

# AIG International Funds

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ANNUAL REPORT  
&  
FINANCIAL STATEMENTS  
(For the year ended 31 December 2009)





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- *Please note that all figures shown in this report are as of 31 December 2009 unless otherwise stated.*

# AIG International Funds – Singapore Bond Fund

## Fund Manager's Review

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### Portfolio Performance

For 2009, the AIG International Funds - Singapore Bond Fund (the "Fund") returned 13.14% (before upfront sales charge) and 9.85% (net of upfront sales charge), while its benchmark, the JP Morgan Singapore Government Bond Index (All Sectors) returned 0.33% as of 31 December 2009.

### Market Review

The beginning of 2009 saw a continuation of the plunge in asset prices as economic data released out of the U.S. renewed concerns over the health of the U.S. financial system and the bleak economic outlook. The U.S. equity markets plunged to 12-year lows in March, while corporate credit spreads widened sharply. However, the pessimism was short-lived. Better-than-expected profits by major U.S. banks, coupled with initiatives undertaken by the U.S. Treasury to unfreeze the financial system, including the purchase of illiquid assets from banks, and the positive results of the U.S. Federal Reserve's stress test of the strength of financial institutions, boosted optimism that the worst of the banking crisis may be over. Market sentiments improved further in the second half of the year as the global economy worked its way out of the worst recession since the Great Depression, as the massive injection of easy monetary policies and fiscal stimulus by the various governments started to feed into the economy. Industrial production rebounded from their lows as businesses restocked inventories, which were depleted as a result of a virtual standstill in production in the face of uncertainties faced in late 2008 and early 2009. The emerging market countries led the way, with China, India and Brazil registering strong growth, while the developed nations, including U.S., Europe and Japan, followed behind at a more gradual pace of growth. With the growing

evidence that the global economy is healing, the financial markets registered strong gains for 2009. Equities across the globe ended the year very positively. In the U.S., the S&P 500 equities index was up 27% from end-2008 and 65% from the March 2009 low. Corporate credit spreads also tightened as financial conditions improved and fears of corporate defaults receded. As for U.S. Treasuries ("UST"), the combination of a receding risk aversion which had diminished demand for the safety of UST, and concerns over the large supply of UST required to fund the record U.S. budget deficit pressured interest rates higher in the U.S. The 10-year UST Note ended the year at 3.85%, 160 basis points higher than the 2008 year end close of 2.25%.

With the collapse in global demand in the latter half of 2008, Singapore's export-dependent economy weakened sharply, turning in a quarter-on-quarter contraction of 16.4% and 12.2% for 4Q08 and 1Q09 respectively. However, by the second quarter, the improving external demand and the easing of credit conditions helped lift Singapore out of technical recession with double-digit quarter-on-quarter growth in 2Q09 and 3Q09. This was followed by a milder 4Q09 given the unsustainable growth of the previous two quarters. With the bounce back, the Singapore economy ended 2009 with a 2% contraction. Hence, 2009 turned out much better than expected given that at the beginning of the year, the official expectations was for a massive contraction of between 6 to 9%.

Interest rates in Singapore were generally influenced by the direction of the U.S. interest rates in 2009. The rapid deterioration of the global and the Singapore economy at the beginning of the year saw investors gravitate towards the safety of the U.S. Treasuries ("UST"), and the 10-year Singapore Government Securities ("SGS") followed suit, falling to the year's low of 1.72% in January. However, by June, as risk aversion receded and as concerns over the record U.S. budget deficit put upward pressure on U.S. yields, the 10-year SGS rose in tandem, to the

# AIG International Funds - Singapore Bond Fund *(continued)*

year's high of 2.92%. The 10-year SGS ended the year at 2.66%, an increase of 61 basis points from last year's close of 2.05%, outperforming the 10-year UST, which rose 160 basis points over the same period.

## Portfolio Overview

The year began with credit spreads at elevated levels in the wake of the financial turmoil which followed Lehman Brothers' demise. However, as the global economy improved through fiscal and monetary measures, and as financial liquidity strains started to ease through coordinated government initiatives, which amongst other measures, included the guaranteeing of deposits and bond issuance, the credit market recovered in line with the other asset classes, with credit spreads compressing markedly during the year. This attributed positively to the Fund's performance, whose portfolio comprised primarily corporate debt securities. Also benefiting the Fund was the rebound in confidence of the real estate sector. Not only did the revival of the sector benefit the Fund's holdings of real estate company's debt securities but also lifted the Real Estate Investment Trust ("REITs") holdings. The REITs holding rose in line with the FTSE StraitTimes REIT Index, which ended the year 56% higher. The positive credit spread movement and the strong performance of the REITs holdings thus provided a more than adequate offset to the unfavourable interest rates movement. The Fund's relatively short duration to the benchmark also cushioned it somewhat from interest rates moving higher during the year.

## Outlook

Despite the encouraging signs emanating from the developed economies of U.S. and Europe, the forecast is still for a tentative recovery. Unemployment continued to remain elevated, and this in turn will affect consumer confidence and spending. Given the massive fiscal stimulus that is currently working its

way through the global economy, the growth that started in the second half of 2009 should extend to the first half of 2010. However, as many of the growth stimulants fade, and unless there is sufficient private demand to replace government spending, the growth may not be sustainable into the second half of 2010. Central banks are well aware of the danger of withdrawing the extensive government stimulus prematurely. Consequently, this will cap the rise in interest rates including that of the U.S. In Asia, including Singapore, growth will be bolstered by China and India, whose growth is now back to pre crisis levels. In addition, the opening of the two Integrated Resorts should provide an additional boost to the Singapore economy. The better economic fundamentals will pressure SGD yields higher. However, flushed liquidity in banking system, relatively benign core inflation expectations, an appreciating SGD which attracts foreign capital flows and the uncertainty of the external environment, which Singapore's open economy is highly sensitive to, will moderate any SGD yield increase. As for credit spreads, compression in the magnitude as seen last year is unlikely and instead a more moderate pace of spread tightening is anticipated. Given this backdrop, the Fund will continue to invest in good quality corporate debt securities at a good spread, which should tighten in as the economy improves further.

## 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)*

## By Credit Rating

Credit Rating* (By Moody's)	Fair Value (S\$'000)	% of Fixed Income Instruments
Aaa	36,232	6.22
Aa1	8,118	1.39
Aa2	48,613	8.32
Aa3	1,867	0.32
A2	23,868	4.09
A3	57,141	9.80
Baa1	8,995	1.54
Baa2	16,360	2.80
Baa3	2,682	0.46
NR	177,597	30.48

Source: PineBridge Investments Singapore Limited.

\*Moody's ratings or their equivalent, S & P rating where security is not rated by Moody's but rated by S & P.

## Top 10 Holdings (as at 31 December 2008)

	Fair Value (S\$'000)	%
Standard Chartered 5.25% 10 Apr 2023	43,001	8.40
Singapore Govt Securities 4% 01 Sep 2018	36,812	7.19
DBS Cap Funding 5.75% 29 May 2049	36,792	7.19
OCBC 3.78% 28 Nov 2017	19,146	3.74
OCBC Capital Corp 5.1% 29 Aug 2049	18,354	3.58
DBS Bank 4.47% 15 Jul 2021	14,683	2.87
Singapore Govt Securities 3.625% 01 Jul 2014	13,534	2.64
General Elec Cap Corp 3.65% 06 Apr 2009	13,168	2.57
Queensley Hldgs Ltd 4.5% 05 Dec 2009	13,151	2.57
Morgan Stanley 4% 23 Oct 2017	13,081	2.55

Source: PineBridge Investments Singapore Limited.

