How to Tell the Story of a GREAT Investment Idea

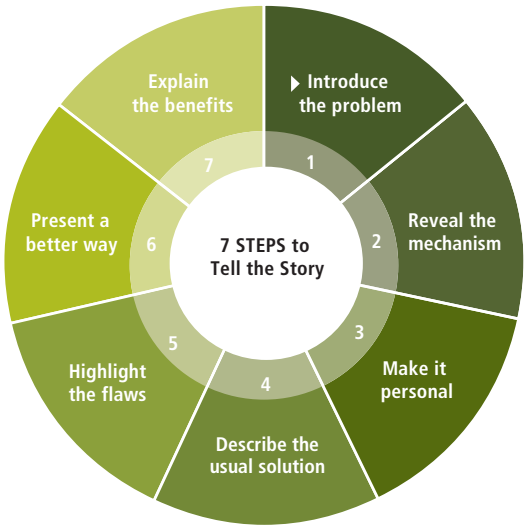
AllianceBernstein

REAL ASSET STRATEGIES

The Advisor Institute at AllianceBernstein has created a program to help Financial Advisors structure a more compelling and clear presentation of a "great" investment idea. The program teaches FAs how to strike a balance between motivating a client to take action and exercising constraint in choosing information and language. It details the seven steps below.

1. **Introduce the problem.** The primary motivator of all human behavior is the desire to avoid negative sensations. So, frame the investment strategy as attempting to solve a potential problem. This activates the primary motivator—avoidance of pain. Create a "burning platform" problem that allows the story to achieve relevancy quickly.
2. **Explain how it happened.** Show the client how this problem came to be. Demonstrate the specific trends and forces in the capital markets that came together to create it.
3. **Make it personal.** For the investor to respond to the message, he or she must understand why it's something to be personally concerned about. Be sure to make it personal.
4. **Describe the usual solution.** Start with the choice that's familiar to the client. Describe how it's commonly used as a solution to the problem you're describing.
5. **Highlight the flaws.** Reveal the mechanisms in the market that expose the flaws in the typical solution, which will open the door for you to introduce the great investment idea.
6. **Present a better way.** Investors are comfortable with the familiar, so use small steps to move them to a related new idea. This will alleviate doubts and bridge the confidence gap. Use graphics to present difficult concepts, and support them with relevant, timely research.
7. **Show the benefits.** Close by summarizing why the new solution is better. This step allows you to present the anticipated behavior of an approach over time, based on well understood mechanisms operating in the markets.

If you tell the story well, the client will become excited and eager to accept the new investment ideas. Therefore, when making a recommendation, tailor the investment to a client's actual situation and life. And make sure the investment is suitable.



For more information about this program, contact our sales desk at 1-800-247-4154.

AllianceBernstein Real Asset Strategy Fund (AMTAX)

Principles and guidance are a good starting place when preparing to tell a story, but theory doesn't equal practice. Here's an example of how an advisor can use the seven steps to build a tight, motivating case and present a specific investment idea.

1. **Introduce the problem.** The economic dynamics of both developed and emerging economies, and the policies to address them, are creating the potential for "twin-flation": stagflation in developed markets and inflationary pressures in emerging markets.
2. **Explain how it happened.** Many developed markets face high debt, big deficits and slow growth, while emerging markets are fast-growing, generating strong commodity demand and pushing prices higher.
3. **Make it personal.** Without inflation protection, your portfolio's returns could be weakened by the effect of rising prices. For example, over 25 years, gas, bread and stamps have risen by 3% to 4% on an annualized basis.
4. **Describe the usual solution.** Some investors seek individual asset classes with some inflation-fighting effectiveness, including gold, inflation-linked bonds, commodities and natural-resources stocks.
5. **Highlight the flaws.** Each of these investments stacks up quite differently in terms of inflation sensitivity, reliability as an inflation hedge, and cost effectiveness. For example, gold has a very high and very successful inflation-sensitivity rating. But over time, it's not very cost-effective.
6. **Present a better way.** It may make sense to consider combining "real" assets—natural-resource stocks, global real-estate stocks, REITS, commodity futures and inflation-linked bonds—in a diversified portfolio like the AllianceBernstein Real Asset Strategy.
7. **Show the benefits.** This strategy allows the complementary nature of these real assets to work in your favor, similar to how diversification works in other aspects of portfolio construction. Over time, this can provide more effective protection—and active management can help the portfolio adapt as the inflation landscape evolves.

No Single Asset Class Provides a Perfect "Magic Bullet" Solution

5 Represents a high rating - 1 a low rating

Portfolio	Constituents	Inflation Sensitivity	Reliability	Cost-Effectiveness
Real Bonds	Intermediate Tips	2	4	4
Real Assets	Portfolio of Real Assets	4	4	4
Individual Real Assets	REITs	2	3	5
	Commodity Stocks	3	3	5
	Commodity Futures	5	2	3
	Gold	5	2	1

Source: AllianceBernstein

Diversification does not eliminate the risk of loss.

A Word About Risk—Market Risk: The market values of the portfolio's holdings rise and fall from day to day, so investments may lose value. Credit Risk: A bond's credit rating reflects the issuer's ability to make timely payments of interest or principal the lower the rating, the higher the risk of default. If the issuer's financial strength deteriorates, the issuer's rating may be lowered and the bond's value may decline. Interest-Rate Risk: As interest rates rise, bond prices fall and vice versa—long-term securities tend to rise and fall more than short-term securities. Real Estate Risk: The Fund's investments in the real estate market have many of the same risks as direct ownership of real estate, including the risk that the value of real estate could decline due to a variety of factors that affect the real estate market generally. Investments in REITs may have additional risks. REITs are dependent on the capability of their managers, may have limited diversification and could be significantly affected by changes in tax laws. Derivatives Risk: Investing in derivative instruments such as options, futures, forwards or swaps can be riskier than investing in traditional investments, and derivatives may be more volatile, especially in a down market. Leverage Risk: Trying to enhance investment returns by borrowing money or using other leverage tools can magnify both gains and losses, resulting in greater volatility. Commodity Risk: Commodity-linked investments may experience greater volatility than investments in traditional securities. The value of commodity-linked investments may be affected by financial factors, political developments and natural disasters. Liquidity Risk: The difficulty of purchasing or selling a security at an advantageous time or price. Foreign (Non-US) Risk: Non-US securities may be more volatile because of political, regulatory, market and economic uncertainties associated with such securities. Fluctuations in currency exchange rates may negatively affect the value of the investment or reduce returns. These risks are magnified in emerging or developing markets.

Investors should consider the investment objectives, risks, charges and expenses of the Fund/Portfolio carefully before investing. For copies of our prospectus and/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.

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