
AIG International Funds

ANNUAL REPORT
&
FINANCIAL STATEMENTS
(For the year ended 31 December 2007)



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- Please note that all figures shown in this report are as of 31 December 2007 unless otherwise stated.

AIIG International Funds – Singapore Bond Fund

Fund Manager's Review

Portfolio Performance

For 2007 the Singapore Bond Fund (the "Fund") returned 2.05% (before upfront sales charges) and -2.04% (net of upfront sales charge), while its benchmark JP Morgan Singapore Government Bond Index (All Sectors) returned 5.55%.

Asset Class Overview

2007 was an extremely turbulent and challenging year for global credit markets. Market liquidity dried up in the second half as a result of two major shocks to the global financial system. First the US housing recession turned out to be worse than most market expectations. Second, the severity of the sub-prime mortgage crisis and the extent to which it spread through financial markets via securitization and derivatives triggered serious credit and financial market dislocations. Recession fears, heightened volatility and risk aversion resulted in a massive flight-to-quality resulting in sharp declines in risk assets including equities and credits, while providing strong support for US Treasuries (USTs) and Singapore Government Securities (SGS), both of which strongly outperformed credits.

The first half of 2007 saw a tussle between concerns over inflation and slowing economic growth from the US housing slowdown and rising delinquencies in sub-prime mortgages. Early in the year, UST yields continued their uptrend as market expectations of Fed rate cuts were lowered by data indicating that the US housing slowdown was stabilising and the economy was headed for a soft landing. Yields were also driven up by inflation fears in the US as well as rising prices in China, Japan and the UK with the yield on the 10-year UST Note reaching a five-year high of 5.3% in mid-year. However, signs of further deterioration in sub-prime mortgages and the housing sector renewed buying support for USTs, with the 10-year UST Note yield easing to close the first half at 5%. The second half of 2007 experienced

heightened market volatility and risk aversion. A deepening housing recession, worsening sub-prime mortgage crisis and massive write-downs by major financial institutions led to a severe credit and liquidity crunch. The massive flight-to-quality resulted in significant credit spread widening and boosting demand for USTs. A larger-than-expected rate cut of 50 basis points by the Fed in September provided some relief. However, this was short-lived with the return of volatility and risk aversion leading to resumption in credit spread widening through the rest of 2007. In response to deteriorating market conditions, the Fed reduced its target rate two more times, 25 basis points each in October and December bringing the rate to 4.25% by year end for a total reduction of 1%. Benefiting from recession fears and flight-to-quality, the 10-year UST Note yield fell to a low of 3.8% in November, before closing the year at 4.1% for a decline of 150 basis points for the year.

As in the US, the Singapore bond market was faced with inflationary pressures on one hand and risk aversion and flight-to-quality on the other. High food, oil and commodities prices, tight labor and real estate markets, increase in transportation costs and the filter down effects of a 2% increase in Goods and Services Tax (GST) resulted in consumer prices rising through the year, reaching a 25-year high by year end. In spite of rising inflation and concerns that the domestic economy may overheat, short-term interest rates fell sharply driven by a strong SGD currency, due to a depreciating USD and a strong exchange rate stance by the local central bank to mitigate inflationary pressures. Low short-term rates, global flight-to-quality, US Fed rate cuts and the decline in UST yields provided strong buying support of SGS. For the year, the 10-year benchmark SGS yield declined by 37 basis points from 3.05% to 2.68%, an unusual situation of negative real interest rates which was set to widen on expectations that domestic inflation will continue to climb through the first half of 2008. As in the US, SGS strongly outperformed credits due to global spread widening and risk aversion.

ALG International Funds - Singapore Bond Fund *(continued)*

Portfolio Overview

Based on the view that inflation remained a risk and US economic growth could surprise on the upside, the Fund started the year with a defensive positioning by maintaining a duration shorter than its benchmark. This proved to be prudent in the initial months as UST and SGS yields rose, adding value to performance. Through the first half, our view was that the US sub-prime mortgage crisis and housing downturn would be contained such that the US economy would slow and avert a recession. Moreover, high oil, food and commodity prices combined with a weak USD posed inflationary threats. The Fund therefore maintained a defensive position and continued to hold its positions in corporate bonds and Real Estate Investment Trusts (REITs). However, as the sub-prime mortgage crisis turned out worse than most market expectations, increasing the likelihood of lower interest rates, the Fund reduced its cash position in the second half. The massive risk reduction and flight-to-quality by investors in the second half led to a major correction in risk assets, adversely affecting the Fund's holdings of corporate bonds and REITs. Although the Fund had no exposure to US sub-prime mortgages or CDOs, the massive global credit spread widening, which affected even the highest investment-grade corporate bonds, adversely hurt the Fund's holdings of corporate bonds, majority of which were of investment-grade. Although the Fund's performance was also dragged down by its REIT holdings, this asset class has nevertheless added substantial value to the Fund over a longer time period as a result of a highly selective and prudent security selection process. As at year-end, even after the severe correction in the second half, the Fund's REITs holdings had an unrealised capital gain of 50% over cost. This is in addition to the additional higher yield earned on the REITS compared to government bonds.

Portfolio Outlook

The continued decline in house prices, tight credit conditions and high oil prices will weigh on consumer spending, increasing the risks of the US economy slipping into recession in 2008. Markets are expected to remain volatile due to concerns over the economy and the poor visibility to the bottoming of the sub-prime mortgage crisis and credit crunch. However on the positive side, more aggressive US Fed rate cuts and the implementation of a fiscal stimulus will provide some cushion to the US economic slowdown. The Singapore economy will experience the effects of the US economic slowdown. However, sustained albeit slowing growth in Asia and economic activity generated by the development of two integrated resorts will provide support to domestic growth. With domestic inflation still on the rise in 1H 2008, negative real interest rates will widen making government bonds unattractive at current levels. The Fund will therefore look to opportunities in corporate bonds. Over the medium term, we are confident that the fundamental values of the Fund's holdings will be reflected in performance when market volatility abates.

Asset Allocation

By Country

Refer to "Portfolio Statements - By Geography (Primary)"

By Industry

Refer to "Portfolio Statements - By Industry (Secondary)"

By Asset Class

Refer to "Portfolio Statements - By Geography (Primary)"

AIG International Funds – Singapore Bond Fund *(continued)*

Credit Rating (By Moody's)	Nearest (S\$'000)	% of Fixed Income Instruments
A1 Total	21,341	5.58%
A3 Total	18,811	4.91%
Aa1 Total	9,949	2.60%
Aa2 Total	64,519	16.85%
Aa3 Total	48,783	12.75%
Aaa Total	79,689	20.82%
B1 Total	3,939	1.03%
Ba2 Total	2,163	0.56%
Ba3 Total	6,827	1.79%
Baa2 Total	19,830	5.18%
NR Total	106,934	27.93%

Source : AIG Global Investment Corporation (Singapore) Ltd

Top 10 Holdings (as at 31 December 2007)		
	Fair Value (S\$'000)	%
Capitamall Trust	20,338	3.49%
OCBC 3.78% 28 Nov 2017	20,110	3.46%
Morgan Stanley 4% 23 Oct 2017	17,904	3.07%
Ascendas Real Estate Investment Trust	16,423	2.82%
DBS Bank Singapore 4.47% 15 Jul 2021	16,062	2.76%
HSBC Singapore 3.18% 24 Nov 2008	15,081	2.59%
Capitaland Treasury Ltd 4.35% 31 Oct 2019	14,878	2.56%
General Elec Cap Corp 3.65% 06 Apr 2009	13,241	2.28%
Queensley Hldgs Ltd 4.5% 05 Dec 2009	13,042	2.24%
Singapore Govt 3.625% 01 Jul 2014	12,986	2.23%

Source : AIG Global Investment Corporation (Singapore) Ltd

Top 10 Holdings (as at 31 December 2006)		
	Fair Value (S\$'000)	%
Singapore T-Bills 0% 22 Mar 2007	23,842	5.77
Ascendas Real Estate Investment Trust	17,758	4.30
Capitamall Trust	17,096	4.14
DBS Bank 4.47% 15 Jul 2021	16,998	4.12
Singapore T-Bills 0% 15 Mar 2007	15,904	3.85
HSBC Singapore 3.18% 24 Nov 2008	14,951	3.62
Countrywide Finance Corp 3.75% 17 Mar 2007	14,440	3.50
Queensley Hldgs Ltd 4.5% 05 Dec 2009	13,204	3.20
Singapore Govt Bond 3.625% 01 Jul 2014	12,680	3.07
DBS Group Hldgs 6% Non Cum Pref Shs	11,497	2.78

Source : AIG Global Investment Corporation (Singapore) Ltd

Exposure to derivatives

	S\$	%
Fair value of derivative contracts	63,057.03	0.01
Net gain/(loss) on derivative contracts realised for the period 1 Jan to 31 Dec 2007	1,549,512.16	N/A
Net gain/(loss) on outstanding contracts marked to market	63,057.03	N/A

ALG International Funds - Singapore Bond Fund *(continued)*

Amount and percentage of NAV invested in other schemes

NIL.

Amount and percentage of borrowings to NAV

NIL.

Amount of subscriptions and redemptions for the period 1 January 2007 – 31 December 2007

Refer to "Creation of units" and "Cancellation of units" in the Notes to the Financial Statements Report.

Amount of related-party transactions

Please refer to Notes to the Financial Statements.

Performance of fund and benchmark

Period	Fund Performance	JP Morgan Sing Govt Bond Index
3-month	-1.32%	0.94%
6-month	-1.89%	2.52%
1-year	2.05%	5.55%
3-year [^]	4.51%	2.78%
5-year [^]	4.91%	2.83%
Since Inception (26.03.02) [^]	5.30%	4.00%

Source: ALG Global Investment Corporation (Singapore) Ltd & Bloomberg.

Returns in S\$, bid-to-bid basis. (Calculations of returns were made with NAV rounded to 3 decimal places, with effect from 01 March 2007.)

[^]Annualised returns.

Expense Ratios[#]

Please refer to Notes to the Financial Statements.

[#] The expense ratio of the fund does not include brokerage and other transaction costs, performance fees, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received.

Turnover Ratios

Please refer to Notes to the Financial Statements.

The turnover ratio is calculated based on the lesser of purchases or sales of the underlying investments of a scheme expressed as a percentage of daily average NAV.

Soft Dollars

Not applicable.

AIG International Funds - Acorns of Asia Balanced Fund

Fund Manager's Review

Overview

For the seventh successive year, the Asia ex Japan (AeJ) region, represented by the MSCI Far East Free ex Japan benchmark, outperformed its world equivalent (MSCI World). And for the fifth consecutive year, it attained another double-digit advance, with a return of 28.06% (in S\$ terms) for 2007.

