

21st May, 2012

Suffolk County Council UK Value Plus

Current Strategy Review

Nicholas Davidson Senior Portfolio Manager—Value Equities

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Your Mandate

- **Inception Date:** June 10, 2005
- **Mandate Size:** £168 million*
- **Benchmark:** FTSE All Share
- **Premium Target:** 1.5% annualised above benchmark over full market cycles
- **Risk Target:** Tracking error of 3% to 5%*

*As of 31st March 2012

Bernstein UK Value Equities: Investment Policy Group

UK Value Equities Portfolio Team

Avi Lavi

Chairman and Chief Investment Officer

Tawhid Ali

Director of Research

Advisory Members

Sharon Fay

Head of Equities and Chief Investment Officer—Global Value

Takeo Aso

Director of Research—International Value Equities

Kevin Simms

Chief Investment Officer—International Value Equities

Nicholas Davidson

Senior Portfolio Manager

Kent Hargis

Head—Quantitative Value Research

Role of IPG

- Oversight and risk management
- Product design and enhancement
- Special research projects

Tenure

- Average of 22 years in industry
- Average of 14 years with Bernstein

As of March 31, 2012

Suffolk County Council: Performance Summary

In Pounds

	Periods Ending March 31, 2012				
	YTD 2012	One Year	Three Years	Five Years	Since Inception*
Suffolk County Council	6.3%	(1.8)%	14.1%	(4.1)%	2.0%
FTSE All-Share	6.1	1.4	18.9	1.8	6.2
Relative Performance	0.2%	(3.2)%	(4.8)%	(6.0)%	(4.2)%
FTSE UK Value	4.1	0.9	17.1	0.5	3.4
Relative Performance	2.2	(2.7)	(3.0)	(4.6)	(1.4)

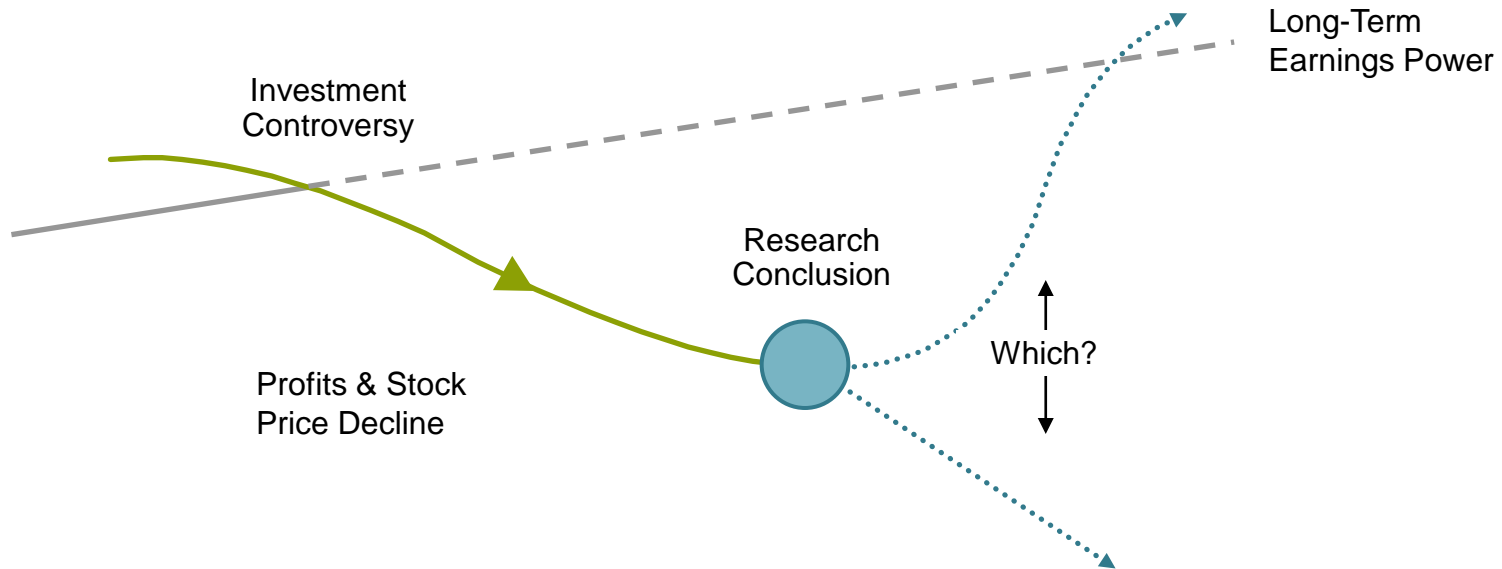
*Inception date: Suffolk County Council – June 10, 2005

Periods of more than one year are annualized. Numbers may not sum due to rounding. Past performance is no guarantee of future results. The returns presented above are gross of fees. The results do not reflect the deduction of investment-management fees; the client's return will be reduced by the management fees and any other expenses incurred in the management of its account. For example, a £100 million account, paying a 0.50% annual fee, with a given rate of 10% compounded over a 10-year period would result in a net-of-fee return of 9.5%.

