

# AIG EUROPE SMALL & MID CAP FUND

28 February 2010

## OBJECTIVE

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.

## FUND FACTS

<b>Domicile &amp; Type</b>	Ireland / Sub-fund of UCITS III Umbrella Open-ended Unit Trust
<b>Inception Date of Class</b>	20 Sep 2006
<b>Inception Date of Predecessor Class</b>	N/A
<b>Benchmark</b>	S&P Europe Between EUR1 Billion and EUR5 Billion Index (USD)
<b>Base Currency</b>	EUR
<b>Class</b>	Y
<b>Class Currency</b>	USD
<b>Minimum Investment</b>	USD 1 million
<b>Management Fee</b>	1.00%
<b>Listing &amp; Dealing</b>	Unlisted / Daily
<b>Distribution Policy</b>	Income and capital gains may be distributed
<b>ISIN Number</b>	IE00B1FMNB97
<b>Portfolio Manager(s)</b>	Chantal Brennan / Anna Lundén / Camilla Macun
<b>Investment Manager(s)</b>	AIG Investments Europe Ltd.
<b>Legal Manager</b>	AIG Investments Fund Management Ltd.
<b>Authorised for Public Distribution In</b>	Austria, Belgium, Czech Republic, France, Germany, Hong Kong, Luxembourg, Netherlands, Slovakia, Spain, Sweden, Taiwan (ROC), United Kingdom
<b>Regulated By</b>	Financial Regulator in Ireland
<b>S&amp;P Fund Rating</b>	AA
<b>Morningstar Rating™</b>	★★★

## COMMENTARY

### Market Review

- European smaller companies fell sharply at the beginning of February on sovereign debt concerns in Spain, Greece and Portugal. As the fourth quarter earnings season progressed generally in line with expectations the market recovered as investors sought attractive valuation opportunities.

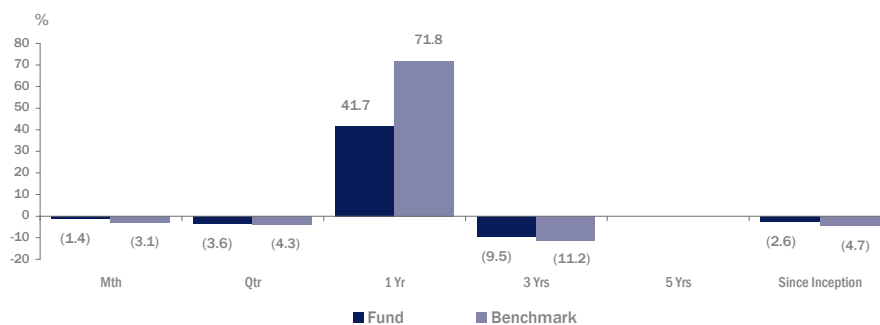
### Fund Activity & Outlook

- Stock selection in several sectors contributed positively to Fund performance during February, most notably consumer discretionary, materials and telecoms. UK broadband provider Virgin Media was a key contributor to performance, rising by 14% over the month thanks to better than expected earnings. Danish logistics provider DSV contributed negatively with a 13% decline on concerns of margin pressure.

- We increased our position in UK insurer Lancashire Holdings, which is experiencing better than expected price increases in the renewals season, and Pohjola Bank for exposure to its profitable property and casualty insurance business and declining credit losses. In the energy space we switched out of Seadrill which we consider fully valued and into Aker Solutions, a construction business well positioned to win a number of new contracts in 2010.
- Despite the market correction based on macro concerns, at a micro level we are able to find interesting investment opportunities in the small cap space which are trading at attractive multiples and have the capacity to surprise positively.

## PERFORMANCE

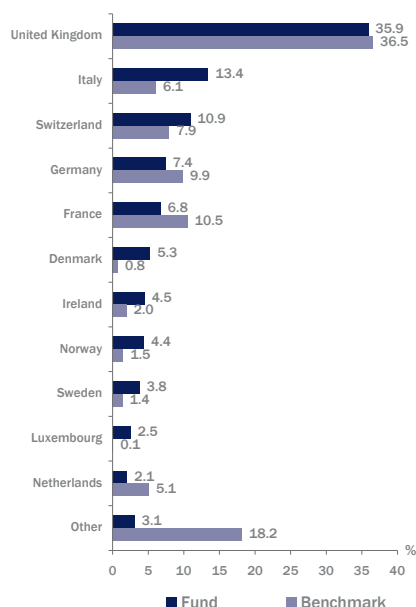
For periods ending 28 February 2010



Calendar Year	Fund %	Benchmark %	Difference %
2010 YTD	(4.9)	(5.7)	0.8
2009	29.8	51.2	(21.4)
2008	(45.7)	(52.3)	6.6
2007	13.1	4.4	8.7
2006	N/A	N/A	N/A

Fund: AIG Europe Small & Mid Cap Fund Class 'Y' Units  
 Benchmark: S&P Europe Between EUR1 Billion and EUR5 Billion Index (USD)  
 Indicative gross performance before fees and all charges. 1, 3, 5 Yrs and since inception returns are annualised. Past performance is not indicative of future results. Refer to footnotes.

## COUNTRY ALLOCATION



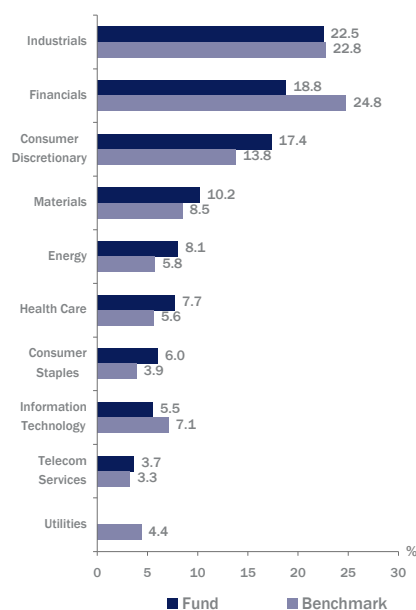
## TOP 10 HOLDINGS

Company	%
Virgin Media Inc (GB)	3.5
Sonova Holding AG (CH)	3.5
Autogrill SpA (IT)	3.4
DiaSorin SpA (IT)	3.3
Chemring Group (GB)	3.3
Rheinmetall AG (DE)	3.3
Lancashire Holdings (GB)	3.1
DCC (IE)	3.1
Wirecard AG (DE)	3.0
Croda International (GB)	2.6
<b>Total</b>	<b>32.1</b>

## FUND STATISTICS

Fund Size	EUR 52,988,707
NAV per Unit	USD 87.2653
Weighted Avg Mkt Cap (\$ M)	3,489
Number of Securities	47
Risk Free Rate	0.0
Sharpe Ratio (3yr)	(0.5)
Standard Deviation (3yr)	25.7
Information Ratio (3yr)	0.2
Tracking Error (3yr)	10.5
Alpha	(0.8)
Beta	0.8
R-Squared	87.6

## SECTOR WEIGHTS



Fund: AIG Europe Small & Mid Cap Fund  
 Benchmark: S&P Europe Between EUR1 Billion and EUR5 Billion Index (USD)  
 Asset allocations as at month end.

[www.aiginvestments.com](http://www.aiginvestments.com)

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