However, as in 2006, progress for the AeJ markets during the year was disrupted by periods of uncertainty. In effect, investors experienced several mini cycles.

A hesitant start to 2007, during which worries about regional inflationary pressures began to surface, culminated in a market correction in late February. This was primarily triggered by a growth scare over China, when its stock market slumped more than 9% in a single day. In the lead-up to this, there had been concerns about rampant speculative activity by individual Chinese investors. The sharp fall gave rise to fears that China's economic growth would be adversely affected.

In the ensuing weeks however, such worries dissipated, as data confirmed that China's industrialization was continuing apace. Indeed, investors were soon to be encouraged by the supportive global growth environment, as information emerged of economic strength in several regions of the world. The region's stock markets responded positively to this scenario.

The advance in share prices was halted in August when more visible signs of a brewing sub-prime mortgage crisis in the United States came to the fore. Fears of a credit crunch developing from this also surfaced, heightening investors' worries about the health of the American economy, and by extension, the negative implications that had for global growth.

Resulting from this, risk aversion increased, and volatility returned to global financial markets. The AeJ region was not spared, as investors started to examine whether it could seriously "de-couple" in the near-term from any significant economic fall-out from the US. Indeed, the region's share markets collectively saw a reverse of around 15% at one stage during August.

Sentiment then turned definitively positive again when the US Federal Reserve (the Fed) decided to help alleviate the credit situation by cutting both the discount and Fed funds rates (in mid-August and mid-September, respectively), thus lowering borrowing costs. The Fed's actions represented the first easing since June 2006. It was to reduce interest rates by a total of 100 basis points during the final months of 2007.

Apart from being encouraged by the Fed's attempts to prevent an economic downturn in America, investors' mood was also galvanized by a mid-August announcement by the Chinese government of plans to allow domestic individual and institutional investors, with their substantial funds, to diversify their equity portfolios by going abroad, beginning with Hong Kong.

This combination of developments sparked a strong rally in stock prices covering nearly three months, and which saw most markets in the region reach their highest levels for the year, and in some cases, in their history, by early November.

However, in another twist, markets ended the year in less than confident fashion as indications that the US sub-prime mortgage situation might be a more intractable problem than first thought reappeared. One manifestation of this was news of significant reductions in the earnings of leading investment banks in the US stemming from having to write-down their exposure to mortgage-backed debts. Investors also became fearful that any further deepening of the mortgage crisis, with risks of a severe credit crunch in attendance, could materially

ALG International Funds - Acorns of Asia Balanced Fund *(continued)*

impact consumption in the US, and increase the probability of a recession.

Against this volatile backdrop, for the full year 2007, the Acorns of Asia Fund (the Fund) registered a gain of 20.66% (before upfront sales charges) and 14.63% (net of upfront sales charge), against its composite benchmark returns of 19%.

The Fund basically benefited from its exposure to companies geared into global economic expansion, such as civil engineering firms in Korea whose revenue growth has been bolstered by a flow of construction orders from an economically active Middle East. Additionally, the decision to raise weightings in China from the early months of the year also stood the Fund in good stead. A strong exposure to the smaller markets of Indonesia and the Philippines also helped. In the former, the Fund has invested in companies linked to the commodity sectors, such as crude palm oil, which have been beneficiaries of rising prices.

Market Review

Equities:

Collectively, as noted earlier, the AeJ markets registered another strong increase in equity values during 2007, marking the fifth successive year of double-digit gains.

However, as in the previous three years, 2007 also saw noticeable divergences in the share price performances of component countries. Markets in China, Indonesia, and Thailand led with returns (in S\$ terms) of between 35% and 60%, while Taiwan found the going comparatively harder to come by. As before, it would appear that investors remained pre-disposed to committing their attention to countries and companies who were able to offer good growth with reasonable certainty, while avoiding those with suspect prospects.

After a period of consolidation in the early months of 2007, which featured that sharp one-day fall as highlighted earlier, China's market made another advance of 56% for the year. While sentiment experienced periodic bouts of skittishness about the risk of economic overheating, investors' continuing interest was anchored by the growth opportunities stemming from what is the world's fourth-largest economy. With the real GDP growth rate for 2007 expected to read 11.5%, this would mark the sixth straight year of more than 9% expansion.

Indonesia also had a hesitant beginning, during which investors were awaiting further official economic reform initiatives to accelerate growth. The market then picked up pace in the latter months of 2007. Strength in international resource prices led to the Indonesian market regaining favour, given the country's wealth in commodities, such as coal and crude palm oil. Indeed, robust global demand for such products contributed to a record shipment surge for Indonesia's export sector. Monetary policy was also continually relaxed throughout the year. There was a series of seven interest rate cuts totalling 175 basis points, which facilitated on-going economic activity. These factors enabled the stock market to achieve a gain of 45.4% in 2007.

In Thailand, initial wariness about the still uncertain political situation gradually dissipated as the central bank embarked on a series of interest rate cuts to revitalize the economy. In the process, it nurtured a recovery in investor confidence that had been flagging since capital controls were imposed in December 2006. The loosening of monetary policy was the first such move in more than three years. Investors' keenness to return to Thai stocks was also underpinned by the market's attractive valuations. An anticipation of relatively clearer policy direction from the new government after the December 2007 general elections should further benefit sentiment and improve the potential for investment growth going forward.

AIG International Funds - Acorns of Asia Balanced Fund *(continued)*

For the year, the market rose 37.6%.

Investors responded positively to neighbouring Malaysia's introduction of a slew of economic reforms, including its plans to further liberalize the Ringgit. Excitement was also generated by an announced programme of incentives to foreign investments to set up in the Iskandar Development Region, essentially a special economic zone that should be helpful to job creation. Economic activity has generally been supported by private and government consumption. In addition, after two years of decline, output in mining and construction has also picked up. These should allow GDP to grow at an estimated 5.7% for 2007. Overall, the market advanced 37% in 2007.

As in 2006, investors in the Philippines were encouraged by the government's continuing fiscal reforms, which have helped to narrow the nation's budget deficit. The country's current account balance has also recorded a significant improvement over recent years, supported by significant inward remittances from Filipinos working overseas. These remittances, amounting to about 12% of GDP, have been instrumental in generating domestic consumption and helping the economy to expand. Real growth in 2007 could reach or exceed the 6.7% upper end of the original official target range set for the year. Such factors were instrumental in helping the equity market to record a rise of 32.9%.

Hong Kong's proximity to an economically vibrant China, and its niche as a services centre to the mainland was to put it in good stead during 2007. Employment levels were at their highest in nearly eight years, coupled with rising wages. The territory's economy has also been enjoying record low interest rates. All these have helped to energize the domestic property sector, and have underpinned consumption growth. Hong Kong's stock market rose 32.5% during 2007, drawing strength from the positive economic fundamentals of the territory.

Following an uninspiring 2006, the South Korean market made progress in 2007, gaining 24.4%. There were several contributory factors, including the move by North Korea to abandon its nuclear program in return for economic assistance, and the conclusion of a free trade agreement between South Korea and the United States. The latter is expected by some studies to increase the Korean GDP growth rate by 0.6% per year for the next 10 years. Further, investors were attracted by the stock market's strong earnings profile, which was enhanced by companies operating in the shipbuilding, machinery and steel-making sectors. These saw their profitability boosted by strong external demand. Stock prices also benefited from the active involvement of burgeoning local investment funds, as South Koreans channelled their savings into equity products as part of their retirement planning programmes.

Singapore's creditable market gains of 20.4% came on the back of a robustly growing underlying economy. Indeed, the expansion in real GDP of a reported 7.5% for 2007 was the fourth consecutive year of growth exceeding a 6% clip. Additionally, a record 172,000 jobs were created during the first nine months of last year (the latest statistics available), leading to an unemployment rate of just 1.7%, the lowest in almost a decade. One of the sectors that underpinned this pace of activity was the construction industry, which grew at its quickest in nearly ten years.

Taiwan's economy was in relatively healthy shape during 2007. For instance, using the latest data available, real growth rose by a quick 6.9% annualized rate in the third quarter of the year, driven largely by strong external demand. This has been reflected in the robust expansion in manufacturing output led by the electronics sub-sector, which saw months of double-digit growth. Surprisingly then, despite this backdrop, the stock market endured a lacklustre 2007, with investors' sentiment toward generally lukewarm. Indeed, Taiwan stocks were

ALG International Funds - Acorns of Asia Balanced Fund *(continued)*

the only group in the AeJ region to end the year with a single-digit gain of just 2.4%. Particularly crucial to its indifferent performance has been the unwillingness of the domestic investment community to sustain their participation in the equity market, in part due to disappointment over the slow progress in the formalization of an economic pact with China. Impending legislative and presidential elections scheduled for early 2008 also engendered caution.

Bonds:

In contrast to equities, 2007 was generally a challenging year for global bond markets. Market liquidity dried up in the second half as a result of two major shocks to the global financial system. First, the US housing recession turned out to be worse than most market expectations. Second, the severity of the sub-prime mortgage crisis and the extent to which it spread through financial markets via securitization and derivatives triggered serious credit and financial market dislocations. A subsequent flight-to-quality mentality resulted in strong demand for US Treasuries (USTs) and Singapore Government Securities (SGS), to the detriment of other types of fixed income instruments.

Outlook

At the time of writing, investors are troubled by a mix of recession risks in the US, and persistent global inflationary pressures. They worry that this "stagflation" scenario of faltering economic growth with elevated consumer prices would complicate attempts by the world central banks to actively lower interest rates to resuscitate economic activity. Tellingly, US stocks have suffered their worst January in 18 years.

The latest indicators have continued to offer a worrying outlook for the US. For instance, for the first time in more than four years, the economy failed to create employment, losing 17,000 jobs during January 2008. This data has further exacerbated fears of a sharp decline in

consumer spending, which still accounts for more than two-thirds of the American economy. Already, reported figures for retail sales for the first month of this year, at a 0.5% annualized growth rate, were at their worst pace since 1970.

Overall, based on consensus forecasts, the US economy is expected to grow at a half percent annual rate for the first-quarter of this year. With the fourth-quarter of 2007 showing an equally pedestrian growth rate of 0.6%, this caps the weakest six months since the last economic downturn in 2001. The risks are that activity levels turn negative going through the rest of the year, which translates into a recession.