## Exposure to derivatives

	S\$	%
Fair value of derivative contracts	(20,334.57)	-
Net gain/(loss) on derivative contracts realised for the period 1 January 2009 to 31 December 2009	1,096,328.02	N/A
Net gain/(loss) on outstanding contracts marked to market	(20,334.57)	N/A

## Top 10 Holdings (as at 31 December 2009)

	Fair Value (S\$'000)	%
Standard Chartered 5.25% 10 Apr 2023	38,165	6.55
DBS Cap Funding 5.75% 29 May 2049	38,073	6.53
Capitamall Trust	23,450	4.02
OCBC Capital Corp 5.1% 29 Aug 2049	21,155	3.63
OCBC 3.78% 28 Nov 2017	20,306	3.48
Morgan Stanley 4% 23 Oct 2017	17,579	3.01
Queensley Hldgs Ltd 4.62% 07 Dec 2012	17,094	2.93
DBS Bank 4.47% 15 Jul 2021	15,131	2.59
Capitaland Treasury Ltd 4.35% 31 Oct 2019	14,262	2.45
Singapore Govt Securities 3.625% 01 Jul 2014	13,482	2.31

Source: PineBridge Investments Singapore Limited.

# AIG 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 2009 – 31 December 2009**

Refer to “Creation of units” and “Cancellation of units” in the Notes to the Financial Statements.

## **Amount of related-party transactions**

Refer to the Notes to the Financial Statements.

## **Performance of the Fund and benchmark**

Period	Fund Performance	JP Morgan Sing Govt Bond Index
3-month	2.51%	-0.05%
6-month	8.96%	0.87%
1-year	13.14%	0.33%
3-year <sup>^</sup>	1.64%	4.40%
5-year <sup>^</sup>	3.27%	3.20%
Since Inception (26.03.02) <sup>^</sup>	4.29%	3.96%

Source: PineBridge Investments Singapore Limited & Bloomberg.

Returns in S\$, bid-to-bid basis.

<sup>^</sup>Annualised returns.

## **Expense Ratios<sup>#</sup>**

Refer to the Notes to the Financial Statements.

<sup>#</sup> 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**

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 the Fund expressed as a percentage of daily average NAV.

## **Soft Dollars**

Not applicable.

# AIG International Funds - Acorns of Asia Balanced Fund

## Fund Manager's Review

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### Overview

The year 2009 was marked by a stabilization of economies across the Asia ex Japan (AeJ) region, and a noticeable recovery in equity values. It also highlighted China's role as a key growth engine for Asia.

Overall, the region, as represented by the MSCI Far East Free ex Japan benchmark, achieved significant returns of 64.6% (in Singapore Dollar terms), ranking 2009 as one of its most bountiful since 1973. In the process, it recovered nearly twice as much as its world equivalent (MSCI World), thus resuming an outperformance trend that was disrupted in 2008.

The second-half of 2008 had been calamitous for AeJ markets. In a climate of heightened risk aversion among investors, caused by severe disruptions in the US financial system leading to a global credit crunch, the region's asset prices slumped along with world economic activity.

At the time, there were justifiable concerns that it could be several years before the global economy and financial markets could work themselves out of a deflationary spiral. Risk appetite was at an extremely low level, reflected in investors' action of abandoning most asset classes and seeking safety in government bonds of the major developed economies or holding cash.

In retrospect, Asian equities effectively bottomed in the final months of 2008, when concerted reflationary actions by world central banks and governments began via aggressive policy easing and fiscal stimulus packages. These included a spending program totaling more than US\$500 billion that China announced in early November.

Nonetheless, the region was initially still on an unsteady footing crossing into 2009. Investors

were concerned that the export reliance of most of its component economies would be a handicap under global recessionary conditions.

To some extent, this was counter-balanced by several supportive factors. The region possessed considerable macro-economic flexibility, given its significant foreign exchange reserves. Inflation had also receded as a problem. Government debt-to-GDP ratios were also lower compared to the developed economies', and gross savings levels were still the highest in the world. Moreover, domestic corporate balance sheets were also relatively lowly leveraged, and the health of the banking system was comparatively intact. Additionally, in the wake of the sharp sell-off, valuations in the AeJ region had reached troughs not seen in almost the past 20 years.

These factors were to help Asian markets when investors felt confident enough about a stabilization of the global economy to return to them during the year.

In this improved market environment, the AIG International Funds - Acorns of Asia Balanced Fund (the "Fund") gained 55.38% (net of upfront sales charges) during 2009, compared to the composite benchmark's rise of 36.07%.

The Fund maintained a preference for equities to fixed income investments throughout the year, and its performance received the strongest contributions from its exposure to Indonesia, Taiwan, China and Hong Kong.

In terms of sector allocation, the Fund's weightings in information technology, industrial, consumer discretionary, and energy stocks had a positive impact on its performance.

For the Fund's fixed income investments, the debt market recovered in line with the other asset classes, with credit spreads compressing markedly during the year. This attributed positively to the Fund's performance, whose fixed income portfolio comprised primarily

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

corporate debt securities.

Also benefiting the Fund was the rebound of confidence in the real estate sector. This segment's revival not only helped the Fund's holdings of debt securities issued by property companies, but also lifted the value of its real estate investment trust (REIT) holdings.

## **Market Review**

All markets in the region attained gains during 2009, led by Indonesia (+120.46%), Taiwan (+74.64%), Thailand (+72.06%), Singapore (+69.52%), and Korea (+66.97%).

As mentioned, the eventual strong rally masked the fact that regional stocks had actually treaded water in the early months of 2009. They were generally taking their cues from their counterparts in the US where prices were reaching 11-year lows.

Sentiment underwent a sharp turn for the better from the start of the second calendar quarter, as investors took heart from signs of a growth revival in China, as credit creation there rebounded. China's recovery was to have a salutary effect on regional economies, and with various monetary and fiscal stimuli beginning to take effect, almost all the countries in AeJ were emerging from recession by the end of August.

Further encouragement for investors came from indications that the recession in the US itself might be nearing an end. Investor confidence was also enhanced by US Treasury Secretary Timothy Geithner's plan to remove toxic assets from the balance sheets of American banks through his Public-Private Partnership Investment Program.

Indeed, risk appetite was to improve to such an extent that inflow into emerging-market equity funds, including those deployed in the Asia ex-Japan region, totaled around S\$38 billion for the second calendar quarter alone, which was a new record.

While all markets provided double-digit gains during the year, sector selection turned out to be a more critical aspect for performance relative to country selection. With investors anticipating a recovery of economies given the strong monetary and fiscal stimuli introduced, there was a clear inclination toward companies operating in the growth-oriented sectors. Thus, the consumer discretionary and information technology segments saw rises of 106.72%, and 104.7%, respectively, while the materials sector increased by 81.79%, and energy equities added on 71.7%. In contrast, the telecommunications segment, historically regarded as a mature industry, rose by only 6.54%.