Source: FTSE and Bernstein; see Performance Disclosure.

Our Philosophy: Enduring Patterns of Behavior Create Opportunities

Our goal is to buy future cash earnings for the lowest price



	Behaviors that Create Opportunity	Behaviors that Capture Opportunity
Investor	<ul style="list-style-type: none"> Loss aversion Overreaction to short-term events 	<ul style="list-style-type: none"> Confidence returns Prices reflect improved cash earnings
Corporate	<ul style="list-style-type: none"> Overconfidence and excess Complacency and denials 	<ul style="list-style-type: none"> Managements take corrective action Returns revert to mean

Economic Developments Drove Market Sentiment

■ Markets reacted to a series of shocks

1. Japan earthquake/oil price spike
2. Euro crisis deepens for Greece and Portugal
3. US credit rating downgrade/European banks under pressure/economic growth fears
4. Euro crisis pushes Italian/Spanish bond yields higher

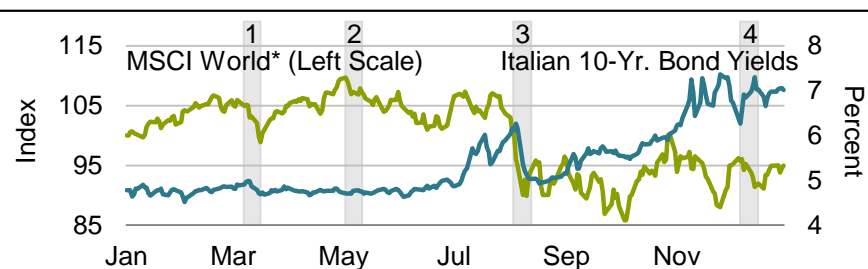
■ After falling earlier in the year, stock correlations surged to all-time highs in the second half

■ Deep Value stocks underperformed in 2011. But over the long term, investing in the most attractively valued stocks delivers rewards

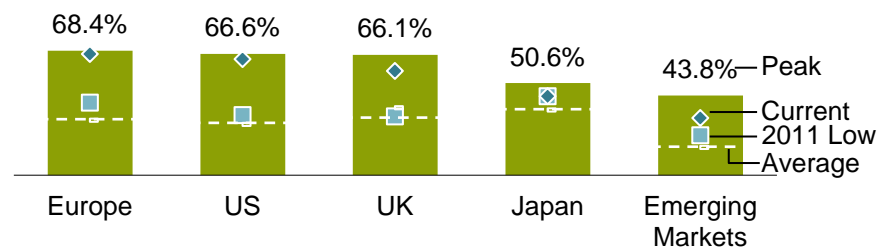
Through December 31, 2011

*Uses hedged returns based on the Bernstein UK large-cap universe of stocks, measuring the difference between highest and lowest quintiles used on the factor shown
Source: Empirical Research Partners, Institute for Supply Management (ISM), MSCI and AllianceBernstein

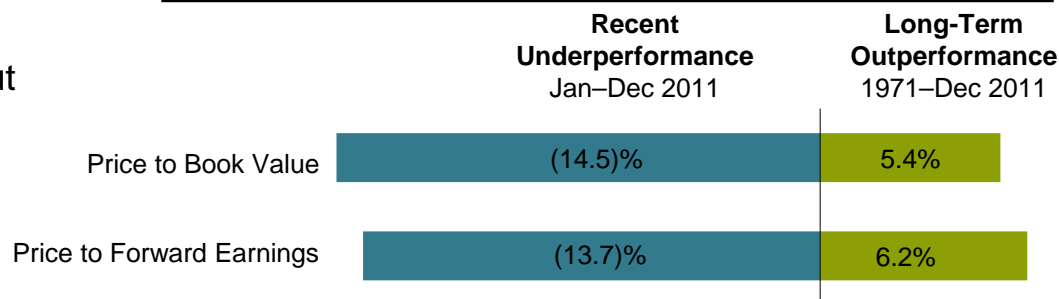
Global Stocks vs. Italian Bond Yields



Peak Equity Return Correlations: 1987–2011



Value Factor Efficacy: Quintile 1 – Quintile 5*



Deep-Value Stocks Hit by Flight to Safety in 2011

FY:2011

- Deep-value stocks detracted, especially in financials and resources

- Many defensive holdings contributed

Detractors

Cyclicals

- Premier Foods
- Enterprise Inns
- International Consolidated Airlines
- Thomas Cook

