

AIG EMERGING MARKETS BOND FUND

30 September 2009

OBJECTIVE

The AIG Emerging Markets Bond Fund ('the Fund') seeks to achieve income and capital appreciation by investing in fixed income instruments issued primarily by governments, their agencies, local authorities and corporate entities in Latin America, Emerging Europe, Asia, the Middle East and Africa.

INVESTMENT APPROACH

We believe that our flexible approach to evaluating fundamental, valuation and technical drivers allows us to better exploit opportunities in emerging market bonds. This dynamic approach to investment is adaptable to different market conditions, eliminates style risk and ensures that all potential investment opportunities are captured. Country selection is considered to be the primary source of added value, followed by security selection.

Key features

- Collaborative team approach to investment
- Flexible, dynamic process
- Research-intensive independent credit analysis

The process begins by taking a top-down, fundamental view of the global economy focusing on growth, liquidity, relative value and risk appetite. A score is assigned to each of these four views to arrive at an overall weighted average score. This reflects our view on how favourable the current economic environment is for investing in emerging market bonds.

Bottom-up credit analysis begins by screening an initial investment universe of more than 50 countries for liquidity issues and market access. This filter narrows the universe to around 40 countries upon which further analysis is focused on three key investment drivers: Fundamentals, Valuations and Technicals.

Fundamentals

- Domestic economy
- Liquidity
- Solvency

Valuations

- Absolute spread levels relative to universe and history
- Relative spreads analysis

Technicals

- Risk appetite
- Momentum factors
- Fund flows and Investor positioning
- Supply/demand

Importantly, we conduct our own independent analysis of each credit, drawing upon the depth of resources available within the global team. The output of this analysis is a weighted average score which helps determine the relative attractiveness of each credit.

Our investment process combines a rigorous top-down and bottom-up approach, whilst ensuring there is ample flexibility to remain dynamic and add value. The final portfolio typically comprises fixed income securities from approximately 15 countries.

Risk management is a crucial component of the investment process, with internal risk controls fully integrated into every stage of the process. Risk is managed on a relative return basis according to the required risk tolerance level of the Fund.

INVESTMENT GUIDELINES¹

- Country limits +/- 10%
- Duration exposure vs index +/- 50%
- Single issuer maximum 35%
- Target tracking error 0 - 7% per annum²
- Benchmarked against the JP Morgan Emerging Markets Bond Index

FUND MANAGERS

	Location	Joined Firm	Yrs Experience
Rajeev Mittal Lead Fund Manager	London	1992	17
Anders Faergemann Senior Fund Manager	London	2004	11
Steve Cook Senior Fund Manager (Corporate Credit)	London	2007	17

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

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