The preference for Indonesia was partly due to the meaningful representation of materials and energy shares in its stock market. Additionally, backed by active participation by the local investment community, it benefited from an economy that was still registering positive real GDP growth of more than 4% for 2009, supported by the resilience of domestic demand. Investor confidence was also enhanced by a perception of improving political stability, with incumbent President Yudhoyono returned to office with a strong mandate.

In the case of Taiwan, investors were heartened by efforts to forge closer economic rapprochement with China following the installation of the new administration led by President Ma Ying Jeou. A deepening of the so-called "cross-straits" relationship was considered important for Taiwan to develop a new growth impetus in areas such as tourism. Additionally, the Taiwan market also gained from its preponderance of information technology companies, whose earnings outlook improved as global demand for items such as mobile handsets and notebook computers revived.

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

For Thailand, the appointment of Prime Minister Abhisit Vejjajiva led to optimism that a certain degree of stability could return to the country's politics to enable a refocus on economic recovery policies.

Singapore's market enjoyed a flourish in the last months of the year as more signs emerged of an economy steadily on the mend, with deflationary risks receding. For instance, the country's inflation rate for December 2009 recorded zero change from its equivalent a year ago, representing the first non-negative reading for eight months. Investors were also anticipating a meaningful recovery in Singapore's real GDP growth of at least 5% for 2010.

Investors also gravitated toward Korea on the view that its traditional mainstay export industries, such as automobile producers, civil engineering companies, and consumer electronics makers would enjoy better prospects, as they did, with economic activity picking up globally.

In terms of the fixed income segment, it too enjoyed an improvement in risk appetite. As evidence mounted that the global economy was healing, and as fears of debt defaults receded, corporate credit spreads tightened.

The receding risk aversion also led to diminished demand for the safety of US Treasuries ("UST"). Additionally, concerns over the large supply of UST required to fund the record US budget deficit exerted pressure on interest rates to edge higher in the US. This had a knock-on effect on Singapore government securities ("SGS") yields. For instance, the 10-year SGS ended 2009 at 2.66%, an increase of 61 basis points from the previous year's close of 2.05%.

## **Outlook**

Currently, given the sharp run-up in share prices in 2009, investors have become more circumspect about making further commitments to regional markets.

Overall, the backdrop for equities remains relatively supportive. For instance, GDP growth in the region should receive its impetus from the transition of inventory de-stocking to a restocking process. As it is, industrial production growth in recent months for countries such as Korea, Taiwan and Thailand has returned to positive territory on a year-on-year basis, while the pace of improvement has picked up visibly in China and India.

For 2010, the region should have the potential to attain a real GDP growth rate of around 7%, with potential positive attendant impact on corporate earnings revisions.

In addition, a notable feature of the 2009 market rally has been the general absence of an accompanying growth in leverage. The latter is usually regarded as a pre-condition for any unsustainable rise in asset prices. As it is, loan-to-deposit ratios for countries in Asia ex Japan have remained tame, and are some distance away from the levels registered during the bubble period prior to the 1997 financial crisis.

On the other hand, the swift and sharp rebound in regional equities has also meant that valuations are no longer compellingly attractive, and investors have begun to focus more on the risks and challenges for the region during 2010. They have become sensitive to anticipated changes in monetary conditions, and their impact on equity risk premia.

One particular concern is about how governments and central banks will continue to respond to further rises in domestic asset prices, and strong capital inflows that have exerted appreciation pressures on their currencies.

With the export industries still key planks in economic growth and employment strategies for most AeJ countries, a mercantilist posture of intervening to keep their currencies competitive vis-a-vis the US Dollar has remained a necessity.

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

However, doing so effectively links domestic monetary policy to its current loose US equivalent, which could risk eventual unhealthy inflation, particularly in the aspect of visible increases in real estate that could become disconnected from underlying economic fundamentals due to exceptionally low interest rates and abundant liquidity.

Some central banks have in fact already started to act via administrative measures. For example, the Hong Kong Monetary Authority recently lowered the loan-to-value ratio for residential mortgages on properties valued at about S\$3.6 million or more. Similarly, the Bank of Korea reduced its equivalent ratio for the purchase of properties in key urban areas. In China, regulations for second-time housing mortgages were tightened. The reserve requirement ratio for Chinese banks has also been increased, which typically acts to curb their lending ability.

Here in Singapore, interest-only loans have been officially barred for some housing projects, and developers have been disallowed to absorb interest payments for apartments that are still being constructed. In addition, the government is releasing more land for sale, and will step up its public-housing building program.

Outside of these moves, the financial authorities have latterly heightened the signaling of their intentions to exit from their loose monetary policy stances. This was underlined by the central bank of China engineering a rise in the yields of short-term government securities in early January.

Apart from being discomfited by “policy risks” worries as described above, investors have also been recently grappling with the prospects of a sovereign credit default. This was first spotlighted by the financial troubles at Dubai World in late November 2009, an investment company linked to the Dubai government. Currently, there are serious concerns about the debt burden of Greece that could force

it to default, carrying a potential threat for the European Union economy.

Investors have also been un-nerved by a more populist political stance adopted by US President Barack Obama, given his proposal to impose a new tax on the 50 largest banks in America to recoup projected losses from the bail-out program for the financial system during the crisis of 2008, and barring their involvement in certain business activities.

The Fund Manager feels a combination of such risk factors will act to keep markets volatile, and investors will critically evaluate sectors and companies based on their earnings ability and certainty. It should likely mean that stock selection would be key again.

In the longer-term, as the Fund Manager has highlighted in previous commentaries, the on-going industrialization of key regional economies like China’s, and India’s, should continue to provide complementary growth benefits for countries in the AeJ region.

Indeed, with lingering worries that the US economy may be in sub-par growth mode for some time, in the aftermath of its emergence from recession, the recovery in China has helped to brighten sentiment to an extent.

While China will certainly not be able to replace America immediately as an anchor of world growth, it is nonetheless the third-largest economy globally, having overtaken Germany at the turn of 2009. Incidentally, it is projected that China would likely soon surpass Japan as the world’s second biggest economy.

The potential impact of continuing Chinese growth, and the opportunities spawned by this, is aptly demonstrated by developments in the global automobile industry.

In a paper on “Vehicle Ownership and Income Growth, Worldwide: 1960-2030” published by

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

Dargay, Gately and Sommer in January 2007, the relationship between vehicle ownership and per-capita income was shown to be very non-linear. The income elasticity of vehicle ownership improves rapidly over the range of US\$3,000 to US\$10,000, when vehicle ownership rises at almost twice the rate of per-capita income growth. Europe and Japan went through this phase in the 1960's. The authors concluded that many developing countries, especially in Asia, will experience similar developments and should continue to do so for the next couple of decades.

Incidentally, China's per-capita income is just crossing the US\$3,000 level, which will also have positive implications for discretionary consumption in general. As it is, the country has recently overtaken the US as the world's largest automobile market, accounting for about 20% of global sales in the process.

On fixed income, expectations are that central banks in the developed economies will be careful in raising interest rates too quickly, even while their counterparts in Asia are tussling with issues relating to domestic asset price inflation.

Despite recent encouraging signs of recovery emanating from the US and the European Union, the pace of it has been tentative. The level of unemployment has remained elevated, with negative implications for consumer spending. There is therefore a concern that when the economy-boosting effects of the monetary and fiscal measures taken from late 2008 begin to fade, there may not be sufficient private demand in these economies to replace such government pump-priming.