Industrial Commodities

- Rio Tinto
- Xstrata

Financials

- Lloyds
- Barclays

Contributors

Defensives

- Imperial Tobacco
- Pfizer
- AstraZeneca
- GlaxoSmithKline
- Vodafone

Others

- Next
- Regus
- Anglo American

As of December 31, 2011

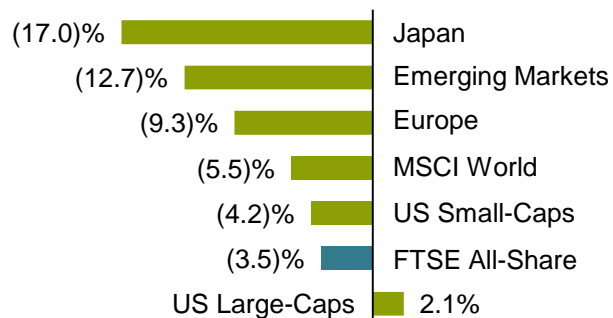
Based on the Suffolk County Council UK Value Plus account managed to the FTSE All Share Index
Source: FTSE and AllianceBernstein; see Disclosures and Important Information.

Equity Markets Rally Led by Financials and Cyclical

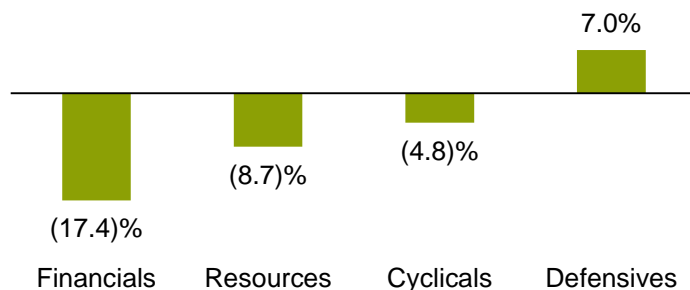
■ Market trends reversed from 2011

2011

Regional Returns (Local Currencies)*



MSCI World Supersector Returns (USD)**



As of March 31, 2012

*Japan represented by TOPIX, emerging markets by MSCI EM, Australia by S&P/ASX 300, Europe by MSCI Europe, US small-caps by Russell 2000 and US large-caps by S&P 500

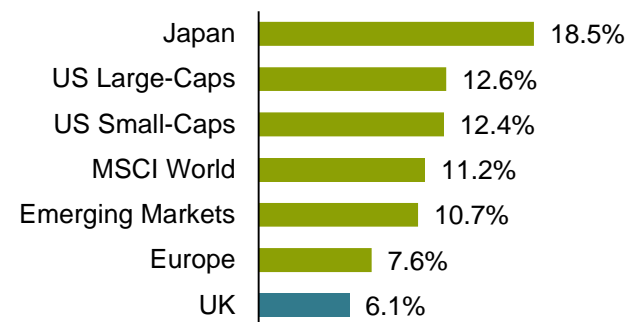
**Resources consists of energy, industrial commodities and gold; cyclical consists of capital equipment, construction & housing, consumer cyclical, technology and transportation; and defensive consists of consumer staples, medical, telecom and utilities.

Source: FactSet, MSCI, FTSE, Russell Investment Group, S&P, Tokyo Stock Exchange and AllianceBernstein

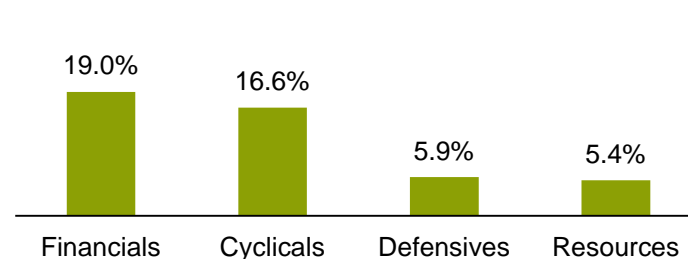
■ Equity markets rallied in the first quarter