In sympathy with the economic crisis unfolding in the US, markets in the AeJ region have also begun 2008 on a very weak footing. Indeed, the more than 10% loss in stock prices for the month of January was the poorest start to a year since 2000. A contributory factor to this derives from the fact that after the very strong advances made by the region's markets in the last five years, valuations have been perceived to be no longer so compelling.

Set against this is the recent elevation of investors' risk aversion. This has manifested in their scepticism that regional growth can "decouple" from the worst effects of an expected recession in the US, given that the latter remains an important destination for the Asian export sector, which is still the mainstay of most AeJ economies. They are of the view that an American recession will most certainly affect the region's growth performance through trade, investment and financial linkages.

Moreover, signs are also appearing of sagging activity in two other key markets for AeJ exports, namely the European Union (EU) and Japan. For instance, the most recent data for retail sales in the former revealed the fastest rate of fall since 1995.

AIG International Funds - Acorns of Asia Balanced Fund *(continued)*

Collectively, according to the Asian Development Bank (ADB), these three economies (the US, EU and Japan or G3) still account for about 42% of the AeJ region's total exports. Further, while the intra-regional trade share is growing, evidence indicates that a visibly large portion of this still caters to external demand. Indeed, when taking into account the portion of intra-regional trade that is ultimately directed to the G3, the latter's share of the region's total exports surpasses 60%.

Also adding to the global uncertainty are enduring concerns about a visible Chinese growth slowdown. These stem from not just a potential weakening of external demand for China's exports, but also from a drop in domestic consumption due to official monetary tightening policies to combat inflationary pressures. Consumer prices in China have recently climbed at their fastest rates in more than a decade.

The palpable discomfort among investors has led some of them to divest from the region. Based on an analysis by Citi Investment Research, there was a net outflow of some US\$7.8 billion from funds investing in AeJ during January of this year. This represented the first time in about 7 years that investors have taken monies out at the start of a year. It was also the biggest sustained monthly outflow on record.

While the present outlook is undeniably cloudy, policy programmes to offset economic weakness are underway. In the US, steps have been introduced to try to avoid a recession, or at least minimize the length of any slump. For example, the Fed has continued to lower borrowing costs. In over nine days this year, it cut the Fed funds rate by another 125 basis points to bring it down to 3%. This included an emergency move on 22 January, and represented the fastest pace of interest rate reduction since 1990.

Besides monetary easing by the Fed, the US administration is also about to implement a US\$168 billion stimulus package to support the

economy. The legislation would send tax rebate cheques to more than 111 million households, probably beginning in May, to help sustain consumption. At the same time, rebates and incentives will be given to businesses to promote investments to ultimately shore up employment.

The authorities in the other major economies are also looking to be adopting a more pro-growth stance in response to weakening conditions. For instance, the Bank of England has just reduced interest rates for the benefit of the British economy. In addition, there is talk that the European Central Bank will likewise relent, and ease to ensure that activity in the EU does not falter further.

Also, recent comments emanating from China appear to suggest that the authorities there are considering a loosening of measures to help the economy mitigate any ill effects from slower global growth and disruptions caused by the worst snowstorms in 50 years.

While such policy steps will require time to take effect, the underlying message is that the governments and financial authorities in the world's major economies are now cognizant of the expediency to shore up growth, and are likely to undertake further initiatives to accomplish this if necessary.

And despite the present uncertainty, the long-term fundamental case for investing in AeJ should be kept in mind. The industrialization of both China and India is likely to continue apace, even with periodic bouts of global economic consolidation. The region has also built significant buffers against external shocks since the 1997 financial crisis, for instance, through the accumulation of large foreign exchange reserves. Short-term external debts are also now at very manageable levels, while exchange rate regimes are now less rigid to allow room for the required policy response. Improved fiscal positions also provide some room for some

AlG International Funds - Acorns of Asia Balanced Fund *(continued)*

economic stimulus, if necessary.

Moreover, economic activity should be propped up by continuing infrastructure development and renewal across the region, as countries aim to become more efficient. For example, plans have been announced for a four-lane highway between Hanoi in Vietnam to Kunming, China. When completed in 2012, this should help facilitate the flow of people and goods between northern Vietnam and southern China, thus offering the prospect of a significant new economic development zone within the region. Closer to home, the Singapore government has revealed its intentions to expand the mass rapid transit system to reduce the opportunity costs to the economy created by traffic congestions.

Overall, absent a deep recession in the US, the ADB projects that aggregate GDP growth in AeJ should still come in at around 8% for 2008, compared to an estimated 8.5% last year. The key engines for this will still be China and India, although the region's growth profile is broadening out somewhat, with emerging economies like Indonesia and the Philippines playing catch-up. Therefore, while showing moderation, the 8% pace of expansion is still respectable.

With 2008 looking to be a very challenging year for investors, not least for its volatility, the Fund will continue to be mindful of risks. However, it will also be sensitive to opportunities when they materialize. In the near-term, the Fund is looking to adopt a more defensive posture through, among others, maintaining a higher level of cash holdings. It will closely evaluate economic developments as they arise in effecting any change to its investment strategy. In closing, we would like to record our deep appreciation once again to our unitholders for their continued support for the Fund.

Asset Allocation

By Country

Refer to "Portfolio Statements - By Geography (Primary)"

By Industry

Refer to "Portfolio Statements - By Industry (Secondary)"

By Asset Class

Refer to "Portfolio Statements - By Geography (Primary)"

Credit Rating (By Moody's)	Fair Value (S\$'000)	% of Fixed Income Instruments
A1 Total	1,481	0.50%
A3 Total	9,795	3.28%
Aa1 Total	7,996	2.68%
Aa2 Total	48,663	16.31%
Aa3 Total	33,498	11.24%
Aaa Total	74,947	25.11%
B1 Total	4,761	1.60%
Ba2 Total	1,824	0.61%
Ba3 Total	11,795	3.95%
Baa2 Total	8,740	2.92%
NR Total	94,909	31.80%

Source : AlG Global Investment Corporation (Singapore) Ltd

Top 10 Holdings (as at 31 December 2007)

	Fair Value (S\$'000)	%
China Shenhua Energy Co	26,039	1.71%
Largan Precision Co Ltd	25,532	1.68%
Queensley Hldgs Ltd 4.5% 05 Dec 2009	24,077	1.58%
Nine Dragons Paper Holdings	23,513	1.55%
PT Astra Agro Lestari	23,275	1.53%
Keppel Corp Ltd	22,868	1.51%
Singapore Govt 3.75% 01 Sep 2016	21,901	1.44%
China Mengniu Dairy Co	21,717	1.43%
Singapore Govt 3.625% 01 Jul 2014	21,643	1.43%
AAC Acoustic Technology Holdings	21,521	1.41%

Source : AlG Global Investment Corporation (Singapore) Ltd

AIG International Funds - Acorns of Asia Balanced Fund *(continued)*

Top 10 Holdings (as at 31 December 2006)

	Fair Value (S\$'000)	%
Queensley Hldgs Ltd 4.5% 05 Dec 2009	24,377	2.29
Singapore Govt Bond 3.75% 01 Sep 2016	21,421	2.02
GS Engineering & Construction Co Ltd	21,323	2.01
Singapore Govt Bond 3.625% 01 Jul 2014	20,133	1.99
China Mengniu Dairy Co Ltd	20,900	1.97
UOB Ltd 4.1% 03 Sep 2019	20,731	1.95
PT Medco Energi International	20,571	1.94
CNOOC Ltd	20,447	1.93
Ascendas Real Estate Investment Trust	19,796	1.86
Petrochina Co Ltd	19,416	1.83

Source : AIG Global Investment Corporation (Singapore) Ltd

Exposure to derivatives

	S\$	%
Fair value of derivative contracts	49,786.39	0.00
Net gain/(loss) on derivative contracts realized for the period 01 Jan to 31 Dec 2007	1,171,758.41	N/A
Net gain/(loss) on outstanding contracts marked to market	49,786.39	N/A

Amount and percentage of NAV invested in other schemes

NIL.

Amount and percentage of borrowings to NAV

NIL.

Amount of subscriptions and redemptions for the period 1 January 2007 – 31 December 2007

Refer to "Creation of units" and "Cancellation of units" in the Notes to the Financial Statements Report.

Amount of related-party transactions

Please refer to Notes to the Financial Statements.

Performance of fund and benchmark

Period	Fund Performance	60% MSCI All Country Far East Free Ex Japan (DTR Net) in SGD / 40% JP Morgan Sing Govt. Bond Index
3-month	-5.05%	-2.27%
6-month	1.31%	7.12%
1-year	20.66%	19.00%
3-year ^	14.82%	15.59%
5-year ^	18.39%	16.05%
Since Inception (01.10.01)^	16.22%	15.11%

Source: AIG Global Investment Corporation (Singapore) Ltd.

Returns in S\$, bid to bid basis. (Calculations of returns were made with NAV rounded to 3 decimal places with effect from 01 March 2007.)

^Annualised returns

Expense Ratios#

Please refer to the Notes to the Financial Statements.

#The expense ratio of the fund does not include brokerage and other transaction costs, performance fees, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received.

ALG International Funds - Acorns of Asia Balanced Fund *(continued)*

Turnover Ratios

Please refer to the Notes to the Financial Statements.

The turnover ratio is calculated based on the lesser of purchases or sales of the underlying investments of a scheme expressed as a percentage of daily average NAV.

Soft Dollars

In the normal course of business, the Managers shall be entitled to receive soft dollar benefits from selected brokers, in relation to equity transactions, from whom products and services were received from third parties. These brokers may also execute trades for other clients managed by the Manager. The goods and services received generally benefit the entire Managers' clients and trades are executed on the best available terms with no excessive churning. Goods and services received can reasonably be expected to assist in the provision of the investment services and include research and advisory services, economic and political analyses, portfolio analyses, market analyses, data and quotation services, custodial services and computer hardware and software used in the support of the investment process of the Managers.



AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed registered in the Republic of Singapore)

ANNUAL REPORT

For the year ended 31 December 2007

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

FINANCIAL STATEMENTS

For the year ended 31 December 2007

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AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Report Of The Trustee

The Trustee is under a duty to take into custody and to hold the assets of the AIG International Funds (the "Funds") in trust for the unitholders. In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes (collectively referred to as the "laws and regulations"), the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting period and report thereon to unitholders in an annual report which shall contain the matters prescribed by the laws and regulations as well as the recommendations of the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore and the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Funds during the year covered by these financial statements, set out on pages 19 to 56, comprising the Statements of Total Return, Balance Sheets, Portfolio Statements and Notes to the Financial Statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of the Trustee
Citicorp Trustee (Singapore) Limited

Lau Chee Kin
Director, 28 March 2008

Han Kwee Juan
Director, 28 March 2008

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Statement By The Manager

In the opinion of the directors of the AIG Global Investment Corporation (Singapore) Ltd, (the “Manager”), the accompanying financial statements set out on pages 19 to 56, comprising the Statements of Total Return, Balance Sheets, Portfolio Statements and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of AIG International Funds (the “Funds”) as at 31 December 2007 and the total return for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Certified Public Accountants of Singapore. At the date of this statement, there are reasonable grounds to believe that the Funds will be able to meet their financial obligations as and when they materialise.