Hence, the central banks in the industrialized countries are likely to be aware of the danger of tightening monetary policy prematurely. They are expected to normalize interest rates only after their economies are on a more even footing. This should consequently help to moderate any rise in global interest rates.

As for credit spreads, they are unlikely to compress in the magnitude that was seen last year. A more measured pace of spread tightening is anticipated.

In the near-term however, in view of the expected volatility in markets, as investors react to the economic and financial developments of the day, the Fund will seek to maintain an active stance with respect to its exposure to equities. In the case of fixed income, the Fund will continue to invest in good quality corporate debt securities with attractive spreads.

## 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)"

## By Credit Rating

Credit Rating* (By Moody's)	Fair Value (S\$'000)	% of Fixed Income Instruments
Aaa	20,271	1.55
Aa1	8,118	0.62
Aa2	47,510	3.65
A1	255	0.02
A2	23,868	1.83
A3	42,161	3.23
Baa2	6,874	0.52
Baa3	1,341	0.10
NR	119,618	9.17

Source: PineBridge Investments Singapore Limited.

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

\*Moody's ratings or their equivalent, S & P rating where security is not rated by Moody's but rated by S & P.

## Top 10 Holdings (as at 31 December 2009)

	Fair Value (S\$'000)	%
Standard Chartered 5.25% 10 Apr 2023	32,294	2.47
DBS Cap Funding 5.75% 29 May 2049	31,260	2.39
Queensley Hldgs Ltd 4.62% 07 Dec 2012	24,133	1.85
AAC Acoustic Technology Holdings	24,108	1.85
Foxconn Tech Co	22,601	1.73
Capitamall Trust	21,749	1.65
United Overseas Bank Ltd 4.1% 03 Sep 2019	20,185	1.55
Hyundai Dept Store Co	19,534	1.50
Samsung SDI Co Ltd	19,329	1.48
Lifestyle Intl Hldgs Ltd	18,717	1.43

Source: PineBridge Investments Singapore Limited.

## Top 10 Holdings (as at 31 December 2008)

	Fair Value (S\$'000)	%
Standard Chartered 5.25% 10 Apr 2023	36,386	4.62
DBS Cap Funding 5.75% 29 May 2049	30,208	3.84
Queensley Hldgs Ltd 4.5% 05 Dec 2009	24,279	3.08
Singapore Govt Securities 3.625% 01 Jul 2014	22,557	2.86
United Overseas Bank Ltd 4.1% 03 Sep 2019	18,433	2.34
Singapore Govt Securities 3.75% 01 Sep 2016	17,206	2.19
Hengan Intl Group Co Ltd	16,012	2.03
DBS Bank Singapore 4.47% 15 Jul 2021	14,683	1.86
Morgan Stanley 4% 23 Oct 2017	13,081	1.66
Capitaland Treasury Ltd 4.35% 31 Oct 2019	12,861	1.63

Source: PineBridge Investments Singapore Limited.

## Exposure to derivatives

	S\$	%
Fair value of derivative contracts	(8,874.08)	-
Net gain/(loss) on derivative contracts realized for the period 1 January 2009 to 31 December 2009	747,728.20	N/A
Net gain/(loss) on outstanding contracts marked to market	(8,874.08)	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 2009 – 31 December 2009

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

## Amount of related-party transactions

Refer to the Notes to the Financial Statements.

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

## Performance of the 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	6.82%	3.62%
6-month	22.50%	13.79%
1-year	55.38%	36.07%
3-year <sup>^</sup>	1.15%	3.67%
5-year <sup>^</sup>	5.36%	7.65%
Since Inception (01.10.01) <sup>^</sup>	9.99%	10.36%

Source: PineBridge Investments Singapore Limited.

Returns in S\$, bid-to-bid basis.

<sup>^</sup>Annualised returns

## Expense Ratios<sup>#</sup>

Refer to the Notes to the Financial Statements.

<sup>#</sup>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

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 the Fund expressed as a percentage of daily average NAV.

## Soft Dollars

In the normal course of business, the Manager 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 Manager's 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 Manager.

# **AIG INTERNATIONAL FUNDS**

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

## **ANNUAL REPORT**

*For the year ended 31 December 2009*

## **AIG INTERNATIONAL FUNDS**

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

### **ANNUAL REPORT**

*For the year ended 31 December 2009*

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## **AIG INTERNATIONAL FUNDS**

*(Constituted under a Trust Deed registered 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 sub-funds of the AIG International Funds, namely the Acorns of Asia Balanced Fund and Singapore Bond Fund (collectively 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 18 to 63, 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

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Authorised Signatory

## **AIG INTERNATIONAL FUNDS**

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

# Statement By The Manager

In the opinion of the directors of the PineBridge Investments Singapore Limited (formerly known as AIG Global Investment Corporation (Singapore) Ltd.), (the "Manager"), the accompanying financial statements set out on pages 18 to 63, 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 the sub-funds of AIG International Funds, namely the Acorns of Asia Balanced Fund and Singapore Bond Fund (collectively the "Funds") as at 31 December 2009 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  
PineBridge Investments Singapore Limited

---

Victor Koh  
Chief Executive Officer

## **AIG INTERNATIONAL FUNDS**

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

# Independent Auditor's Report To The Unitholders of The Sub-Funds of AIG International Funds

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

We have audited the financial statements of the sub-funds of AIG International Funds, namely the Acorns of Asia Balanced Fund and Singapore Bond Fund (collectively the "Funds") set out on pages 18 to 63, which comprise the Balance Sheets and Portfolio Statements as at 31 December 2009, 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 2009 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 LLP  
Public Accountants and Certified Public Accountants

Singapore,

## AIG INTERNATIONAL FUNDS

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

# Statements Of Total Return

For the year ended 31 December 2009

		<b>Acorns of Asia Balanced Fund</b>	
Note	<b>2009</b>	2008	
	<b>S\$</b>	S\$	
<b>Investment income</b>			
Dividends	<b>19,032,628</b>	26,646,961	
Interest on deposits with banks	<b>66,229</b>	989,543	
Other	-	255	
	<b>19,098,857</b>	27,636,759	
<b>Less: Expenses</b>			
Audit fee	<b>34,051</b>	47,514	
Custody and related fees	<b>532,965</b>	648,010	
Management fees	<b>15,622,747</b>	17,243,753	
Registrar and related fees	<b>41,827</b>	45,351	
Trustee fees	<b>416,607</b>	499,762	
Other	<b>1,361,016</b>	1,629,582	
	<b>18,009,213</b>	20,113,972	
<b>Net income</b>	<b>1,089,644</b>	7,522,787	
<b>Net gains or losses on value of investments</b>			
Net realised losses on investments	<b>(38,706,746)</b>	(64,162,195)	
Net change in fair value on investments	<b>483,836,603</b>	(563,591,668)	
Net realised gains/(losses) on forward foreign exchange contracts	<b>747,728</b>	(577,979)	
Net change in fair value on forward foreign exchange contracts	<b>(729,543)</b>	670,882	
Net foreign exchange gains/(losses)	<b>4,540,507</b>	(70,708,018)	
	<b>449,688,549</b>	(698,368,978)	
<b>Total return for the year before income tax</b>	<b>450,778,193</b>	(690,846,191)	
<b>Less: Income tax</b>	<b>(2,384,218)</b>	(3,413,437)	3
<b>Total return for the year</b>	<b>448,393,975</b>	(694,259,628)	