1Q:2012

Regional Returns (Local Currencies)*



MSCI World Supersector Returns (USD)**



Q1 2012 Stock-Level Research Delivered Results

■ Financial and cyclical stocks outperformed

■ Defensive stocks trailed the market. Stock selection in energy detracted

Contributors

Capital Equipment

- Renault
- Bodycote
- Cookson

Financials

- Barclays
- Lloyds

Others

- Kingfisher
- Taylor Wimpey
- Marathon Petroleum

Detractors

Energy

- Royal Dutch Shell
- BP

Medical

- AstraZeneca
- GlaxoSmithKline

Others

- FirstGroup
- Tesco
- Tyson Foods
- BHP Billiton

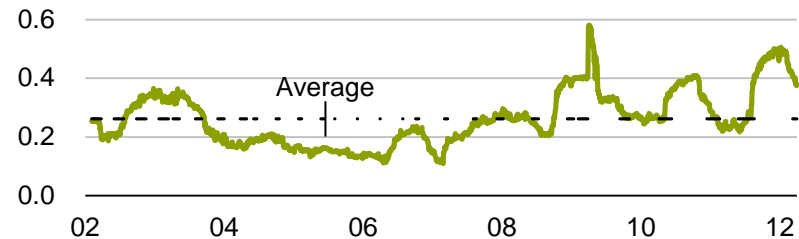
As of March 31, 2012

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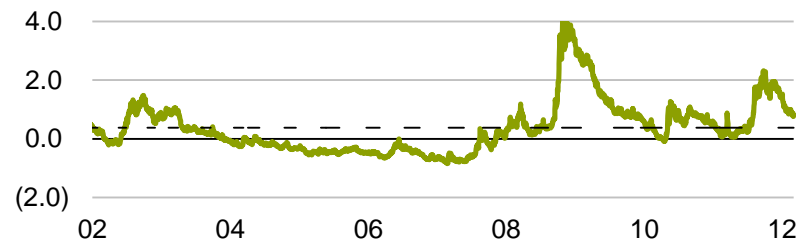
Improved Outlook for European Equities But Risks Remain

- Stock correlations fell sharply during the quarter, creating better conditions for active managers
- Risk appetite improved, but our global risk aversion indicator remains above the long term average
- A mixed outlook for European growth highlights the downside risks

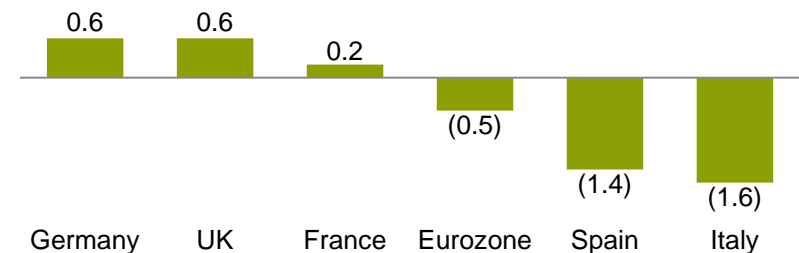
Global Stock Correlations*



Global Risk Aversion Index**



Consensus GDP Growth Estimates 2012 (%)



As of March 31, 2012

*Through March 30, 2012. Pairwise correlation of stocks using rolling daily returns over six months. Correlation is a statistical measure of how two values move in relation to each other.

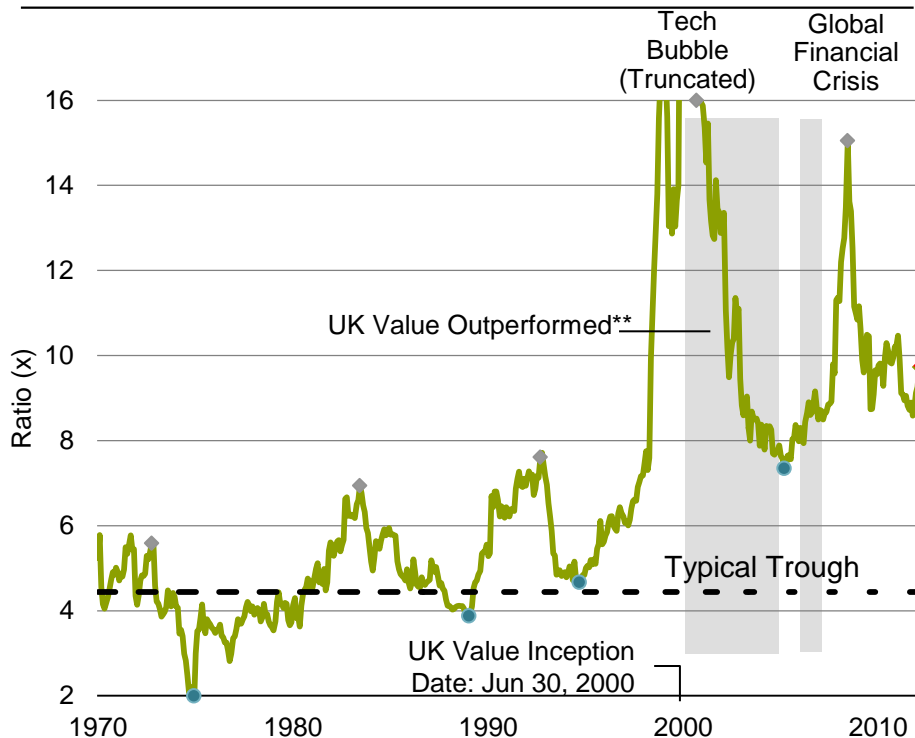
** Through April 3, 2012. Measures the degree of risk aversion by combining the implied volatility of equities, currencies, commodities and bonds with credit spreads and mutual fund flows.

Source: Bloomberg, Credit Suisse, Investment Company Institute (ICI), Consensus Economics, MSCI and AllianceBernstein

UK Value: Unique Positioning to Capture the Rebound

- Value opportunity is still high

UK Equities: Q5/Q1 Price/Book Spreads*



As of March 31, 2012

* UK stocks; spreads represent the ratio of the most expensive quintile to the least expensive quintile of stocks. Diamonds represent peak spreads prior to value-style recovery. Data are truncated to exclude the peak of the Internet bubble, when valuations surged to extreme levels, in order to provide clear context on current equity valuation levels.

