

### AIG Global Funds

Sub-fund of Irish domiciled open-ended unit trust

Report Issued: June 2008

#### Peer Group:

Dollar Global Emerging Debt

#### Investment Objective:

Total Return

#### Fund Manager/Adviser:

Rajeev Mittal (since December 1996), Anders Faergemann (since December 2005)

#### Location:

London

#### Launch Date:

April 1994

#### Fund Size (April 2008):

US\$170m

#### Fund Benchmark:

JP Morgan EMBI+

#### Group Contact No:

+353 1 853 8036

#### Website:

www.aiginvestments.com

#### S&P ID Number:

EM351101

#### Share Class screened:

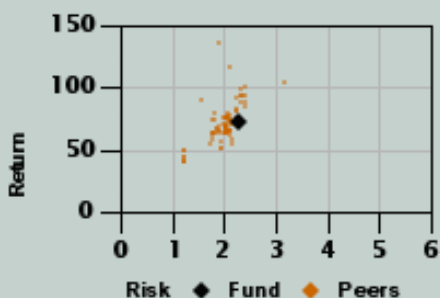
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### INVESTMENT STYLE

	Inv Grade	Blend	Sub Inv Grade
Govt			
Corp			
Emerging			

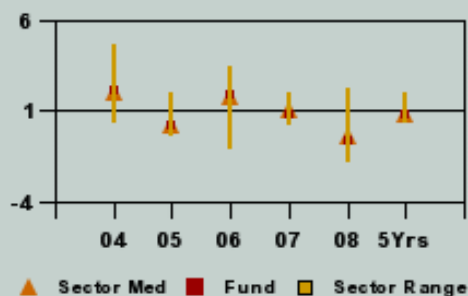
### RISK RETURN (STD DEVIATION) OVER 5 YEARS



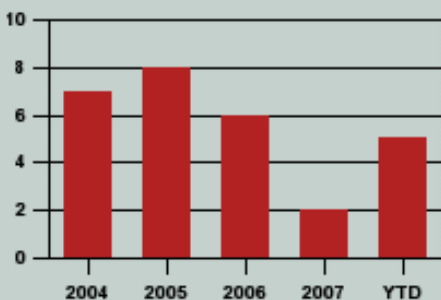
### 3 YEAR RISK CHARACTERISTICS

Maximum Drawdown (%)	Low	-5.7
Volatility	Medium	6.7
Correlation	High	1.0
Beta	High	1.4

### SHARPE RATIO VS PEER GROUP



### CALENDAR YEAR DECILE RANKS



Decile ranking in annual periods. 1st decile shown as rank 10, 2nd decile as rank 9, etc. to 10th decile as Rank 1.

Further information on S&P's fund coverage can be found at [www.funds.standardandpoors.com](http://www.funds.standardandpoors.com)

Performance Data Source - © 2007 Morningstar, Inc. All Rights Reserved. All statistical data on this report has been run to 31/03/2008 on NAV to NAV basis, with gross income reinvested, in US Dollars.

### STANDARD & POOR'S OPINION (JUNE 2008)

This is AIGGIG's flagship emerging market debt product. It has been managed by Rajeev Mittal since 1996 and has established a solid track record.

The team has increased over the past three years and now comprises three portfolio managers, five analysts and a trader. It also draws on AIG's managers of local insurance money in various global offices. The process is top-down and country selection has been the major source of return. The addition of an experienced credit manager to the team is likely to lead to increasing exposure to emerging corporate bonds in future, when the credit crunch has abated.

However, Mittal has yet to use all his flexibility to take emerging currency exposure, which has normally been below 5%. This has not affected returns until the past two years, when local currencies and local currency debt have performed very strongly compared with US dollar issues.

The fund also underperformed its benchmark substantially in 2007 as it was overweight Argentina and Venezuela in the second quarter, when they widened sharply, and underweight Russia and Mexico in the second half, when they outperformed the rest of the market.

Despite this, the experienced manager and effective process enable the fund to retain its S&P A/V4 rating.

### FACT FILE

**Group:** AIG Investments is the asset management subsidiary of AIG, one of the largest insurance and financial services groups in the world. AIG Investments has over \$750bn in assets under management, and employs more than 500 investment professionals in 45 asset management offices worldwide.

**Team:** The emerging markets debt team includes three fund managers, five analysts and a dedicated trader. It benefits from interaction with the group's regional offices and AIG's OECD credit teams.

**Fund Manager:** Rajeev Mittal has been with AIGGIG all his 16-year career, managing single-currency and multi-currency portfolios, before moving into emerging market debt in 1996.

**Style:** The team focuses on top-down, fundamental analysis. Country selection centres on proprietary analysis of fiscal/monetary policy, debt dynamics and its impact on credit ratings and market volatility.

**Performance:** Over the five years to 31/03/2008, the fund has returned 73.2%, compared with 68.9% for the sector median and 72.8% for the index, ranking 33/82.

### FUND MANAGER & TEAM

AIGGIG is one of the asset management businesses owned by American International Group. Rajeev Mittal heads the emerging markets portfolio management team, which has \$4.5bn under management and falls under Monika Machon, who heads global sovereign risk management. Key members of the team include:

Rajeev Mittal - head of emerging market debt - BSc mathematics & statistics (University of Bradford), joined AIG Investments in 1992.