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

## AIG INTERNATIONAL FUNDS

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

### Statements Of Total Return *(continued)*

For the year ended 31 December 2009

		Singapore Bond Fund	
	Note	2009	2008
		S\$	S\$
<b>Investment income</b>			
Dividends		6,244,864	4,796,628
Interest on deposits with banks		100,038	901,147
Other		70	922
		6,344,972	5,698,697
<b>Less: Expenses</b>			
Audit fee		23,295	20,940
Custody and related fees		67,546	74,199
Management fees		5,217,574	6,015,575
Registrar and related fees		29,828	26,764
Trustee fees		212,961	252,881
Other		566,534	623,645
		6,117,738	7,014,004
<b>Net income/(loss)</b>		227,234	(1,315,307)
<b>Net gains or losses on value of investments</b>			
Net realised gains on investments		11,477,467	16,212,338
Net change in fair value on investments		55,947,448	(68,096,014)
Net realised gains/(losses) on forward foreign exchange contracts		1,096,328	(1,231,722)
Net change in fair value on forward foreign exchange contracts		(1,161,184)	1,077,792
Net foreign exchange losses		(519,525)	(689,430)
		66,840,534	(52,727,036)
<b>Total return for the year before income tax</b>		67,067,768	(54,042,343)
<b>Less: Income tax</b>	3	(540,935)	(505,039)
<b>Total return for the year</b>		66,526,833	(54,547,382)

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

## AIG INTERNATIONAL FUNDS

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

### Balance Sheets

As at 31 December 2009

		Acorns of Asia Balanced Fund	
Note	2009	2008	
	S\$	S\$	
<b>ASSETS</b>			
Investments	<b>1,245,842,221</b>	769,037,240	
Cash and bank balances	9 <b>6,681,860</b>	6,911,028	
Fixed deposits with financial institutions	<b>55,495,861</b>	12,625,261	
Receivables	4 <b>1,082,452</b>	528,707	
Financial derivatives, at fair value	6 -	720,669	
<b>Total assets</b>	<b>1,309,102,394</b>	789,822,905	

#### LIABILITIES

Payables	5 <b>2,704,708</b>	2,462,830	
Financial derivatives, at fair value	6 <b>8,874</b>	-	
Net assets attributable to unitholders	7 <b>1,306,388,812</b>	787,360,075	
<b>Total liabilities</b>	<b>1,309,102,394</b>	789,822,905	

		Singapore Bond Fund	
Note	2009	2008	
	S\$	S\$	
<b>ASSETS</b>			
Investments	<b>514,881,778</b>	469,640,407	
Cash and bank balances	9 <b>2,235,741</b>	946,209	
Fixed deposits with financial institutions	<b>61,438,943</b>	40,825,578	
Receivables	4 <b>5,618,636</b>	456,647	
Financial derivatives, at fair value	6 -	1,140,849	
<b>Total assets</b>	<b>584,175,098</b>	513,009,690	

#### LIABILITIES

Payables	5 <b>949,386</b>	1,000,098	
Financial derivatives, at fair value	6 <b>20,335</b>	-	
Net assets attributable to unitholders	7 <b>583,205,377</b>	512,009,592	
<b>Total liabilities</b>	<b>584,175,098</b>	513,009,690	

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

## AIG INTERNATIONAL FUNDS

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

# Portfolio Statements

As at 31 December 2009

Acorns of Asia Balanced Fund			
Holdings as at 31 Dec 2009	Fair value at 31 Dec 2009	Percentage of total net assets attributable to unitholders at 31 Dec 2009	
	S\$	%	
<b>By Geography (Primary)</b>			
<b>Quoted Equities</b>			
<b>China</b>			
Angang Steel Co Ltd	3,500,000	10,845,378	0.83
Anhui Conch Cement Co Ltd	1,450,000	12,871,090	0.99
Anta Sports Products Ltd	4,000,000	8,301,713	0.64
Beijing Enterprises Holdings	1,028,500	10,499,763	0.80
China Mengniu Dairy Co Ltd	2,500,000	12,474,264	0.96
China Molybdenum Co Ltd	7,550,000	8,517,211	0.65
China Overseas Land & Invest	4,698,000	13,895,115	1.06
China Petroleum & Chemical	6,850,000	8,569,639	0.66
China Resources Land Ltd	3,764,000	11,922,012	0.91
China Shenhua Energy Co Ltd	1,410,000	9,673,792	0.74
CNOOC Ltd	8,450,000	18,606,721	1.42
Cosco Holdings Ltd	8,150,000	14,100,529	1.08
Denway Motors Ltd	14,700,000	13,048,623	1.00
Dongfeng Motor Group Co	8,000,000	16,053,836	1.23
Hengan International Group Co Ltd	1,180,000	12,213,028	0.94
Lenovo Group Ltd	15,100,000	13,185,297	1.01
Lifestyle International Holdings Ltd	7,150,000	18,717,181	1.43
Mainland Headwear Holdings Ltd	5,500,000	884,950	0.07
Petrochina Co Ltd	3,460,000	5,823,601	0.45
Shanghai Jin Jiang International Hotel Co Ltd	15,000,000	6,101,542	0.47
Shui On Land Ltd	8,770,000	7,229,868	0.55
Sinofert Holdings Ltd	12,250,000	9,589,365	0.73
Tencent Holdings Ltd	465,000	14,181,882	1.09
Zhuzhou Csr Times Electric	3,890,000	11,153,692	0.85
Ying Li International Real Estate	5,500,000	3,547,500	0.27
Total China	271,957,592	20.83	

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 31 December 2009

<b>Acorns of Asia Balanced Fund</b> (continued)		
<b>Holdings as at 31 Dec 2009</b>	<b>Fair value at 31 Dec 2009</b>	<b>Percentage of total net assets attributable to unitholders at 31 Dec 2009</b>
	<b>S\$</b>	<b>%</b>
<b>By Geography (Primary)</b> (continued)		
<b>Quoted Equities</b> (continued)		
<b>Hong Kong</b>		
AAC Acoustic Technology Holdings Ltd	10,500,000	24,107,871
Cheung Kong Infrastructure	1,000,000	5,333,200
Galaxy Entertainment Group Ltd	13,500,000	7,785,568
Hysan Development Co Ltd	1,250,000	4,982,926
Natural Dairy NZ Holdings Ltd	4,000,000	1,164,265
Pacific Basin Shipping Ltd	11,200,000	11,379,422
Parkson Retail Group Ltd	4,020,000	9,913,027
Shangri-La Asia Ltd	3,000,000	7,918,446
Shun Tak Holdings Ltd	7,500,000	6,589,666
Total Hong Kong	<b>79,174,391</b>	<b>6.07</b>
<b>Indonesia</b>		
PT Astra Agro Lestari	3,950,000	13,332,315
PT Bank Negara	52,920,000	15,614,400
PT Bumi Resources	32,200,000	11,516,152
PT BW Plantation	52,794,000	4,012,315
PT Dunia Makmur	46,000,000	11,516,152
PT Mitra Adiperkasa	20,000,000	1,847,830
PT Sampoerna Agro	24,401,000	9,726,838
PT Tambang Batubara Bukit Asam	5,500,000	14,138,133
PT United Tractors	5,200,000	11,972,149
Total Indonesia	<b>93,676,284</b>	<b>7.17</b>