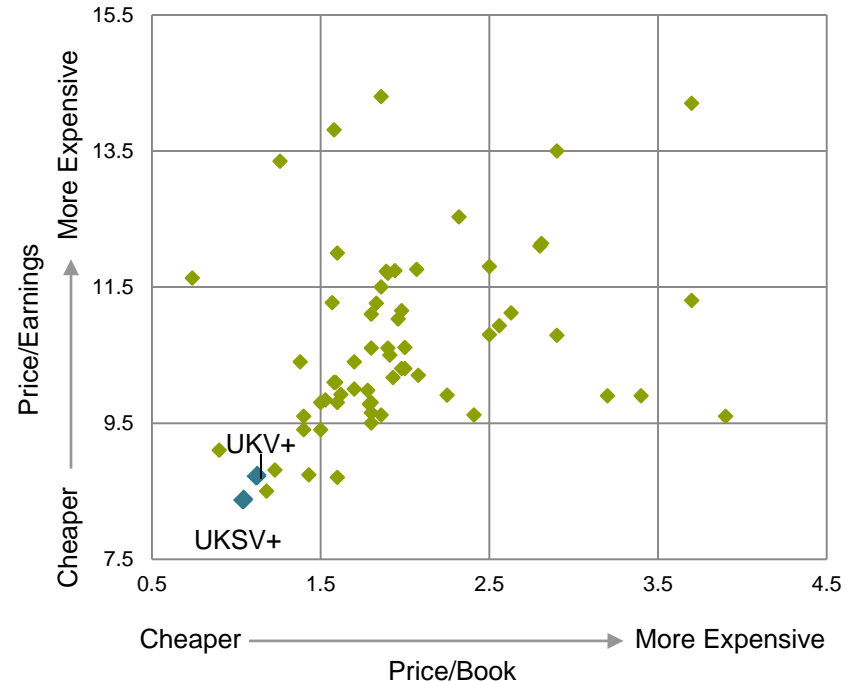
**Periods when UK Value outperformed versus FTSE All-Share over calendar years. This is supplemental information to the GIPS-compliant performance and disclosure page.

†Based on the eVestment Alliance UK Equity universe, including 63 managers who reported both price to earnings and price to book value as of December 31, 2011

Source: Center for Research in Security Prices (CRSP), eVestment Alliance, MSCI, FTSE and AllianceBernstein; see Performance Disclosure.

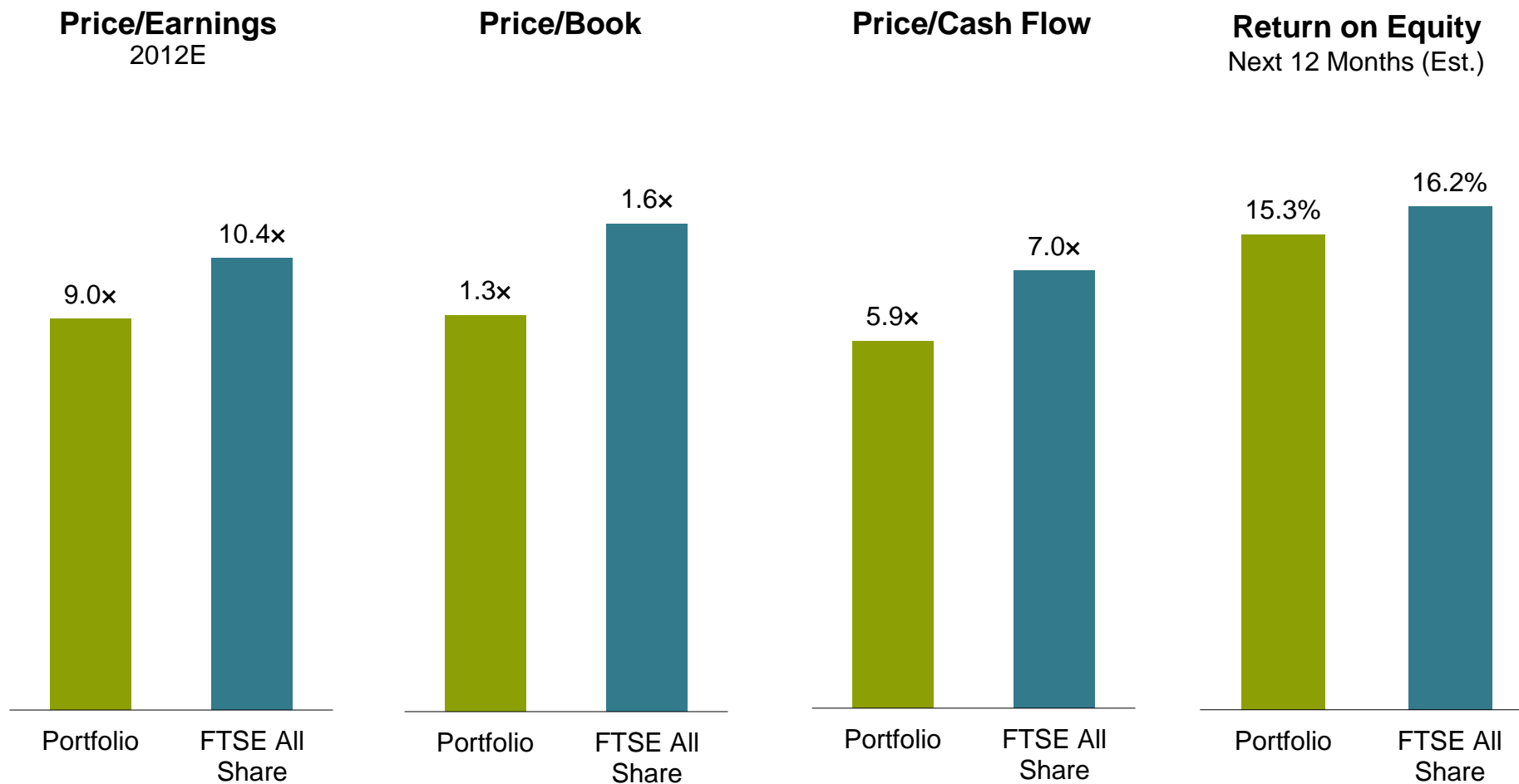
- Our portfolios rank among the cheapest in the industry

