

AIG EUROPE SMALL & MID CAP FUND

30 September 2009

OBJECTIVE

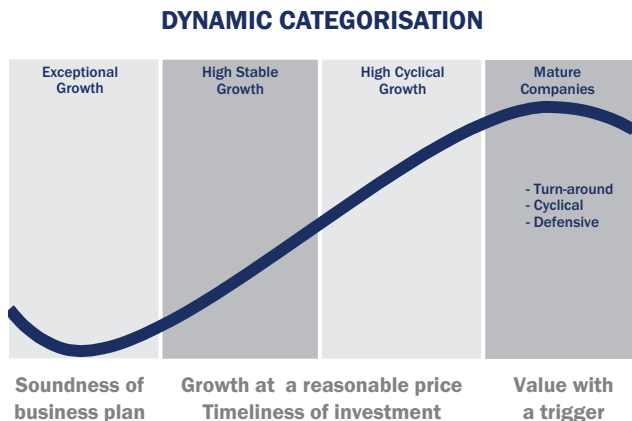
The AIG Europe Small & Mid Cap Fund ('the Fund') seeks to achieve capital growth by investing in small and medium sized companies, whose assets, products or operations are based in Europe.

INVESTMENT APPROACH

We believe that neither growth nor value investment styles will consistently outperform the other over time. Instead, we believe that a dynamic investment process is needed which can keep pace with the evolution of a company's fundamental characteristics such as earnings growth and focus on key investment criteria that are specific to a company's stage of development. Such an investment philosophy does not restrict our investment universe to either growth or value companies but seeks to uncover the most attractive investments across stages of a company's lifecycle.

Key features

- Consistent, disciplined, research-driven process
- Replicable across different markets and regions
- Active management with a focus on bottom-up stock selection
- Analysis of companies using criteria appropriate to their stage of development
- Strong sell discipline which removes behavioural biases



The investment process for the Fund begins with a quantitative screen of approximately 1,000 companies that make up the universe. We initially screen for market capitalisation EUR 1 - 5 billion and liquidity (i.e. free float and daily trading volume). We then subject companies to further quantitative analysis, including such metrics as earnings revisions, free cash flow yield and return on equity composition.

Fund managers and analysts assign each company to one of four broad categories that best reflects its fundamental earnings growth characteristics and stage of development. Following the assignment of a category, in-depth fundamental analysis begins and focuses on analytical criteria specific to that particular category. Additionally, around 400 company meetings are conducted each year and are a key part of the process.

Key factors that we focus on include

- Quality of management
- Core niche business
- Sustainability of earnings
- Cash flow generation

Analysts then prepare a detailed report stating the investment case and assign a final recommendation by ranking a company from 1 (strong buy) to 5 (strong sell) based on category-specific valuation and performance triggers. This research is stored within our proprietary database and is available to all fund managers and analysts. This ensures that company information is documented and communicated consistently on a global basis. Investment candidates are discussed within the team, however the final decision lies with the lead fund manager. Once a buy decision has been made, the weighting is determined based on liquidity, development category and risk assessment. The Fund typically holds 50 - 70 companies.

A key feature of the equity process is the use of a 'Suspect List' which underpins our strong sell discipline and serves to reduce behavioural biases and over confidence in companies. The List is compiled monthly with discussions focusing on the top 5 and bottom 10 performers. Companies must fulfil at least 2 out of 4 technical and fundamental criteria to be ranked as a 'Suspect'. The team reviews the list of suspect companies and a decision is made whether to hold or sell the company. Appearing on the Suspect List for two consecutive months triggers an immediate sale. Price targets are also reviewed when a company is within 10% of its original target as part of our sell discipline.

PROFILE

Risk management is a key component of our investment approach with internal risk controls fully integrated into the process. We believe that one of the best ways to manage risk is to invest in quality, liquid companies and to ensure that holdings do not become too concentrated in a company, sector or development category. Portfolios are also regularly monitored by a dedicated compliance team.

INVESTMENT GUIDELINES¹

- Dynamic stock category ranges
 - Exceptional growth 5 - 10%
 - High stable growth 25 - 35%
 - High cyclical growth 25 - 35%
 - Mature 20 - 45%
- Security weight 1 - 4% (max. cash 10%)
- Sector limits +/- 15%
- Target tracking error 3.5 - 5.5% per annum²
- Capitalisation (at time of acquisition) is EUR 1 - 5 billion
- Benchmarked against the S&P Europe Index Cap Range EUR 1 - 5 billion

FUND MANAGERS

	Location	Joined Firm	Yrs Experience
Chantal Brennan Lead Fund Manager	London	1996	18
Camilla Macun Co-Fund Manager	London	2004	15
Anna Lundén Co-Fund Manager	London	2003	9

¹ Please note that the Investment Guidelines shown are internal guidelines applied by AIG Investments. The investment objective, policy and investment restrictions applicable to the Fund are set out in detail in the Prospectus and Simplified Prospectus.

² This is a range and there is no assurance that the target or range will be met.

www.aiginvestments.com

All information as of 30 September 2009 unless noted otherwise. We are not soliciting or recommending any action based on this material. Information is subject to change based on criteria decided upon by the Investment Manager or depending on market conditions. This document should be read in conjunction with the Prospectus (including defined terms) and is subject at all times to the terms and conditions as set out therein. AIG Europe Small & Mid Cap Fund (the "Fund") is a sub-fund of AIG Global Funds, an Irish domiciled UCITS III umbrella fund, authorised and regulated by the Financial Regulator in Ireland. This document is intended for distribution only to existing and prospective investors for whom it is suitable and does not constitute an offer of units. Its general circulation may be restricted by law in certain jurisdictions. The Fund is not available for investment in the United States or to or for the account of U.S. Persons. In the UK this communication is a financial promotion solely intended for professional clients as defined in the FSA handbook and has been approved by AIG Investments Europe Limited. Copies of the Prospectus, the Simplified Prospectus and the most recent financial statements may be obtained free of charge in Ireland from AIG Investments Fund Management Ltd., and in Germany from BHF-BANK AG, Bockenheimer Landstraße 10, 60323 Frankfurt. Unless otherwise noted, all information is sourced from AIG Investments internal data. AIG Investments is a group of international companies that provide investment advice and market asset management products and services to clients around the world. AIG Investments is a registered mark of American International Group, Inc. (AIG). Services and products are provided by one or more affiliates of AIG. Issued by: AIG Investments Fund Management Ltd, 30 North Wall Quay, Dublin 1, Ireland. Phone: 353-1-6720222. Facsimile: 353-1-6720267.