For and on behalf of the directors of
AIG Global Investment Corporation (Singapore) Ltd.

Cheong Poh Kin
Director, 28 March 2008

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Independent Auditor's Report To The Unitholders Of AIG International Funds

(Constituted under a Trust Deed registered in the Republic of Singapore)

We have audited the financial statements of AIG International Funds (the "Funds") set out on pages 19 to 56, which comprise the Balance Sheets and Portfolio Statements as at 31 December 2007, the Statements of Total Return for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Manager's Responsibility for the Financial Statements

The Funds' Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore. This responsibility includes

- (a) devising and maintaining a system of internal accounting control sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair Statements of Total Return and Balance Sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Funds' Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Funds as at 31 December 2007 and the total return for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore.

PricewaterhouseCoopers
Public Accountants and
Certified Public Accountants

Singapore, 28 March 2008

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Statements Of Total Return

For the year ended 31 December 2007

	Acorns of Asia Balanced Fund	
Note	2007 S\$	2006 S\$
Investment income		
Dividends	21,950,496	17,888,398
Interest on deposits with banks	1,985,116	871,068
Other	1,787	401
	23,937,399	18,759,867
Less: Expenses		
Audit fee	28,613	8,865
Custody and related fees	365,301	536,757
Management fees	19,643,518	14,520,959
Registrar and related fees	53,375	49,682
Trustee fees	556,046	401,177
Other	1,453,849	1,171,767
	22,100,702	16,689,207
Net income	1,836,697	2,070,660
Net gains or losses on value of investments		
Net realised gains on investments	180,390,310	19,335,641
Net change in fair value on investments	70,313,665	107,242,881
Net realised gains on forward foreign exchange contracts	1,171,758	2,463,881
Net change in fair value on forward foreign exchange contracts	(20,126)	(2,087)
Net foreign exchange losses	(37,727,350)	(22,837,529)
Net gains on value of investments	214,128,257	106,202,787
Total return for the year before income tax	215,964,954	108,273,447
Less: Income tax	3 (3,381,078)	(2,571,336)
Total return for the year	212,583,876	105,702,111

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Statements Of Total Return

For the year ended 31 December 2007

	Singapore Bond Fund	
Note	2007	2006
	S\$	S\$
Investment income		
Dividends	3,535,482	2,068,805
Interest on deposits with banks	2,263,187	2,216,561
	5,798,669	4,285,366
Less: Expenses		
Audit fee	17,484	6,074
Custody and related fees	57,406	39,382
Management fees	4,919,567	3,360,657
Registrar and related fees	24,791	17,111
Trustee fees	219,197	141,635
Other	447,459	320,223
	5,685,904	3,885,082
Net income	112,765	400,284
Net gains or losses on value of investments		
Net realised gains on investments	9,252,530	8,604,685
Net change in fair value on investments	(191,184)	16,411,379
Net realised gains on forward foreign exchange contracts	1,549,512	1,950,058
Net change in fair value on forward foreign exchange contracts	(4,204)	(3,691)
Net foreign exchange losses	(2,387,067)	(2,277,418)
Net gains on value of investments	8,219,587	24,685,013
Total return for the year before income tax	8,332,352	25,085,297
Less: Income tax	3 (566,832)	(413,711)
Total return for the year	7,765,520	24,671,586

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Balance Sheets

As at 31 December 2007

		Acorns of Asia Balanced Fund	
Note	2007 S\$	2006 S\$	
ASSETS			
Investments		1,300,953,440	1,017,368,295
Cash and bank balances	9	11,152,170	32,566,567
Fixed deposits with financial institutions		209,639,222	14,066,768
Receivables	4	9,545,661	1,849,907
Financial derivatives, at fair value	6	49,786	69,912
Total assets		1,531,340,279	1,065,921,449
LIABILITIES			
Payables	5	11,074,444	3,515,655
Net assets attributable to unitholders	7	1,520,265,835	1,062,405,794
Total liabilities		1,531,340,279	1,065,921,449

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Balance Sheets

As at 31 December 2007

	Singapore Bond Fund	
Note	2007	2006
	S\$	S\$
ASSETS		
Investments	459,220,160	380,702,191
Cash and bank balances	9 3,162,002	203,013
Fixed deposits with financial institutions	121,079,489	32,159,897
Receivables	4 4,008,627	710,410
Financial derivatives, at fair value	6 63,057	67,261
Total assets	587,533,335	413,842,772
LIABILITIES		
Payables	5 5,542,120	685,743
Net assets attributable to unitholders	7 581,991,215	413,157,029
Total liabilities	587,533,335	413,842,772

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Portfolio Statements

As at 31 December 2007

Acorns of Asia Balanced Fund			
Holdings as at 31 Dec 2007	Fair value at 31 Dec 2007 S\$	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %	
By Geography (Primary)			
Quoted Equities			
China			
Angang Steel Co Ltd	3,250,000	12,788,933	0.84
China Mengniu Dairy Co Ltd	4,127,000	21,716,690	1.43
China Petroleum & Chemical	2,370,000	5,136,990	0.34
China Power International Development Ltd	18,147,000	12,141,281	0.80
China Resources Land Ltd	2,000,000	6,340,325	0.42
China Shenhua Energy Co Ltd	3,035,000	26,039,428	1.71
CNOOC Ltd	7,156,000	17,515,457	1.15
Denway Motors Ltd	15,130,000	13,720,094	0.90
Hengan International Group Co Ltd	1,632,000	10,527,888	0.69
Linfair Holdings Ltd	5,000,000	2,875,264	0.19
Mainland Headwear Holdings Ltd	5,500,000	1,976,744	0.13
Nine Dragons Paper Holdings Ltd	6,576,000	23,513,463	1.55
Petrochina Co Ltd	3,700,000	9,465,515	0.62
Shanghai Jin Jiang International Hotel Co Ltd	5,866,000	3,448,941	0.23
Shenzhou International Group	7,000,000	4,257,602	0.28
Zhuzhou Csr Times Elec Co Ltd	4,839,000	10,256,673	0.67
Zijin Mining Group Co Ltd	2,716,000	6,047,136	0.40
Total China		187,768,424	12.35
Hong Kong			
AAC Acoustic Technology Holdings Ltd	11,206,000	21,521,443	1.41
Foxconn International Holdings Ltd	6,095,000	19,614,218	1.29
Hysan Development Co Ltd	2,068,000	8,366,390	0.55
Kingboard Chemical Holdings Ltd	1,616,000	13,820,138	0.91
Kingboard Laminates Holdings Ltd	5,000,000	4,838,184	0.32
Total Hong Kong		68,160,373	4.48
Indonesia			
PT Astra Agro Lestari	5,500,000	23,274,599	1.53
PT Bank Mandiri	39,900,000	21,220,328	1.40
PT Medco Energi International	25,000,000	19,704,782	1.30
PT Mitra Adiperkasa	21,000,000	2,121,229	0.14

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Portfolio Statements *(continued)*

As at 31 December 2007

Acorns of Asia Balanced Fund (continued)			
Holdings as at 31 Dec 2007	Fair value at 31 Dec 2007 S\$	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %	
By Geography (Primary)			
Quoted Equities			
Indonesia (continued)			
PT Ramayana Lestari Sentosa	44,775,000	5,824,772	0.38
PT United Tractors	10,000,000	16,605,583	1.09
PT Tambang Batubara Bukit Asam	4,147,500	7,585,404	0.50
Total Indonesia		96,336,697	6.34
Malaysia			
Naim Cendera Holdings Bhd	3,950,000	8,037,351	0.53
Ta Ann Holdings Bhd	4,099,500	12,298,438	0.81
YTL Corporation Bhd	1,539,100	5,252,989	0.35
YTL Corporation Bhd – Rights	102,606	66,024	0.00
YTL Power International Bhd	5,200,000	6,081,709	0.40
Total Malaysia		31,736,511	2.09
Philippines			
Alliance Global Group Inc	65,000,000	12,676,609	0.83
Banco De Oro Inc	5,150,000	10,850,864	0.71
Filinvest Land Inc	193,500	8,895,218	0.59
First Gen Corporation	7,027,500	14,317,211	0.94
International Container Terminal Services Inc	6,625,000	10,151,735	0.67
Total Philippines		56,891,637	3.74
Singapore			
Jaya Holdings Ltd	4,000,000	7,600,000	0.50
Keppel Corporation Ltd	1,770,000	22,868,400	1.51
Unisteel Technology Ltd	2,750,000	4,592,500	0.30
Total Singapore		35,060,900	2.31

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Portfolio Statements *(continued)*

As at 31 December 2007

Acorns of Asia Balanced Fund (continued)			
	Holdings as at 31 Dec 2007	Fair value at 31 Dec 2007 S\$	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %
By Geography (Primary)			
<u>Quoted Equities</u>			
South Korea			
Cape Industries Ltd	194,481	9,632,118	0.63
Daelim Industrial Co Ltd	61,850	16,812,328	1.10
Daewoo Shipbuilding & Marine Co Ltd	170,000	13,419,210	0.88
Daishin Securities Co Ltd	296,000	13,478,182	0.89
Doosan Heavy Industries & Construction	88,720	17,167,497	1.13
GS Engineering & Construction Co Ltd	69,500	16,703,752	1.10
GS Holdings Corp	120,000	10,707,110	0.70
Honam Petrochemical Corp	98,327	15,628,886	1.03
Hyundai Engineering & Construction	95,000	12,897,061	0.84
Hyundai Heavy Industries	29,707	20,187,706	1.33
Hyundai Steel Co	90,000	10,891,398	0.72
LG Petrochemical Ltd	130,570	17,986,669	1.18
NHN Corp	32,750	11,376,765	0.75
Samsung Engineering Co Ltd	55,000	7,922,832	0.52
Samsung Heavy Industries	200,000	12,377,985	0.81
Samsung Techwin Co Ltd	260,000	16,810,102	1.11
SIMM Tech Co Ltd	980,151	11,786,087	0.78
Ssangyong Motor Co Ltd	1,969,930	18,635,730	1.23
Yuhan Corporation	52,498	16,285,797	1.07
Total South Korea		270,707,215	17.80
Taiwan			
Advanced Semiconductor Engineering	10,955,756	15,777,513	1.04
Ambassador Hotel	8,401,000	11,279,412	0.74
Catcher Technology Co Ltd	500,000	4,187,402	0.28
Formosa Chemical & Fibre	4,674,000	17,086,594	1.12
Foxconn Technology Co Ltd	750,250	8,776,528	0.58
High Tech Computer Corp	704,600	18,670,531	1.23
Innolux Display Corporation	3,600,779	17,471,228	1.15
Largan Precision Co Ltd	1,340,000	25,532,074	1.68