UK Equity Universe: P/E vs. P/B†



Appendix

Portfolio Characteristics: Attractive Valuations and Strong Cash Flows



As of March 31, 2012
Based on the Suffolk County Council UK Value Plus account managed to the FTSE All Share Index
Source: FTSE, Thomson I/B/E/S and AllianceBernstein

Suffolk County Council: Largest Active Weights

10 Largest Overweights

AstraZenca	+2.9%
BP	+2.5
Royal Dutch Shell	+1.8
Imperial Tobacco	+1.8
Vodafone	+1.8
RioTinto	+1.7
Anglo American	+1.6
HSBC	+1.6
GlaxoSmithKline	+1.5
Cookson	+1.4

10 Largest Underweights

Diageo	(2.1)%
Standard Chartered	(2.1)
Sabmiller	(1.7)
Unilever	(1.5)
Reckitt Benckiser	(1.5)
BG	(1.3)
Prudential	(1.1)
BT	(1.0)
Centrica	(0.9)
Rolls-Royce	(0.9)

As of March 31, 2012

Based on the Suffolk County Council UK Value Plus Account managed to the FTSE All Share Index

Source: FTSE, Thomson I/B/E/S and AllianceBernstein

Suffolk County Council: Active Sector Weights

Medical	+4.3%
Industrial Commodities	+3.6
Energy	+1.7
Telecom	+1.3
Capital Equipment	+1.0
Transportation	+0.8
Technology	(0.9)
Utilities	(1.1)
Construction & Housing	(1.3)
Finance	(3.0)
Consumer Cyclicals	(3.6)
Consumer Staples	(4.2)

As of March 31, 2012

Based on the Suffolk County Council UK Value Plus account managed to the FTSE All Share Index

Source: FTSE and AllianceBernstein; see Disclosures and Important Information.

Non-UK Holdings

Stock Name	Country	Sector	UK Value Plus Weight (%)
Pfizer	United States	Medical	1.0%
Tyson Foods	United States	Consumer Staples	1.0%
Marathon Petroleum	United States	Energy	0.8%
Hewlett-Packard	United States	Technology	0.8%
Telecom Italia	Italy	Telecom	0.7%
E.ON	Germany	Utilities	0.7%
Total			5.0%