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 31 December 2009

#### **By Geography (Primary)** (continued)

#### **Quoted Equities** (continued)

##### **Malaysia**

Naim Cendera Holdings Bhd  
SP Setia Bhd  
Ta Ann Holdings Bhd  
Total Malaysia

Holdings as at 31 Dec 2009	Fair value at 31 Dec 2009	Percentage of total net assets attributable to unitholders at 31 Dec 2009
	S\$	%
<b>3,950,000</b>	<b>4,750,235</b>	<b>0.36</b>
<b>6,050,000</b>	<b>9,651,407</b>	<b>0.74</b>
<b>4,225,000</b>	<b>7,880,653</b>	<b>0.60</b>
	<b>22,282,295</b>	<b>1.70</b>

##### **Philippines**

Banco De Oro Unibank Inc  
International Container Term Svcs Inc  
Total Philippines

<b>4,000,000</b>	<b>4,668,361</b>	<b>0.36</b>
<b>5,827,000</b>	<b>3,930,237</b>	<b>0.30</b>
	<b>8,598,598</b>	<b>0.66</b>

##### **Singapore**

Ezra Holdings Ltd  
Keppel Corporation Ltd  
Keppel Land Ltd  
Sembcorp Marine Ltd  
Total Singapore

<b>1,125,000</b>	<b>2,542,500</b>	<b>0.19</b>
<b>1,260,000</b>	<b>10,357,200</b>	<b>0.79</b>
<b>1,050,000</b>	<b>3,664,500</b>	<b>0.28</b>
<b>3,150,000</b>	<b>11,623,500</b>	<b>0.89</b>
	<b>28,187,700</b>	<b>2.15</b>

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 31 December 2009

<b>Acorns of Asia Balanced Fund</b> (continued)			
	<b>Holdings as at 31 Dec 2009</b>	<b>Fair value at 31 Dec 2009</b>	<b>Percentage of total net assets attributable to unitholders at 31 Dec 2009</b>
		<b>S\$</b>	<b>%</b>
<b>By Geography (Primary)</b> (continued)			
<b>Quoted Equities</b> (continued)			
<b>South Korea</b>			
CJ Cheijedang Corp	20,000	4,947,152	0.38
Daishin Securities Co Ltd	250,000	4,739,516	0.36
Glovis Co Ltd	136,500	18,484,114	1.41
GS Engineering & Construction	50,150	6,549,590	0.50
Hynix Semiconductor Inc	325,000	9,056,238	0.69
Hyundai Dept Store Co	145,550	19,534,421	1.50
Hyundai Mobis	52,350	10,712,210	0.82
Hyundai Steel Co Ltd	60,000	6,276,022	0.48
Kia Motors Corporation	770,000	18,536,775	1.42
Samsung Engineering Co Ltd	35,000	4,549,936	0.35
Samsung SDI Co Ltd	108,500	19,328,801	1.48
Samsung Techwin Co Ltd	105,000	11,425,394	0.87
Ssangyong Cement Ind	1,135,920	12,797,851	0.98
Sungwoo Hitech Co Ltd	940,000	14,143,319	1.08
Total South Korea		161,081,339	12.32

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 31 December 2009

<b>Acorns of Asia Balanced Fund (continued)</b>			
<b>Holdings as at 31 Dec 2009</b>	<b>Fair value at 31 Dec 2009</b>	<b>Percentage of total net assets attributable to unitholders at 31 Dec 2009</b>	
	<b>S\$</b>	<b>%</b>	
<b>By Geography (Primary)</b> (continued)			
<b>Quoted Equities</b> (continued)			
<b>Taiwan</b>			
Acer Inc	3,250,000	13,685,262	1.05
Advantech Co Ltd	1,475,000	4,635,655	0.35
China Steel Corp	7,650,293	11,033,878	0.84
Compal Electronics	2,250,000	4,367,881	0.33
Foxconn Tech Co	4,164,000	22,600,970	1.73
Innolux Display Corporation	5,000,000	10,373,923	0.79
Largan Precision Co Ltd	553,000	10,190,650	0.78
Mediatek Inc	525,000	12,799,977	0.98
Quanta Computer Inc	1,500,000	4,563,213	0.35
Silitech Technology Corp	2,970,000	14,885,266	1.14
Simplo Technology Co Ltd	1,500,000	12,442,142	0.95
Synnex Technology International Corp	2,045,000	6,212,229	0.48
Taiwan Fertilizer Co Ltd	1,806,000	8,972,393	0.69
Tong Yang Industry	4,940,000	12,714,490	0.97
Unimicron Technology Corp	5,000,000	10,133,178	0.78
Wintek Corporation	6,000,000	7,471,852	0.57
Young Fast Opto Electronics	796,000	12,247,095	0.94
Total Taiwan		<b>179,330,054</b>	<b>13.72</b>
<b>Thailand</b>			
Banpu Public Co Ltd - Foreign	354,000	8,605,691	0.66
PTT Exploration & Prod - Foreign	800,000	4,946,089	0.38
Sino Thai Engineering & Contr - Foreign	20,000,000	5,215,264	0.40
Thoresen Thai Agencies - Foreign	5,000,000	5,677,909	0.43
Total Thailand		<b>24,444,953</b>	<b>1.87</b>
<b>Total Equities</b>		<b>868,733,206</b>	<b>66.49</b>

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 31 December 2009

<b>Acorns of Asia Balanced Fund</b> (continued)		
<b>Holdings as at 31 Dec 2009</b>	<b>Fair value at 31 Dec 2009</b>	<b>Percentage of total net assets attributable to unitholders at 31 Dec 2009</b>
	<b>S\$</b>	<b>%</b>
<b>By Geography (Primary)</b> (continued)		
<b>Quoted Debt Securities</b>		
<b>Germany</b>		
Deutsche Bank 3.25% 10 Oct 2012	<b>8,000,000</b>	<b>0.62</b>
Dresdner Bank AG 5.3% 18 Feb 2010	<b>250,000</b>	<b>0.02</b>
Total Germany	<b>8,372,449</b>	<b>0.64</b>
<b>Hong Kong</b>		
HK Land Treasury 3.65% 05 Oct 2015	<b>10,000,000</b>	<b>0.76</b>
Total Hong Kong	<b>9,867,000</b>	<b>0.76</b>
<b>India</b>		
Bank Of Baroda 6.625% 25 May 2022	<b>1,000,000</b>	<b>0.10</b>
ICICI Bank Ltd 3.3% 03 May 2012	<b>2,000,000</b>	<b>0.15</b>
Total India	<b>3,314,018</b>	<b>0.25</b>
<b>Singapore</b>		
Ascott Capital 3.085% 27 Apr 2010	<b>3,000,000</b>	<b>0.23</b>
Ascott Capital 4.38% 14 Aug 2012	<b>8,000,000</b>	<b>0.63</b>
Capitaland Commercial 4.4% 03 Mar 2011	<b>4,250,000</b>	<b>0.33</b>
Capitaland Treasury Ltd 4.08% 15 Mar 2011	<b>5,000,000</b>	<b>0.40</b>
Capitaland Treasury Ltd 4.35% 31 Oct 2019	<b>15,000,000</b>	<b>1.09</b>
City Development 3.45% 10 Sep 2012	<b>4,000,000</b>	<b>0.31</b>
DBS Bank 4.47% 15 Jul 2021	<b>16,000,000</b>	<b>1.16</b>