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Portfolio Statements *(continued)*

As at 31 December 2007

Acorns of Asia Balanced Fund (continued)		
Holdings as at 31 Dec 2007	Fair value at 31 Dec 2007 S\$	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %
By Geography (Primary)		
Quoted Equities		
Taiwan (continued)		
Mitac International Corp	10,146,118	0.94
Unimicron Technology Corp	600,000	0.10
Vanguard International Semiconductor Corp	18,805,500	1.33
Wistron Corporation	6,097,265	1.07
Total Taiwan	171,156,711	11.26
Thailand		
PTT Public Co Ltd – Foreign	900,000	1.07
Total Thailand	16,243,204	1.07
Total Equities		
	934,061,672	61.44
Quoted Debt Securities		
Germany		
Deutsche Bank 3.25% 10 Oct 2012	8,000,000	0.52
Dresdner Bank AG 5.30% 18 Feb 2010	250,000	0.02
Total for Germany	8,262,104	0.54
Hong Kong		
HK Land Treasury 3.65% 05 Oct 2015	10,000,000	0.64
Total for Hong Kong	9,795,000	0.64
India		
Bank of Baroda 6.625% 25 May 2022	1,000,000	0.08
ICICI Bank Ltd 3.3% 03 May 2012	2,000,000	0.12
Total for India	3,095,094	0.20

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Portfolio Statements *(continued)*

As at 31 December 2007

Acorns of Asia Balanced Fund (continued)			
	Holdings as at 31 Dec 2007	Fair value at 31 Dec 2007 S\$	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %
By Geography (Primary)			
Quoted Debt Securities			
Indonesia			
Lippo Karawaci Finance 8.875% 09 Mar 2011	1,000,000	1,425,473	0.09
Majapahit Holdings 7.25% 17 Oct 2011	400,000	579,900	0.04
PT Bank Lippo 22 Nov 2016	500,000	710,019	0.05
PT Indosat Isatij 7.125% 22 Jun 2012	771,000	1,114,301	0.07
Rep of Indonesia 6.875% 09 Mar 2017	3,000,000	4,560,560	0.30
Rep of Indonesia 7.25% 20 Apr 2015	1,200,000	1,848,633	0.12
Rep of Indonesia 7.5% 15 Jan 2016	3,000,000	4,806,075	0.32
Total for Indonesia		15,044,961	0.99
Pakistan			
Republic of Pakistan 6.875% 01 Jun 2017	1,500,000	1,947,311	0.13
Republic of Pakistan 7.125% 31 Mar 2016	1,000,000	1,387,733	0.09
Total for Pakistan		3,335,044	0.22
Philippines			
National Power Corp 6.875% 02 Nov 2016	700,000	1,025,013	0.07
Total for Philippines		1,025,013	0.07
Singapore			
Ascott Capital 3.085% 27 Apr 2010	3,000,000	3,012,281	0.20
Capitaland Commercial 4.4% 03 Mar 2011	4,250,000	4,322,867	0.28
Capitaland Treasury Ltd 4.08% 15 Mar 2011	5,000,000	5,175,303	0.34
Capitaland Treasury Ltd 4.35% 31 Oct 2019	15,000,000	14,878,048	0.98
DBS Bank 4.47% 15 Jul 2021	16,000,000	16,061,819	1.06
Fraser & Neave Ltd 3.065% 10 Sep 2008	5,000,000	5,049,525	0.33
Fraser & Neave Ltd 3.41% 12 Aug 2010	5,000,000	5,084,364	0.33
Hotel Properties 3.42% 06 Jul 2010	3,000,000	3,067,097	0.20
HSBC Singapore 3.36% 22 Nov 2010	2,000,000	2,022,364	0.13
OCBC 3.78% 28 Nov 2017	10,000,000	10,055,175	0.66
Public Utilities 3.095% 08 Oct 2014	5,000,000	4,992,114	0.33
Queensley Holdings Ltd 4.5% 05 Dec 2009	24,000,000	24,076,931	1.58

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Portfolio Statements *(continued)*

As at 31 December 2007

Acorns of Asia Balanced Fund (continued)		
Holdings as at 31 Dec 2007	Fair value at 31 Dec 2007 S\$	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %
By Geography (Primary)		
Quoted Debt Securities		
Singapore (continued)		
Sengkang Mall Ltd 4.88% 20 Nov 2012	3,600,000	0.24
Singapore Govt Bond 2.25% 01 Jul 2013	2,500,000	0.17
Singapore Govt Bond 2.5% 01 Oct 2012	7,000,000	0.47
Singapore Govt Bond 3.25% 01 Sep 2020	4,165,000	0.28
Singapore Govt Bond 3.5% 01 Jul 2012	2,000,000	0.14
Singapore Govt Bond 3.625% 01 Jul 2014	20,000,000	1.43
Singapore Govt Bond 3.75% 01 Sep 2016	20,000,000	1.44
Singapore Govt Bond 4.375% 15 Jan 2009	3,000,000	0.21
SPARC II Ltd 5% 07 Sep 2011	2,100,000	0.15
Standard Chartered Bank 2.35% 07 Feb 2008	2,000,000	0.13
Tuas Power Ltd 4.5% 28 May 2009	3,000,000	0.20
UOB Ltd 4.1% 03 Sep 2019	20,000,000	1.35
UOL 3.34% 15 May 2012	3,000,000	0.20
Wing Tai Holdings 4.98% 25 Apr 2011	7,500,000	0.51
Total for Singapore	202,765,340	13.34
South Korea		
Export – Import Bank Korea 3.1% 10 Sep 2008	4,000,000	0.27
Total for South Korea	4,046,369	0.27
Sweden		
Swedbank 3.445% 28 Feb 2008	5,000,000	0.33
Total for Sweden	5,058,490	0.33
United Arab Emirates		
Emirates Airlines 4.28% 21 Jun 2011	2,500,000	0.17
Total for United Arab Emirates	2,531,681	0.17

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Portfolio Statements *(continued)*

As at 31 December 2007

Acorns of Asia Balanced Fund (continued)		
Holdings as at 31 Dec 2007	Fair value at 31 Dec 2007 S\$	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %
By Geography (Primary)		
Quoted Debt Securities		
United Kingdom		
Standard Chartered 6.409% 31 Dec 2049	1,600,000	0.14
Standard Chartered 7.014% 30 Dec 2049	2,500,000	0.23
Total for United Kingdom	5,645,151	0.37
United States		
General Electric Cap Corp 2.725% 10 Nov 2008	2,000,000	0.13
General Electric Cap Corp 3.65% 06 Apr 2009	10,000,000	0.67
Lehman Brothers Holdings 6.2% 26 Sep 2014	1,000,000	0.10
Morgan Stanley 3.585% 23 Oct 2012	6,250,000	0.41
Morgan Stanley 4% 23 Oct 2017	18,750,000	1.18
Total for United States	37,804,976	2.49
Total Debt Securities	298,409,223	19.63
Others		
China		
Capitaretail China Trust	200,000	0.03
Total China	424,000	0.03
India		
Ascendas India Trust	250,000	0.02
Total India	320,000	0.02
Malaysia		
Amanah Raya Reit	1,000,000	0.03
Total Malaysia	415,215	0.03

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Portfolio Statements *(continued)*

As at 31 December 2007

Acorns of Asia Balanced Fund (continued)			
Holdings as at 31 Dec 2007	Fair value at 31 Dec 2007 S\$	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %	
By Geography (Primary)			
Others			
Singapore			
Ascendas Real Estate Investment Trust	7,442,000	18,307,320	1.20
Ascott Residence Trust	978,000	1,388,760	0.09
Capitacommercial Trust	1,100,000	2,673,000	0.18
Capitamall Trust	5,895,000	20,337,750	1.33
Cityspring Infrastructure	580,000	536,500	0.04
DBS Group Hldgs 6% Non Cum Pref Shs	100,000	10,900,000	0.72
First Ship Lease Trust	2,000,000	2,380,000	0.15
Frasers Centrepoint Trust	5,000,000	6,950,000	0.46
Macquarie Prime Reit	3,500,000	3,850,000	0.25
Total Singapore		67,323,330	4.42
Total Others		68,482,545	4.50
Portfolio of investments		1,300,953,440	85.57
Other net assets		219,312,395	14.43
Net assets attributable to unitholders		1,520,265,835	100.00

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Portfolio Statements *(continued)*

As at 31 December 2007

	Acorns of Asia Balanced Fund (continued)	
	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %	Percentage of total net assets attributable to unitholders at 31 Dec 2006 %
By Geography (Summary)		
<u>Quoted Equities</u>		
China	12.35	14.36
Hong Kong	4.48	2.99
Indonesia	6.34	9.23
Malaysia	2.09	2.35
Philippines	3.74	2.15
Singapore	2.31	3.74
South Korea	17.80	22.41
Taiwan	11.26	13.02
Thailand	1.07	1.02
Total Equities	61.44	71.27
<u>Quoted Debt Securities</u>		
Australia	-	0.47
China	-	0.13
Germany	0.54	0.02
Hong Kong	0.64	1.06
India	0.20	-
Indonesia	0.99	1.83
Pakistan	0.22	0.15
Phillipines	0.07	0.10
Singapore	13.34	14.56
South Korea	0.27	-
Sweden	0.33	-
United Arab Emirates	0.17	0.24
United Kingdom	0.37	0.23
United States	2.49	0.19
Total Debt Securities	19.63	18.98

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Portfolio Statements *(continued)*

As at 31 December 2007

By Geography (Summary)

Others

China
India
Malaysia
Singapore

Total Others

Portfolio of investments

Other net assets

Net assets attributable to unitholders

Acorns of Asia Balanced Fund (continued)	
Percentage of total net assets attributable to unitholders at 31 Dec 2007 %	Percentage of total net assets attributable to unitholders at 31 Dec 2006 %
0.03	0.04
0.02	-
0.03	-
4.42	5.47
4.50	5.51
85.57	95.76
14.43	4.24
100.00	100.00

