

# AIG EMERGING MARKETS LOCAL CURRENCY BOND FUND

31 December 2009

## OBJECTIVE

AIG Emerging Markets Local Currency Bond Fund ('the Fund') seeks to achieve income and capital appreciation by investing at least two-thirds of its total net assets in local currency fixed instruments issued by sovereign or quasi-sovereign or corporate entities in regions including Latin America, Emerging Europe, Asia, Middle East, Africa and Russia.

## FUND FACTS

<b>Domicile &amp; Type</b>	Ireland / Sub-fund of UCITS III Umbrella Open-ended Unit Trust
<b>Inception Date of Class</b>	29 Nov 2006
<b>Inception Date of Predecessor Class</b>	N/A
<b>Benchmark</b>	JP Morgan GBI-EM Diversified (JPY)
<b>Base Currency</b>	USD
<b>Class</b>	Y3D
<b>Class Currency</b>	JPY
<b>Minimum Investment</b>	JPY 125 million
<b>Management Fee</b>	1.00%
<b>Listing &amp; Dealing</b>	Unlisted / Daily
<b>Distribution Policy</b>	Income and capital gains will be distributed
<b>ISIN Number</b>	IE00B1L2RN39
<b>Portfolio Manager(s)</b>	Rajeev Mittal / Anders Faergemann
<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>	Singapore, Taiwan (ROC), United Kingdom
<b>Regulated By</b>	Financial Regulator in Ireland
<b>Morningstar Rating™</b>	★★★

## COMMENTARY

### Market Review

- EM FX had a tough start to the month as the US dollar bounced sharply on the back of much better than anticipated non-farm payrolls data. As the markets settled before the holiday period EM currencies outperformed the euro and the Japanese yen and managed to find support against the firmer US dollar.
- A late surge in the Turkish lira helped it to be one of the best performing currencies on the month, but Turkish bonds struggled to keep the form from earlier in the year amid concerns about large redemptions in January and February.

### Outlook

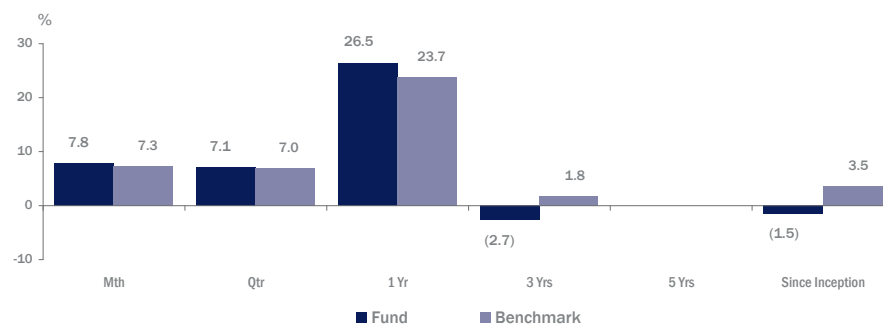
- We believe the US Federal Reserve will maintain interest rates low for the foreseeable future and the weaker US dollar trend may still be in place for a while.
- As short US dollar positions have now been squared up and the liquidity situation in emerging markets remains unscathed, with strong inflows to the asset class, the Fund is comfortable adding to high-yielding currencies at this stage and expects a strong start to risk assets in 2010.

### Fund Activity

- The Fund used the US dollar rally to rebuild overweight positions in Poland and Hungary, while maintaining overweights in high-yielding countries such as Brazil, Turkey and Indonesia versus underweights in Thailand and Malaysia.

## PERFORMANCE

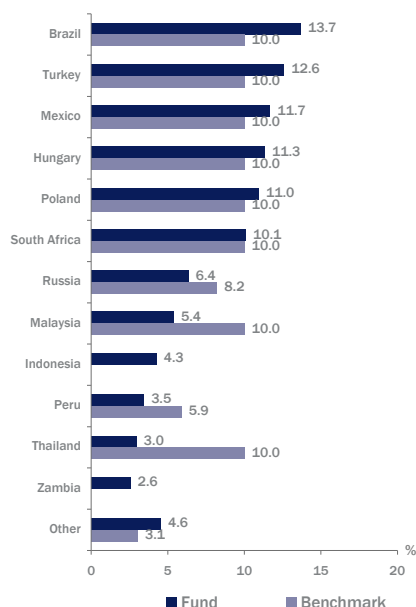
For periods ending 31 December 2009



Calendar Year	Fund %	Benchmark %	Difference %
2009 YTD	26.5	23.7	2.8
2008	(30.3)	(22.6)	(7.7)
2007	4.6	10.4	(5.8)
2006	N/A	N/A	N/A
2005	N/A	N/A	N/A