Anders Faergemann - BA economics (University of Copenhagen), MA economics (University of Exeter), was previously with AIG affiliates, principally as emerging market currency analyst. He has also held roles at the European Commission and at Denmark's Permanent Representation to the European Union.

Dmitri Savin - BS mathematics (Moscow State University), MBA (Indiana University), CFA, was previously head of research at Fleming UCB in Moscow, and earlier in his career was in equity research at Deutsche Morgan Grenfell.

## PORTFOLIO CHARACTERISTICS

No. of holdings	59
Turnover ratio (%)	162
Modified duration (years)	7.30
Portfolio yield (%)	N/A

## SOURCES OF RETURN (01/04/08)

	Low Emphasis	Average Emphasis	High Emphasis
Portfolio Duration		██████████	
Credit Spreads			██████████
Country / Sectors			██████████
Yield Curve Positioning		██████████	
Currency Exposure		██████████	
Alt. Fixed Income	██████████		
Derivatives	██████████		
Trading Strategies	██████████		
Quant. Value Techniques	██████████		

## BREAKDOWN BY CREDIT RATING (01/04/08)

	%
AA	0.0
A	1.0
BBB	24.0
BB	58.0
B & below	4.0
Unrated Securities	0.0
Debentures	0.0
Cash	13.0

Ucits III permits net fund exposure to be less or greater than 100%.

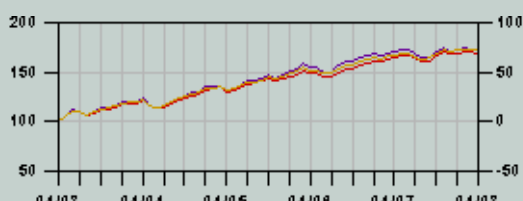
## PORTFOLIO EXPOSURE

	Fund	
	Bond	Curr
Latin America / Caribbean	48.0	0.0
Europe	1.0	0.0
Middle East / Africa	11.0	0.0
Asia	10.0	0.0
Others	17.0	0.0
Cash	13.0	0.0

## PERFORMANCE STATISTICS

	3 Years	5 Years
Fund	30.7%	73.2%
Standard & Poor's Peer Median Index**	29.8%	68.9%
Fund Rank	42/92	33/82
Annualised Standard Deviation	6.7	-
Relative Standard Deviation	1.2	-
Volatility Adjusted Ranking	73/92	-

## CUMULATIVE PERFORMANCE



█ Lehman Emerging Markets ! 
 █ Fund 
 █ Dollar Global Emerging Debt

# AIG GLOBAL FUNDS - AIG EMERGING MARKETS BOND FUND

Peer Group: Dollar Global Emerging Debt



## MANAGEMENT STYLE

- The fund aims outperform the JP Morgan EMBI+ by 150bps within a tracking error of 0-6%. The portfolio includes emerging market sovereign issues denominated in hard currency and local currency (up to 20%). The managers may also invest in emerging markets-based corporates - up to 20% of the portfolio. Cash has historically been as high as 15%.
- The managers apply a flexible approach evaluating fundamentals, technical and valuation drivers to construct the portfolio. The team members meet formally each week to discuss the market, and analysts present country reports monthly throughout the year.

- The team applies screens to an investable universe of 50 countries. Fundamental analysis comprises top-down views of global growth, liquidity conditions, relative value across asset classes and risk appetite. Market valuations, fundamental trends and technicals are analysed to determine country weightings, hard or local currency allocations and issue maturity selection.
- The managers also make use of market analysis of the local teams within AIGGIG's global business.

## PORTFOLIO REVIEW

The fund has had no Ecuador for some time, as the team has been concerned about politics and valuations. However, it was overweight Argentina and Venezuela throughout 2007, before going underweight in the early part of 2008 as spreads narrowed, as well as reducing Turkey and the Philippines.

The fund has been overweight Colombia, including some local currency exposure, Uruguay and Indonesia for a few months. It

has been underweight Mexico and Russia for some time.

The team shortened duration at the end of 2007, partly as a beta position but also because it expected the US curve to steepen. The fund's tracking error has also been falling, in spite of rising market volatility, and was about 3% at the time of review.

The fund had some local currency exposure in 2007, including a sizeable position in Brazilian real, which has since been sold, and some corporate names, including TNK.

## PERFORMANCE ANALYSIS (APRIL 2008)

The fund has been consistently above median in this peer group, until 2007 when the lack of local currency exposure held it back. However, it is still second quartile over three and five years cumulatively.

The fund has also consistently outperformed its benchmark before fees until 2007, when it underperformed by about 270bps. Most of this was due to being overweight Argentinian and Venezuelan bonds in the second quarter,

when they fell sharply, and to not holding Ecuador, which was one of the better performers in the market over the year. The short duration position also cost money in the second half of the year.

It underperformed by a further 20bps in Q1 2008. Being long South African rand and holding some exposure to TNK were the main drags on performance, partially offset by being underweight Venezuela and Turkey.

## DISCRETE PERFORMANCE (CALENDAR YEARS)

	2004		2005		2006		2007		YTD 31/03/2008	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	12.1	35/86	11.7	26/93	11.7	48/105	2.8	113/127	0.1	70/126
Index**	11.9		12.3		9.9		5.1		0.2	
Median	11.6		9.7		11.4		5.6		0.3	

\*\* Lehman Emerging Markets

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