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Portfolio Statements *(continued)*

As at 31 December 2007

	Acorns of Asia Balanced Fund (continued)		
	Fair value at 31 Dec 2007 S\$	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %	Percentage of total net assets attributable to unitholders at 31 Dec 2006 %
By Industry (Secondary)			
Quoted Equities			
Agribusiness	23,274,599	1.53	1.64
Auto	32,355,824	2.13	1.87
Chemicals	50,702,149	3.34	0.05
Coal	33,624,832	2.21	-
Conglomerates	5,319,013	0.35	2.18
Construction Material	12,298,438	0.81	1.39
Consumer Product	32,244,578	2.12	3.18
Electrical – Other	-	-	0.40
Electric Power	12,141,281	0.80	-
Electronics	247,150,142	16.26	18.00
Energy	-	-	2.54
Engineering & Construction	71,503,470	4.70	7.36
Finance	45,549,374	3.00	3.25
Food	12,676,609	0.83	-
Hotel	14,728,353	0.97	0.40
Industrial Others	22,868,400	1.50	-
Infrastructure	10,256,673	0.67	0.03
Machinery	16,605,583	1.09	3.10
Manufacturing	2,875,264	0.19	-
Metals	-	-	1.26
Mining	6,047,136	0.40	-
Oil & Gas Services	62,928,958	4.14	9.21
Paper	23,513,463	1.55	1.51
Pharmaceutical	16,285,797	1.07	-
Property	8,037,351	0.53	0.61
Real Estate	23,601,933	1.55	2.67
Refining	15,844,100	1.04	-
Retail	7,946,001	0.52	1.08
Shipbuilding	55,617,019	3.66	4.13
Steel Manufacturing	23,680,331	1.56	2.81
Textiles & Apparel	6,234,346	0.41	1.17
Transportation	17,751,735	1.17	0.75
Utilities	20,398,920	1.34	0.68
Total Equities	934,061,672	61.44	71.27

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Portfolio Statements *(continued)*

As at 31 December 2007

Acorns of Asia Balanced Fund (continued)			
Fair value at 31 Dec 2007 S\$	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %	Percentage of total net assets attributable to unitholders at 31 Dec 2006 %	
By Industry (Secondary)			
Quoted Debt Securities			
Airlines	2,531,681	0.17	0.24
Banks	79,795,089	5.25	4.60
Electric Power & Gas	9,672,532	0.64	0.16
Finance	37,804,976	2.49	0.66
Government	77,300,259	5.08	6.71
Hotels	3,067,097	0.20	-
Industrial Others	10,133,889	0.67	0.47
Real Estate	76,989,399	5.06	5.74
Utilities	-	-	0.29
Telecommunications	1,114,301	0.07	0.11
Total Debt Securities	298,409,223	19.63	18.98
Others			
Banks	10,900,000	0.71	1.01
Infrastructure	536,500	0.03	-
Real Estate	54,666,045	3.60	4.50
Shipping	2,380,000	0.16	-
Total Others	68,482,545	4.50	5.51
Portfolio of investments	1,300,953,440	85.57	95.76
Other net assets	219,312,395	14.43	4.24
Net assets attributable to unitholders	1,520,265,835	100.00	100.00

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Portfolio Statements *(continued)*

As at 31 December 2007

Singapore Bond Fund			
Holdings as at 31 Dec 2007	Fair value at 31 Dec 2007 S\$	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %	
By Geography (Primary)			
Quoted Debt Securities			
Germany			
Deutsche Bank 3.25% 10 Oct 2012	8,000,000	7,996,178	1.37
Total Germany		7,996,178	1.37
Hong Kong			
Cathay Pacific 3.0575 23 Feb 2010	24,000,000	2,418,695	0.42
Cathay Pacific 3.82% 09 Nov 2011	5,000,000	5,096,711	0.88
HK Land Treasury 3.01% 04 Oct 2010	9,000,000	9,015,655	1.54
HK Land Treasury 3.65% 05 Oct 2015	10,000,000	9,795,000	1.68
Total Hong Kong		26,326,061	4.52
India			
Bank of Baroda 6.625% 25 May 2022	2,000,000	2,526,412	0.43
ICICI Bank Ltd 3.3% 03 May 2012	7,000,000	6,411,607	1.11
Total India		8,938,019	1.54
Indonesia			
Majapahit Holding 7.25% 17 Oct 2011	600,000	869,850	0.15
PT Bank Lippo 22 Nov 2016	1,000,000	1,420,039	0.24
PT Indosat Isatij 7.125% 22 Jun 2012	514,000	742,867	0.13
Rep of Indonesia 6.875% 09 Mar 2017	1,000,000	1,520,187	0.26
Rep of Indonesia 7.25% 20 Apr 2015	800,000	1,232,422	0.21
Rep of Indonesia 7.5% 15 Jan 2016	2,000,000	3,204,050	0.55
Total Indonesia		8,989,415	1.54
Japan			
Mizuho Finance 8.375% 29 Dec 2049	2,000,000	2,965,038	0.51
Total Japan		2,965,038	0.51
Pakistan			
Republic of Pakistan 6.875% 01 Jun 2017	2,500,000	3,245,518	0.56
Republic of Pakistan 7.125% 31 Mar 2016	500,000	693,866	0.12
Total Pakistan		3,939,384	0.68

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Portfolio Statements *(continued)*

As at 31 December 2007

Singapore Bond Fund (continued)		
Holdings as at 31 Dec 2007	Fair value at 31 Dec 2007 S\$	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %
By Geography (Primary)		
Quoted Debt Securities		
Philippines		
National Power Corp 6.875% 02 Nov 2016	1,300,000	0.33
Total Philippines	1,903,596	0.33
Singapore		
Ascott Capital 3.085% 27 Apr 2010	8,000,000	1.38
Capitaland Commercial 4.4% 03 Mar 2011	1,750,000	0.31
Capitaland Commercial 3.98% 07 May 2010	1,000,000	0.17
Capitaland Treasury 4.08% 15 Mar 2011	5,000,000	0.89
Capitaland Treasury 4.35% 31 Oct 2019	15,000,000	2.56
DBS Bank 4.47% 15 Jul 2021	16,000,000	2.76
Fraser & Neave Ltd 3.065% 10 Sep 2008	6,000,000	1.04
Fraser & Neave Ltd 3.41% 12 Aug 2010	5,000,000	0.87
Hotel Properties 3.42% 06 Jul 2010	5,000,000	0.88
HSBC Singapore 3.18% 24 Nov 2008	15,000,000	2.59
HSBC Singapore 3.36% 22 Nov 2010	5,000,000	0.87
OCBC 3.78% 28 Nov 2017	20,000,000	3.46
Power Seraya Ltd 3.97% 30 Sep 2010	3,000,000	0.53
Public Utilities 3.095% 08 Oct 2014	6,000,000	1.03
Queensley Holdings Ltd 4.5% 05 Dec 2009	13,000,000	2.24
Sengkang Mall Ltd 4.88% 20 Nov 2012	2,400,000	0.41
Senoko Power Ltd 4.51% 14 Oct 2013	2,000,000	0.36
Singapore Govt Bond 2.25% 01 Jul 2013	10,000,000	1.73
Singapore Govt Bond 2.5% 01 Oct 2012	10,000,000	1.74
Singapore Govt Bond 3.25% 01 Sep 2020	4,165,000	0.74
Singapore Govt Bond 3.5% 01 Jul 2012	5,000,000	0.92
Singapore Govt Bond 3.625% 01 Jul 2014	12,000,000	2.23
Singapore Govt Bond 3.75% 01 Sep 2016	10,000,000	1.88
Singapore Govt Bond 4.375% 15 Jan 2009	3,000,000	0.54

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Portfolio Statements *(continued)*

As at 31 December 2007

Singapore Bond Fund (continued)		
Holdings as at 31 Dec 2007	Fair value at 31 Dec 2007 S\$	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %
By Geography (Primary)		
Quoted Debt Securities		
Singapore (continued)		
SP Power Assets 4.84% 22 Oct 2018	1,750,000	0.34
SPARC II Ltd 5% 07 Sep 2011	1,000,000	0.19
Standard Chartered Bank 2.35% 07 Feb 2008	1,000,000	0.17
Tuas Power Ltd 4.5% 28 May 2009	500,000	0.09
UOB Ltd 4.1% 03 Sep 2019	8,000,000	1.41
UOL Ltd 3.34% 15 May 2012	9,000,000	1.53
Wing Tai Holdings 4.98% 25 Apr 2011	7,500,000	1.33
Total Singapore	216,425,979	37.19
South Korea		
Export – Import Bank Korea 3.1% 10 Sep 2008	6,000,000	1.04
Total South Korea	6,069,554	1.04
Sweden		
Swedbank 3.445% 28 Feb 2008	10,500,000	1.83
Total Sweden	10,622,828	1.83
United Kingdom		
Standard Chartered 6.409% 31 Dec 2049	2,900,000	0.66
Standard Chartered 7.014% 30 Dec 2049	5,000,000	1.21
Total United Kingdom	10,891,754	1.87

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Portfolio Statements *(continued)*

As at 31 December 2007

Singapore Bond Fund (continued)		
Holdings as at 31 Dec 2007	Fair value at 31 Dec 2007 S\$	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %
By Geography (Primary)		
Quoted Debt Securities		
United States		
Citigroup Inc 4.05% 22 Jun 2016	10,000,000	1.79
Fannie Mae 2.29% 19 Feb 2009	7,500,000	1.29
General Electric Cap Corp 2.725% 10 Nov 2008	2,000,000	0.35
General Electric Cap Corp 3.65% 06 Apr 2009	13,000,000	2.28
Household Fin Corp 3% 12 May 2009	5,000,000	0.86
Household Fin Corp 4.07% 24 Feb 2014	4,500,000	0.77
Lehman Brothers Hldg 6.2% 26 Sep 2014	1,000,000	0.25
Lehman Brothers Treasury 4.35% 08 Aug 2016	10,000,000	1.62
Morgan Stanley 3.585% 23 Oct 2012	6,250,000	1.07
Morgan Stanley 4% 23 Oct 2017	18,750,000	3.07
Total United States	77,717,326	13.35
Total Debt Securities	382,785,132	65.77

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Portfolio Statements *(continued)*

