auditor's report.

The prospectus of the Fund therefore, had not been consistent with the Management Regulations with respect to how the expenses relating to subscriptions or redemptions in kind will be borne.

#### **B. Whether investors have been adversely affected?**

Investors were not adversely affected, in fact the Management Company ensured that the best interest of all investors were considered when dealing with subscriptions or redemptions in kind. There was one instance where the Fund had borne the expense for an in kind subscription for Japan Strategic Value Portfolio in 2010 instead of the Management Company as provided for in the Management Regulations. The expenses (which amounted to Euro 3,450.00) paid by the Fund were less than ordinary brokerage costs that the Fund would have paid, had the Management Company not authorized the subscription in kind. Subsequently, the Management Company reimbursed the relevant expense to the Fund to comply with the Management Regulations.

**The Management Company confirms that the investors were not adversely affected by the abovementioned inconsistency as there was only one instance where the Fund had borne the expense (as mentioned above) and in the said instance, the Fund was subsequently reimbursed.**

#### **C. Proposed Changes to the Management Regulations**

To correct this inconsistency, the Board of Managers (the "**Board**") of the Management Company of the Fund, has decided to make changes to the Management Regulations such that the parties responsible for bearing the cost of such "in-kind" subscriptions and redemptions is consistent – this means, in the context of Subscriptions in Kind/Redemptions in Kind, the Fund rather than the Management Company shall bear the expenses in connection with such subscription/redemption methodology when quantifiable benefits to the Fund exceed the cost of such auditor's report, otherwise the cost shall be borne by the subscriber/shareholder that has chosen this method of subscription/redemption. The revised Management Regulations will take effect on 16 September 2013.

**Please note that the above change does not affect the investment objectives or operation of the Fund's Portfolios.**

To avoid recurrence of any similar incident in the future, the Management Company will strive to improve the monitoring of consistency between its offering documents and constitutive documents on an on-going basis and ensure compliance with the relevant rules and regulations in Hong Kong applicable to the Fund. The Hong Kong Representative will take a proactive role in providing the Management Company training on the Code, and any regulatory update from time to time. The Management Company will also ensure that there is clearer communication between all parties involved in the documentation update process. The Management Company apologizes for any inconvenience caused by the aforesaid incident.

How to get more information. If you have questions, or if you would like to obtain a copy of the Management Regulations that reflects these changes, please contact your financial adviser or a client service analyst at an AllianceBernstein Investor Services service center:

Asia-Pacific +800 2263 8637 or +65 62 30 2600 (9:00 a.m. to 6:00 p.m. SGT).

Alternatively, please contact AllianceBernstein Hong Kong Limited (as the Hong Kong Representative of the Fund) at +852 2918 7888.

The Board accepts responsibility for the accuracy of the contents of this letter.

We thank you for your investment in the Fund and hope that we can continue to meet your investment needs through our diverse family of AllianceBernstein funds.

Sincerely yours,

**AllianceBernstein (Luxembourg) S.à r.l.**