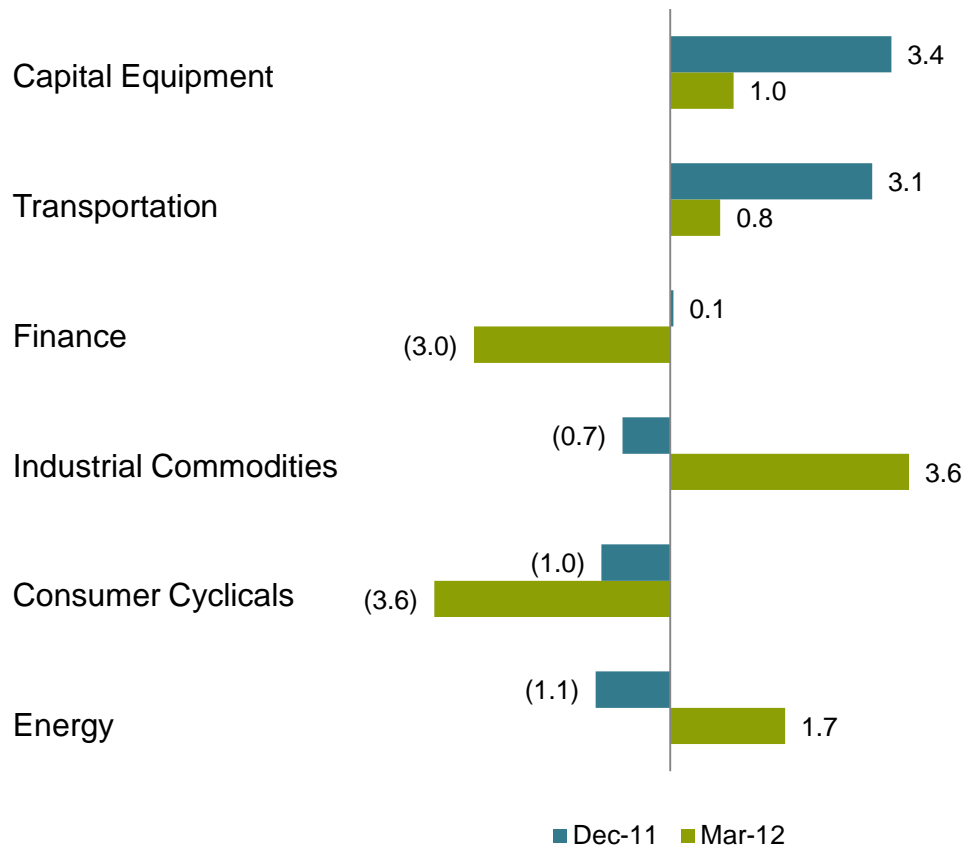
As of March 31, 2012

Based on the Suffolk County Council UK Value Plus account managed to the FTSE All Share Index

Source: AllianceBernstein; see Disclosures and Important Information.

Portfolio Transactions: Taking Advantage of Controversies

UK Value Plus Relative Weights by Sector (Percent)*



Significant Transactions: January 1, 2012– March 31, 2012

	Buys/Adds	Sells/Trims
Capital Equipment		<ul style="list-style-type: none"> Renault Cookson Bodycote
Transportation		<ul style="list-style-type: none"> ICAG EasyJet
Finance		<ul style="list-style-type: none"> Beazley Aviva Barclays
Industrial Commodities	<ul style="list-style-type: none"> BHP Billiton Mondi Rexam 	<ul style="list-style-type: none"> Rio Tinto
Consumer Cyclicals		<ul style="list-style-type: none"> ITV Enterprise Inns
Energy	<ul style="list-style-type: none"> Royal Dutch Shell BG Group BP 	<ul style="list-style-type: none"> Marathon

As of March 31, 2012

* Based on the Suffolk County Council UK Value Plus account managed to the FTSE All Share Index

Source: FTSE and AllianceBernstein; see Disclosures and Important Information.

National Grid: Regulatory Uncertainty Drives Excessive Dividend Fears

- National Grid's regulated UK businesses need increasing capital expenditure. Investors worry this could mean lower dividends, especially if the current regulatory review goes badly

- OFGEM, the UK regulator, is legally obliged to allow National Grid high enough returns to ensure the company can finance its business

- Our analysis of future cashflows suggests that the review will leave the company's attractive and growing dividend stream intact

As of March 31, 2012

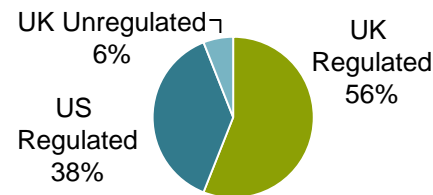
*Total=£4.85 billion

**Regulated businesses only

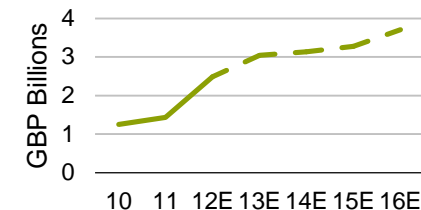
†Scottish Power and Scottish and Southern Energy

Source: MSCI, OFGEM, company reports and AllianceBernstein; see Disclosures and Important Information.