As at 31 December 2007

Singapore Bond Fund (continued)			
Holdings as at 31 Dec 2007	Fair value at 31 Dec 2007 S\$	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %	
By Geography (Primary)			
Others			
China			
Capitaretail China Trust	370,000	784,400	0.13
Total China		784,400	0.13
India			
Ascendas India Trust	450,000	576,000	0.10
Total India		576,000	0.10
Malaysia			
Amanah Raya Reit	1,200,000	498,258	0.09
Total Malaysia		498,258	0.09
Singapore			
Ascendas Real Estate Investment Trust	6,676,000	16,422,960	2.82
Ascott Residence Trust	978,000	1,388,760	0.24
Capitacommercial Trust	550,000	1,336,500	0.23
Capitamall Trust	5,895,000	20,337,750	3.49
CDL Hospitality Trust	1,150,000	2,702,500	0.46
Cityspring Infrastructure Trust	650,000	601,250	0.10
DBS Group Hldgs 6% Non Cum Pref Shs	106,850	11,646,650	2.00
First Ship Lease Trust	6,000,000	7,140,000	1.23
Frasers Centrepoint Trust	5,000,000	6,950,000	1.20
Macquarie Prime Reit	5,500,000	6,050,000	1.04
Total Singapore		74,576,370	12.81
Total Others		76,435,028	13.13
Portfolio of investments		459,220,160	78.90
Other net assets		122,771,055	21.10
Net assets attributable to unitholders		581,991,215	100.00

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Portfolio Statements *(continued)*

As at 31 December 2007

	Singapore Bond Fund (continued)	
	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %	Percentage of total net assets attributable to unitholders at 31 Dec 2006 %
<u>By Geography (Summary)</u>		
<u>Quoted Debt Securities</u>		
Australia	-	0.12
China	-	0.34
Germany	1.37	3.57
Hong Kong	4.52	5.43
India	1.54	-
Indonesia	1.54	2.86
Japan	0.51	0.80
Pakistan	0.68	0.19
Philippines	0.33	0.50
Singapore	37.19	47.81
South Korea	1.04	2.45
Sweden	1.83	1.94
United Kingdom	1.87	1.07
United States	13.35	11.07
Total Debt Securities	65.77	78.15
<u>Others</u>		
China	0.13	0.19
India	0.10	-
Malaysia	0.09	-
Singapore	12.81	13.80
Total Others	13.13	13.99
Portfolio of investments	78.90	92.14
Other net assets	21.10	7.86
Net assets attributable to unitholders	100.00	100.00

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Portfolio Statements *(continued)*

As at 31 December 2007

	Singapore Bond Fund (continued)		
	Fair value at 31 Dec 2007 S\$	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %	Percentage of total net assets attributable to unitholders at 31 Dec 2006 %
By Industry (Secondary)			
Quoted Debt Securities			
Airlines	7,515,406	1.29	1.22
Banks	125,928,159	21.64	21.21
Electric Power & Gas	16,435,681	2.82	0.73
Finance	59,801,923	10.28	10.26
Government	66,820,301	11.48	25.33
Government Agency	7,512,278	1.29	-
Industrial Others	11,143,794	1.91	3.21
Real Estate	86,884,723	14.93	14.15
Telecommunications	742,867	0.13	0.19
Utilities	-	-	1.85
Total Debt Securities	382,785,132	65.77	78.15
Others			
Banks	11,646,650	2.00	2.78
Hotel	2,702,500	0.46	-
Infrastructure	601,250	0.10	-
Real Estate	54,344,628	9.34	11.21
Shipping	7,140,000	1.23	-
Total Others	76,435,028	13.13	13.99
Portfolio of investments	459,220,160	78.90	92.14
Other net assets	122,771,055	21.10	7.86
Net assets attributable to unitholders	581,991,215	100.00	100.00

The accompanying notes form an integral part of these financial statements.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Notes to the Financial Statements

For the financial year ended 31 December 2007

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General

AIG International Funds is a Singapore umbrella fund constituted under a Trust Deed dated 15 February 1999 (and the "Supplemental Deeds") between AIG Global Investment Corporation (Singapore) Ltd (the "Manager") and Citicorp Trustee (Singapore) Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore.

These financial statements cover the following sub-funds under AIG International Funds:

- Acorns of Asia Balanced Fund
- Singapore Bond Fund

The sub-funds are unit trusts included under the Central Provident Fund Investment Scheme ("CPFIS").

The registered office of the Manager and the Trustee are 1 Robinson Road, #13-00, AIA Tower, Singapore 048542; and 3 Temasek Avenue, #12-00 Centennial Tower, Singapore 039190 respectively.

The financial statements of AIG International Funds are presented in Singapore Dollar.

2 Significant accounting policies

(a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of quoted investments and financial derivatives at fair value, and in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP7") issued by the Institute of Certified Public Accountants of Singapore ("ICPAS").

(b) Investment income recognition

Dividend income from investments is recognised when the right to receive payment is established.

Interest income arising from fixed deposits and debt securities is recognised in the Statement of Total Return on a time-proportion basis using the effective interest method.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2007

2 Significant accounting policies (continued)

(c) Charging of operating expenses against the value of the sub-funds

All direct operating expenses are attributable to the sub-funds and charged to the Statements of Total Return for each sub-fund. Certain shared expenses are allocated to each sub-fund based on the respective sub-fund's net asset values. From time to time, the Manager may at its own discretion, choose to absorb certain expenses of the sub-funds.

(d) Investments

The sub-funds' portfolio of investments comprise investments in debt securities and equities which are recognised at fair value. These investments are designated by the Manager as investments at fair value through profit and loss with realised and unrealised gains and losses from changes in fair values of investments included in the Statement of Total Return.

(e) Fair value

Fair values of investments are based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price. Accrued interest or discount and premium on debt securities at the balance sheet date are incorporated in the fair value of the debt securities. The carrying amount of current receivables (including cash and bank balances) and payables approximate their fair values.

(f) Foreign currency translation

Foreign currency monetary assets and liabilities are converted to Singapore dollars at rates of exchange prevailing at the date of the balance sheet. Transactions in foreign currencies during the year are converted into Singapore dollars for the respective sub-funds at the rates of exchange prevailing on the transaction dates. Differences on exchange are included in the respective Statements of Total Return.

Amounts receivable and payable denominated in foreign currencies are translated into Singapore dollars at exchange rates prevailing at the balance sheet date. All translation gains or losses are recognised in the Statements of Total Return.

(g) Derivative financial instruments

Derivatives including forwards and swaps are entered into for the purposes of efficient portfolio management, tactical asset allocation or specific hedging of financial assets held as determined by the Manager and in accordance with the provisions of the Trust Deed.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2007

2 Significant accounting policies (continued)

(g) Derivative financial instruments (continued)

Derivatives are recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair values. Fair values are obtained from quoted market prices in active markets, including forward rates, recent market transactions and valuation techniques, as appropriate. All derivatives are carried as assets when fair value is positive, and as liabilities when fair value is negative. Subsequent changes in the fair value of any derivative instrument are recognised immediately in the Statements of Total Return.

3. Tax

The Fund is a unit trust under the Central Provident Fund Investment Scheme. Accordingly, the Fund is accorded the following Singapore income tax treatment:

(a) General

No tax is withheld from distributions made by the Fund.

(b) Tax of the Fund

The following types of income/gains earned by the Fund are exempt from Singapore income tax in accordance with Section 35(12) of the Income Tax Act:

- interest (other than interest for which has been deducted under Section 45 of the Singapore Income Tax Act);
- distribution from foreign unit trusts and dividends derived from outside Singapore and received in Singapore; and
- gains or profits derived from Singapore or elsewhere from the disposal of securities and transactions in foreign exchange, forwards, swaps and options relating to securities, financial indices, interest rates and currencies.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2007

3. Tax (continued)

(b) Tax of the Fund (continued)

	Acorns of Asia Balanced Fund		Singapore Bond Fund	
	2007 S\$	2006 S\$	2007 S\$	2006 S\$
Singapore income tax	582,346	537,464	559,642	413,711
Overseas income tax	2,798,732	2,033,872	7,190	-
Total income tax	3,381,078	2,571,336	566,832	413,711

4. Receivables

	Acorns of Asia Balanced Fund	
	2007 S\$	2006 S\$
Amounts receivable for creation of units	9,342,241	1,694,265
Accrued interest receivables	72,926	4,610
Other receivables	130,494	151,032
	9,545,661	1,849,907

	Singapore Bond Fund	
	2007 S\$	2006 S\$
Amounts receivable for creation of units	3,961,957	693,220
Accrued interest receivables	35,949	17,190
Other receivables	10,721	-
	4,008,627	710,410

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2007

5. Payables

	Acorns of Asia Balanced Fund	
	2007	2006
	S\$	S\$
Payable to unitholders for cancellation of units	9,012,247	1,565,255
Accrued expenses	2,062,197	1,483,968
Purchase awaiting settlement	-	466,432
	11,074,444	3,515,655

	Singapore Bond Fund	
	2007	2006
	S\$	S\$
Payable to unitholders for cancellation of units	4,999,970	292,651
Accrued expenses	542,149	393,092
	5,542,120	658,743

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2007

6. Financial derivatives, at fair value

- (a) Financial derivative contracts comprise forward foreign exchange contracts. The contracted or underlying principal amounts of these financial derivatives and their corresponding gross fair values at the balance sheet date are analysed below.

	Contractual or underlying principal amount S\$	Fair value gains S\$	Fair value losses S\$
2007			
Acorns of Asia Balanced Fund [see (b) below]	25,012,800	49,786	-
Singapore Bond Fund [see (b) below]	31,680,000	63,057	-
2006			
Acorns of Asia Balanced Fund [see (b) below]	23,899,854	69,912	-
Singapore Bond Fund [see (b) below]	22,993,621	67,261	-

- (b) The forward foreign exchange contracts were entered into with AIG International Inc., a related company of the Manager.