Fund: AIG Emerging Markets Local Currency Bond Fund Class 'Y3D' Units  
 Benchmark: JP Morgan GBI-EM Diversified (JPY)  
 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



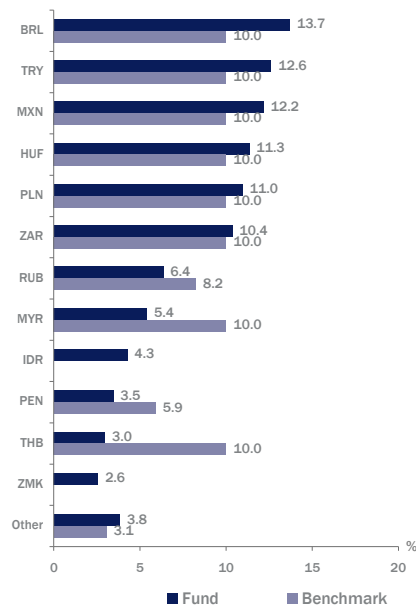
## TOP 10 HOLDINGS

Percentage	Country (Govt of)	Date	Code
10.00%	Brazil (Fed Rep)	01/Jan/2012	(BR)
6.75%	Hungary (Govt of)	24/Feb/2017	(HU)
7.75%	Mexico United Mexican Sts	14/Dec/2017	(MX)
13.50%	South Africa (Rep)	15/Sep/2015	(ZA)
10.00%	Turkey (Govt of)	15/Feb/2012	(TR)
5.75%	Poland (Govt of)	25/Apr/2014	(PL)
8.00%	Hungary (Govt of)	12/Feb/2015	(HU)
11.00%	Turkey (Govt of)	06/Aug/2014	(TR)
5.00%	Poland (Govt of)	24/Oct/2013	(PL)
10.50%	South Africa (Rep)	21/Dec/2026	(ZA)
<b>Total</b>			<b>47.1</b>

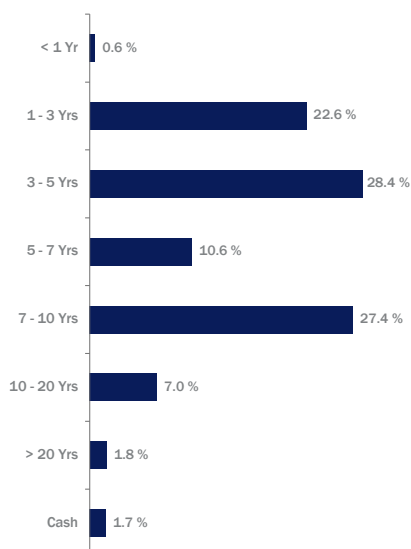
## FUND STATISTICS

Statistic	Value
Fund Size	USD 336,891,009
NAV per Unit	JPY 1,135.8246
Number of Securities	46
Average Coupon (%)	8.9
Average Duration	4.4
Average Yield to Maturity	9.2
Standard Deviation (3yr)	19.9
Information Ratio (3yr)	(1.0)
Tracking Error (3yr)	4.3
Alpha	(4.2)
Beta	1.1
R-Squared	95.8

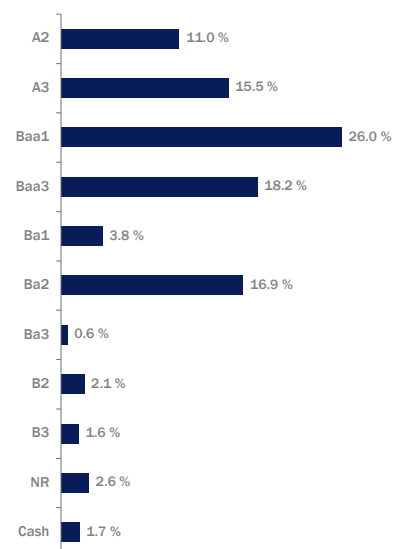
## CURRENCY ALLOCATION



## MATURITY PROFILE



## PORTFOLIO QUALITY



Fund: AIG Emerging Markets Local Currency Bond Fund  
 Benchmark: JP Morgan GBI-EM Diversified (JPY)  
 Asset allocations as at month end.

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

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