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



## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 31 December 2009

<b>Acorns of Asia Balanced Fund</b> (continued)		
<b>Holdings as at 31 Dec 2009</b>	<b>Fair value at 31 Dec 2009</b>	<b>Percentage of total net assets attributable to unitholders at 31 Dec 2009</b>
	<b>S\$</b>	<b>%</b>
<b>By Geography (Primary)</b> (continued)		
<b>Quoted Debt Securities</b> (continued)		
<b>United Arab Emirates</b>		
Emirates Airlines 4.28% 21 Jun 2011	<b>2,500,000</b>	<b>0.18</b>
Total United Arab Emirates	<b>2,295,682</b>	<b>0.18</b>
<b>United Kingdom</b>		
Standard Chartered 5.25% 10 Apr 2023	<b>33,000,000</b>	<b>2.47</b>
Standard Chartered 6.409% 31 Dec 2049	<b>1,600,000</b>	<b>0.14</b>
Standard Chartered 7.014% 30 Dec 2049	<b>2,500,000</b>	<b>0.23</b>
Total United Kingdom	<b>37,194,714</b>	<b>2.84</b>
<b>United States</b>		
Morgan Stanley 3.585% 23 Oct 2012	<b>6,250,000</b>	<b>0.48</b>
Morgan Stanley 4% 23 Oct 2017	<b>18,750,000</b>	<b>1.35</b>
Total United States	<b>23,867,888</b>	<b>1.83</b>
<b>Total Debt Securities</b>	<b>270,014,986</b>	<b>20.69</b>

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 31 December 2009

<b>Acorns of Asia Balanced Fund</b> (continued)			
	<b>Holdings as at 31 Dec 2009</b>	<b>Fair value at 31 Dec 2009</b>	<b>Percentage of total net assets attributable to unitholders at 31 Dec 2009</b>
		<b>S\$</b>	<b>%</b>
<b>By Geography (Primary)</b> (continued)			
<b>Others</b>			
<b>China</b>			
Capitaretail China Trust	<b>200,000</b>	<b>256,000</b>	<b>0.02</b>
Total China		<b>256,000</b>	<b>0.02</b>
<b>India</b>			
Ascendas India Trust	<b>250,000</b>	<b>243,750</b>	<b>0.02</b>
Total India		<b>243,750</b>	<b>0.02</b>
<b>Malaysia</b>			
Amanah Raya Reit	<b>1,000,000</b>	<b>349,733</b>	<b>0.03</b>
Total Malaysia		<b>349,733</b>	<b>0.03</b>
<b>Singapore</b>			
Ascendas Real Estate Investment Trust	<b>8,159,000</b>	<b>18,031,390</b>	<b>1.38</b>
Ascott Residence Trust	<b>978,000</b>	<b>1,173,600</b>	<b>0.09</b>
Capitacommercial Trust	<b>1,719,000</b>	<b>1,994,040</b>	<b>0.15</b>
Capitamall Trust	<b>12,150,500</b>	<b>21,749,395</b>	<b>1.65</b>
Cityspring Infrastructure	<b>1,160,000</b>	<b>684,400</b>	<b>0.05</b>
DBS Cap Funding 5.75% 29 May 2049	<b>31,200,000</b>	<b>31,259,921</b>	<b>2.39</b>
DBS Bank 6% Non Cum PF	<b>100,000</b>	<b>10,400,000</b>	<b>0.80</b>
First Ship Lease Trust	<b>2,200,000</b>	<b>1,320,000</b>	<b>0.10</b>
Frasers Centrepoint Trust	<b>5,000,000</b>	<b>6,900,000</b>	<b>0.53</b>
OCBC 5.1% 31 Dec 2049	<b>20,000</b>	<b>2,040,000</b>	<b>0.16</b>
OCBC Capital Corp 5.1% 29 Aug 2049	<b>70,000</b>	<b>7,051,800</b>	<b>0.54</b>
Starhill Global Reit	<b>7,000,000</b>	<b>3,640,000</b>	<b>0.28</b>
Total Singapore		<b>106,244,546</b>	<b>8.12</b>
<b>Total Others</b>		<b>107,094,029</b>	<b>8.19</b>
<b>Portfolio of investment</b>		<b>1,245,842,221</b>	<b>95.37</b>
<b>Other net assets</b>		<b>60,546,591</b>	<b>4.63</b>
<b>Net assets attributable to unitholders</b>		<b>1,306,388,812</b>	<b>100.00</b>

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 31 December 2009

#### **By Geography (Summary)**

##### **Quoted Equities**

China  
Hong Kong  
Indonesia  
Malaysia  
Philippines  
Singapore  
South Korea  
Taiwan  
Thailand

##### **Total Equities**

##### **Quoted Debt Securities**

Germany  
Hong Kong  
India  
Indonesia  
Russia  
Singapore  
United Arab Emirates  
United Kingdom  
United States

##### **Total Debt Securities**

<b>Acorns of Asia Balanced Fund</b> (continued)	
<b>Percentage of total net assets attributable to unitholders at 31 Dec 2009</b>	Percentage of total net assets attributable to unitholders at 31 Dec 2008
<b>%</b>	<b>%</b>
<b>20.83</b>	14.15
<b>6.07</b>	6.18
<b>7.17</b>	5.18
<b>1.70</b>	2.52
<b>0.66</b>	1.29
<b>2.15</b>	0.89
<b>12.32</b>	13.16
<b>13.72</b>	7.99
<b>1.87</b>	2.19
<b>66.49</b>	53.55
<b>0.64</b>	1.05
<b>0.76</b>	1.05
<b>0.25</b>	0.33
-	0.15
-	0.12
<b>14.19</b>	22.80
<b>0.18</b>	0.32
<b>2.84</b>	4.98
<b>1.83</b>	3.62
<b>20.69</b>	34.42

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 31 December 2009

#### **By Geography (Summary)** (continued)

##### **Others**

China  
India  
Malaysia  
Singapore

##### **Total Others**

##### **Portfolio of investments**

##### **Other net assets**

##### **Net assets attributable to unitholders**

<b>Acorns of Asia Balanced Fund</b> (continued)	
<b>Percentage of total net assets attributable to unitholders at 31 Dec 2009</b>	Percentage of total net assets attributable to unitholders at 31 Dec 2008
<b>%</b>	<b>%</b>
<b>0.02</b>	0.02
<b>0.02</b>	0.01
<b>0.03</b>	0.04
<b>8.12</b>	9.63
<b>8.19</b>	9.70
<b>95.37</b>	97.67
<b>4.63</b>	2.33
<b>100.00</b>	100.00