7. Net assets attributable to unitholders

	Acorns of Asia Balanced Fund	
	2007 S\$	2006 S\$
At the beginning of financial year	1,062,405,794	925,981,572
Operations		
Change in net assets attributable to unitholders resulting from operations	212,583,876	105,702,111
Unitholders' contributions/(withdrawals)		
Creation of units	740,696,916	158,173,773
Cancellation of units	(495,420,751)	(127,451,662)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	245,276,165	30,722,111
Total increase in net assets attributable to unitholders	457,860,041	136,424,222
At the end of financial year	1,520,265,835	1,062,405,794
Units in issue (see note 8)	596,955,499	503,284,472
Net asset attributable to unitholders per unit	2.547	2.110

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2007

7. Net assets attributable to unitholders (continued)

Reconciliation of Net Assets Attributable to Unitholders per Unit for issuing/redeeming units at financial year end and the Net Asset Attributable to Unitholders per Unit per the financial statements:

	Acorns of Asia Balanced Fund	
	2007	2006
	S\$	S\$
Net assets attributable to unitholders per unit for issuing/redeeming units	2.558	2.120
Effect of adopting bid prices as fair value	(0.011)	(0.010)
Net assets attributable to unitholders per unit per the financial statements	2.547	2.110
	Singapore Bond Fund	
	2007	2006
	S\$	S\$
At the beginning of financial year	413,157,029	243,683,544
Operations		
Change in net assets attributable to unitholders resulting from operations	7,765,520	24,671,586
Unitholders' contributions/(withdrawals)		
Creation of units	304,701,348	182,420,587
Cancellation of units	(143,632,682)	(37,618,688)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	161,068,666	144,801,899
Total increase in net assets attributable to unitholders	168,834,186	169,473,485
At the end of financial year	581,991,215	413,157,029
Units in issue (see note 8)	433,389,198	314,358,208
Net asset attributable to unitholders per unit	1.343	1.310

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2007

7. Net assets attributable to unitholders (continued)

Reconciliation of Net Assets Attributable to Unitholders per Unit for issuing/redeeming units at financial year end and the Net Asset Attributable to Unitholders per Unit per the financial statements:

	Singapore Bond Fund	
	2007	2006
	S\$	S\$
Net assets attributable to unitholders per unit for issuing/redeeming units	1.347	1.320
Effect of adopting bid prices as fair value	(0.004)	(0.010)
Net assets attributable to unitholders per unit per the financial statements	1.343	1.310

8. Units in issue

	Acorns of Asia Balanced Fund	
	2007	2006
Units at beginning of year	503,284,472	486,970,797
Units created	291,499,511	81,433,154
Units cancelled	(197,828,484)	(65,119,479)
Units at end of year	596,955,499	503,284,472

	Singapore Bond Fund	
	2007	2006
Units at beginning of year	314,358,208	198,602,164
Units created	225,342,659	145,760,393
Units cancelled	(106,311,668)	(30,004,349)
Units at end of year	433,389,198	314,358,208

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2007

9. Related party disclosures

(a) As at 31 December 2007, the Manager and Trustee of AIG International Funds are AIG Global Investment Corporation (Singapore) Limited, a member of American International Group, Inc.; and Citicorp Trustee (Singapore) Limited, a member of Citigroup, respectively. Management fees and trustee fees paid or payable by the respective sub-funds to the Manager and Trustee are shown in the Statement of Total Return and are on terms set out in the Trust Deed. All other related party transactions are disclosed elsewhere in the financial statements.

(b) As at 31 December 2007 and during the financial year then ended, the following significant transactions took place between the sub-funds and related parties at terms agreed between the parties and within the provisions of the Trust Deed:

(i)

	Acorns of Asia Balanced Fund	
	2007	2006
	S\$	S\$
Income derived/(expenses incurred) for the financial year		
- Current account	99,433	66,126
- Bank charges	(5,893)	(9,899)

	Singapore Bond Fund	
	2007	2006
	S\$	S\$
Income derived/(expenses incurred) for the financial year		
- Current account	2,901	2,925
- Bank charges	(10,368)	(4,862)

(ii) As at the end of the financial year, the sub-funds maintained current accounts with Citibank N.A. as follows:

	Acorns of Asia Balanced Fund	
	2007	2006
	S\$	S\$
Balance at end of the financial year		
- Current account	11,152,170	32,566,567

	Singapore Bond Fund	
	2007	2006
	S\$	S\$
Balance at end of the financial year		
- Current account	3,162,002	203,013

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2007

9. Related party disclosures (continued)

- (c) On 7 March 2007, the sub-funds purchased units in Macquarie MEAG Prime ("MMP") REIT from a related party, Nanshan Life Insurance Company, which is approximately 95% ultimately owned by American International Group, Inc. The number of units purchased were as follows:

	Number of units of MMP purchased	Price per unit S\$	Total amount paid S\$
Acorns of Asia Balanced Fund	3,500,000	0.9741	3,410,461
Singapore Bond Fund	5,500,000	0.9741	5,358,954

The quoted price of the MMP REIT as of 7 March 2007 was S\$1.10 per unit.

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2007

10. Financial risk management

Risk Management Objectives and Policies

The main risks arising from financial instruments directly held by the sub-funds are foreign currency, interest rate, liquidity and credit risks.

(a) *Foreign currency risk:*

Acorns of Asia Balanced Fund:

A substantial proportion of the sub-fund's assets are held in currencies other than Singapore dollars with the result that the Statements of Total Return and Balance Sheets can be significantly affected by currency movements.

The following sets out the sub-fund's total exposure to foreign currency risk at 31 December 2007:

	Gross \$	Hedges \$	Net \$
Currency			
HKD	257,135,486	-	257,135,486
IDR	96,336,697	-	96,336,697
KRW	270,707,215	-	270,707,215
MYR	32,252,220	-	32,252,220
PHP	56,891,638	-	56,891,638
THB	16,243,204	-	16,243,204
TWD	180,905,758	-	180,905,758
USD	28,532,883	(25,020,891)	3,511,992
	<u>939,005,101</u>	<u>(25,020,891)</u>	<u>913,984,210</u>

Singapore Bond Fund:

Most of the sub-fund's assets are held in Singapore dollars. The following sets out the sub-fund's total exposure to foreign currency risk at 31 December 2007.

	Gross \$	Hedges \$	Net \$
Currency			
MYR	508,979	-	508,979
USD	34,459,795	(31,690,247)	2,769,548
	<u>34,968,774</u>	<u>(31,690,247)</u>	<u>3,278,527</u>

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2007

10. Financial risk management (continued)

(b) *Interest rate risk*

The weighted effective interest rate of interest-bearing debt instruments held by the sub-funds are as follows:

	Acorns of Asia Balanced Fund	Singapore Bond Fund
	%	%
Currency		
SGD	3.56	3.52
USD	7.10	7.34

The weighted average maturity period of the debt instruments held by the sub-funds are as follows:

	Acorns of Asia Balanced Fund	Singapore Bond Fund
	Years	Years
Currency		
SGD	6.39	5.61
USD	14.55	22.63

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2007

10. Financial risk management (continued)

(b) *Interest rate risk (continued)*

The tables below summarise the repricing profile of the fund's assets and liabilities based on the earlier of the next contractual interest repricing date and the maturity dates.

Acorns of Asia Balanced Fund:

	Up to 1 year S\$	1 to 5 years S\$	Over 5 years S\$	Non-interest bearing S\$	Total S\$
2007					
Assets					
Investments	18,182,399	114,742,627	165,484,197	1,002,544,217	1,300,953,400
Receivables	-	-	-	9,545,661	9,545,661
Cash and bank balances	11,152,170	-	-	-	11,152,170
Fixed deposits with financial institutions	209,639,222	-	-	-	209,639,222
Fair value on financial derivatives	-	-	-	49,786	49,786
Total assets	238,973,791	114,742,627	165,484,197	1,012,139,664	1,531,340,279
Liabilities					
Payables	-	-	-	11,074,444	11,074,444
Net assets attributable to unitholders	-	-	-	1,520,265,835	1,520,265,835
Total liabilities	-	-	-	1,531,340,279	1,531,340,279
2006					
Assets					
Investments	10,479,108	69,621,620	121,567,969	815,699,598	1,017,368,295
Receivables	-	-	-	1,849,907	1,849,907
Cash and bank balances	32,566,567	-	-	-	32,566,567
Fixed deposits with financial institutions	14,066,768	-	-	-	14,066,768
Fair value on financial derivatives	-	-	-	69,912	69,912
Total assets	57,112,443	69,621,620	121,567,969	817,619,417	1,065,921,449
Liabilities					
Payables	-	-	-	3,515,655	3,515,655
Net assets attributable to unitholders	-	-	-	1,062,405,794	1,062,405,794
Total liabilities	-	-	-	1,065,921,449	1,065,921,449

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2007

10. Financial risk management (continued)

(b) *Interest rate risk (continued)*

Singapore Bond Fund:

	Up to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
	S\$	S\$	S\$	S\$	S\$
2007					
Assets					
Investments	37,866,399	166,331,700	178,587,033	76,435,028	459,220,160
Receivables	-	-	-	4,008,627	4,008,627
Cash and bank balances	3,162,002	-	-	-	3,162,002
Fixed deposits with financial institutions	121,079,489	-	-	-	121,079,489
Fair value on financial derivatives	-	-	-	63,057	63,057
Total assets	162,107,890	166,331,700	178,587,033	80,506,712	587,533,335
Liabilities					
Payables	-	-	-	5,542,120	5,542,120
Net assets attributable to unitholders	-	-	-	581,991,215	581,991,215
Total liabilities	-	-	-	587,533,335	587,533,335
2006					
Assets					
Investments	104,818,643	90,834,530	127,229,498	57,819,520	380,702,191
Receivables	-	-	-	710,410	710,410
Cash and bank balances	203,013	-	-	-	203,013
Fixed deposits with financial institutions	32,159,897	-	-	-	32,159,897
Fair value on financial derivatives	-	-	-	67,261	67,261
Total assets	137,181,553	90,834,530	127,229,498	58,597,191	413,842,772
Liabilities					
Payables	-	-	-	685,743	685,743
Net assets attributable to unitholders	-	-	-	413,157,029	413,157,029
Total liabilities	-	-	-	413,842,772	413,842,772

AIG INTERNATIONAL FUNDS

(Constituted under a Trust Deed in the Republic of Singapore)

Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2007

10. Financial risk management (continued)

(c) *Liquidity risk*

The sub-funds' assets comprise mainly readily realisable securities. The main liability of the sub-funds is the redemption of any units that investors wish to sell.

(d) *Credit risk*

Each sub-fund will be exposed to credit risks on parties with whom it trades and will also bear the risks of settlement default. The sub-fund minimises the concentration of credit risk by undertaking transactions with numerous brokers and counterparties on recognised and reputable exchanges.

11. Financial ratios

	Acorns of Asia Balanced Fund	
	2007	2006
	%	%
Expense ratio ¹	1.71	1.76
Portfolio turnover ratio ²	51.67	59.32

	Singapore Bond Fund	
	2007	2006
	%	%
Expense ratio ¹	1.11	1.17
Portfolio turnover ratio ²	51.01	28.99

¹ Expense ratio as at 31 December 2007 is calculated in accordance with IMAS Guidelines on disclosure of expense ratios issued on 25 May 2005.

The expense ratio does not include (where applicable) brokerage and other transaction costs, performance fee, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fees.

² Portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes.

Important Notice:

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