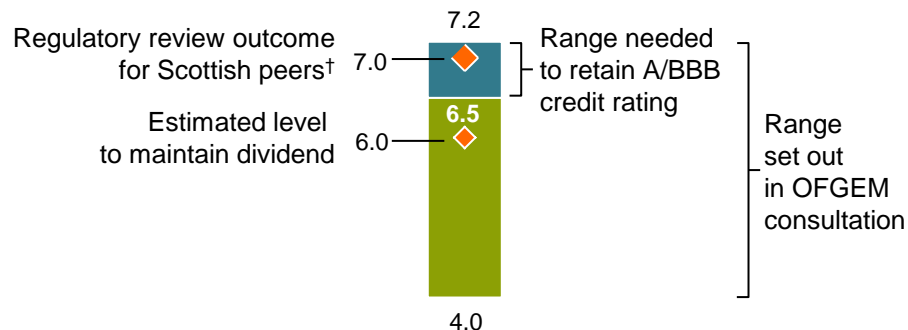
2011 EBITDA*



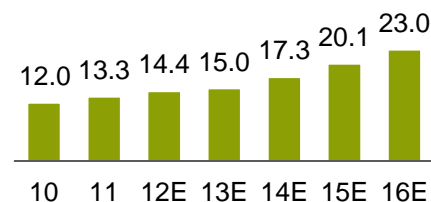
UK Capex**



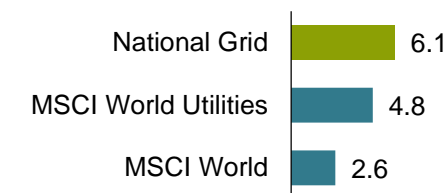
Permitted ROE on UK Regulated Businesses: Percent



UK Regulated Asset Value: GBP Bil.



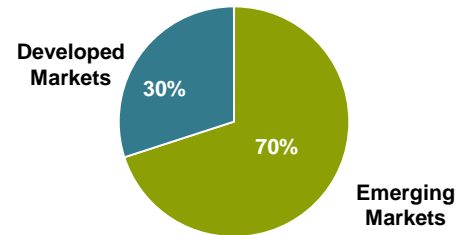
Dividend Yield: Percent



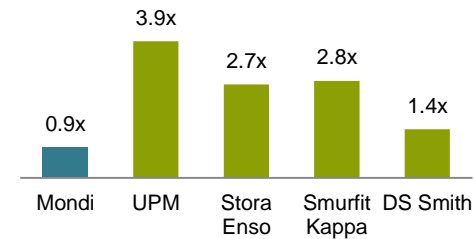
Attractively Valued Cash Flows in Paper and Packaging

- Mondi offers good exposure to Emerging Markets with a better balance sheet than its peers

Mondi Revenues (2011) %

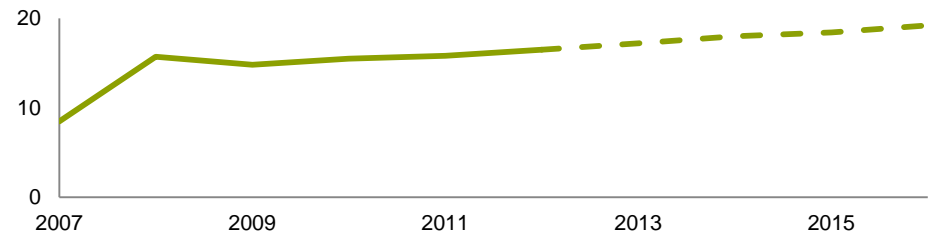


Net Debt/EBITDA (2011)



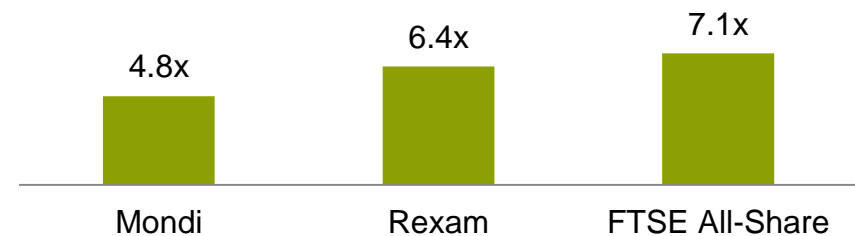
- Rexam is also growing its Emerging Markets business. Current re-structuring efforts should improve returns going forward

Rexam Beverage Can Sales from Emerging Markets (Billion Units)



- Both companies are attractively valued because of investor concerns about the cyclical nature of the packaging business

Valuation (Price to Forward Cash Earnings)



Source: Company Reports, FTSE and AllianceBernstein

Biographies

Nicholas Davidson

Senior Portfolio Manager—Value Equities

Nicholas Davidson joined AllianceBernstein in 2005 as a Senior Portfolio Manager and is a member of the UK and European Value Investment Policy Groups. Davidson was previously a consultant with McKinsey & Company, serving clients in the telecommunications and media industries and in the public sector. Prior to that, he worked as a civil servant on trade and telecommunications policy in the UK's Department of Trade & Industry and in the British Embassy in Washington, DC. He holds an MA in history from the University of Oxford and an MBA from Georgetown University. Location: London

Ian Burton

Head—Client and Consultant Relations

Ian Burton is responsible for UK institutional client relations and overseeing the team that manages the relationships with UK investment consultants. Ian has over 20 years' industry experience in both asset management and investment consulting. Prior to joining AllianceBernstein, Ian held a similar position at Pioneer Investments. He has also held the position of Director, Consultant Relations at Insight Investment. Ian spent 18 years at Mercer Investment Consulting where he was responsible for providing a full range of investment advice to a portfolio of institutional clients as well as contributing to Mercer's manager research. Location: London

Disclosures

Disclosures and Important Information

Disclosure on Security Examples

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Past performance is not a guide to future performance.

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