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 31 December 2009

<b>Acorns of Asia Balanced Fund</b> (continued)		
Fair value at 31 Dec 2009	Percentage of total net assets attributable to unitholders at 31 Dec 2009	Percentage of total net assets attributable to unitholders at 31 Dec 2008
S\$	%	%
<b>By Industry (Secondary)</b>		
<b>Quoted Equities</b>		
Agribusiness	36,660,833	2.80
Auto	103,693,367	7.93
Cement	25,668,941	1.97
Chemicals	8,972,393	0.69
Coal	43,933,768	3.36
Computer	14,181,882	1.09
Conglomerates	10,357,200	0.79
Construction Material	7,880,653	0.60
Consumer	35,816,286	2.75
Consumer Product	25,851,557	1.99
Electronics	223,712,894	17.12
Engineering & Construction	16,314,790	1.25
Finance	25,022,277	1.92
Food	-	-
Hotel	14,019,988	1.08
Industrial Others	-	-
Infrastructure	16,486,892	1.26
Insurance	-	-
Leisure	14,375,234	1.10
Machinery Heavy	11,972,149	0.92
Manufacturing	8,301,713	0.64
Mining	20,033,363	1.53
Oil & Gas Services	31,918,911	2.44
Others	-	-
Paper	-	-
Pharmaceutical	-	-
Real Estate	59,643,563	4.55
Refining	8,569,639	0.66
Retail	30,478,038	2.33
Shipbuilding	11,623,500	0.89
Steel	28,155,278	2.15
Telecommunications	-	-
Textiles & Apparel	-	-
Transportation	31,157,860	2.38
Transportation Others	3,930,237	0.30
Utilities	-	-
<b>Total Equities</b>	<b>868,733,206</b>	<b>66.49</b>
		53.55

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 31 December 2009

<b>Acorns of Asia Balanced Fund</b> (continued)			
	<b>Fair value at 31 Dec 2009</b>	<b>Percentage of total net assets attributable to unitholders at 31 Dec 2009</b>	Percentage of total net assets attributable to unitholders at 31 Dec 2008
	<b>S\$</b>	<b>%</b>	<b>%</b>
<b>By Industry (Secondary)</b> (continued)			
<b>Quoted Debt Securities</b>			
Airlines	2,295,682	0.18	0.32
Banks	98,546,761	7.55	12.38
Finance	23,867,888	1.83	3.62
Hotels & Hospitality	3,073,097	0.24	0.39
Industrial Others	18,608,443	1.42	1.93
Others	-	-	0.12
Real Estate	98,161,464	7.52	9.93
Sovereign	20,270,537	1.55	5.05
Utilities	5,191,114	0.40	0.68
<b>Total Debt Securities</b>	<b>270,014,986</b>	<b>20.69</b>	<b>34.42</b>
<b>Others</b>			
Banks	50,751,721	3.89	6.07
Hotels & Hospitality	1,173,600	0.09	-
Infrastructure	684,400	0.05	0.04
Real Estate	53,164,308	4.06	3.47
Shipping	1,320,000	0.10	0.12
<b>Total Others</b>	<b>107,094,029</b>	<b>8.19</b>	<b>9.70</b>
<b>Portfolio of investments</b>	<b>1,245,842,221</b>	<b>95.37</b>	<b>97.67</b>
<b>Other net assets</b>	<b>60,546,591</b>	<b>4.63</b>	<b>2.33</b>
<b>Net assets attributable to unitholders</b>	<b>1,306,388,812</b>	<b>100.00</b>	<b>100.00</b>

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 31 December 2009

Singapore Bond Fund		
Holdings as at 31 Dec 2009	Fair value at 31 Dec 2009	Percentage of total net assets attributable to unitholders at 31 Dec 2009
	S\$	%
<b>By Geography (Primary)</b>		
<b>Quoted Debt Securities</b>		
<b>Germany</b>		
Deutsche Bank 3.25% 10 Oct 2012	8,000,000	8,117,698
Total Germany		1.39
	8,117,698	1.39
<b>Hong Kong</b>		
Cathay Pacific 3.0575% 23 Feb 2010	2,400,000	2,432,135
Cathay Pacific 3.82% 09 Nov 2011	5,000,000	4,947,211
HK Land Treasury 3.01% 04 Oct 2010	9,000,000	9,108,355
HK Land Treasury 3.65% 05 Oct 2015	10,000,000	9,867,000
Total Hong Kong		26,354,701
		4.52
<b>India</b>		
Bank Of Baroda 6.625% 25 May 2022	2,000,000	2,681,860
ICICI Bank Ltd 3.3% 03 May 2012	7,000,000	6,905,807
Total India		9,587,667
		1.64
<b>Korea</b>		
Export-Import Bank Korea 6% 21 Jan 2010	4,000,000	4,113,578
Total Korea		4,113,578
		0.71

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 31 December 2009

<b>Singapore Bond Fund (continued)</b>			
	<b>Holdings as at 31 Dec 2009</b>	<b>Fair value at 31 Dec 2009</b>	<b>Percentage of total net assets attributable to unitholders at 31 Dec 2009</b>
		<b>S\$</b>	<b>%</b>
<b>By Geography (Primary)</b> (continued)			
<b>Quoted Debt Securities</b> (continued)			
<b>Singapore</b>			
Ascott Capital 3.085% 27 Apr 2010	<b>8,000,000</b>	<b>8,079,951</b>	<b>1.39%</b>
Ascott Capital 4.38% 14 Aug 2012	<b>13,000,000</b>	<b>13,385,840</b>	<b>2.30%</b>
Capitaland Commercial 4.4% 03 Mar 2011	<b>1,750,000</b>	<b>1,791,379</b>	<b>0.31%</b>
Capitaland Commercial 3.98% 07 May 2010	<b>1,000,000</b>	<b>1,012,088</b>	<b>0.17%</b>
Capitaland Treasury Ltd 4.08% 15 Mar 2011	<b>5,000,000</b>	<b>5,161,803</b>	<b>0.89%</b>
Capitaland Treasury Ltd 4.35% 31 Oct 2019	<b>15,000,000</b>	<b>14,261,548</b>	<b>2.45%</b>
City Development 3.45% 10 Sep 2012	<b>6,000,000</b>	<b>6,117,518</b>	<b>1.05%</b>
DBS Bank 4.47% 15 Jul 2021	<b>16,000,000</b>	<b>15,131,147</b>	<b>2.59%</b>
Fraser & Neave Ltd 3.38% 15 Apr 2011	<b>12,000,000</b>	<b>12,273,965</b>	<b>2.10%</b>
Fraser & Neave Ltd 3.41% 12 Aug 2010	<b>5,000,000</b>	<b>5,114,364</b>	<b>0.88%</b>
Fraser & Neave Ltd 6% 30 Apr 2019	<b>12,000,000</b>	<b>13,063,101</b>	<b>2.24%</b>
Hotel Properties 3.42% 06 Jul 2010	<b>5,000,000</b>	<b>5,121,829</b>	<b>0.88%</b>
Housing & Dev 1.64% 1 Mar 2010	<b>10,000,000</b>	<b>10,063,706</b>	<b>1.73%</b>
HSBC Singapore 3.36% 22 Nov 2010	<b>5,000,000</b>	<b>5,100,911</b>	<b>0.87%</b>
Mapletree Treasury 4.45% 07 Mar 2018	<b>8,000,000</b>	<b>7,482,564</b>	<b>1.28%</b>
Mapletree Treasury 4.6% 20 Aug 2013	<b>8,500,000</b>	<b>8,927,224</b>	<b>1.53%</b>
OCBC 3.78% 28 Nov 2017	<b>20,000,000</b>	<b>20,306,351</b>	<b>3.48%</b>
Power Seraya Ltd 3.97% 30 Sep 2010	<b>3,000,000</b>	<b>3,042,620</b>	<b>0.52%</b>
Public Utilities 3.095% 08 Oct 2014	<b>6,000,000</b>	<b>6,229,336</b>	<b>1.07%</b>
Queensley Holdings Ltd 4.62% 07 Dec 2012	<b>17,000,000</b>	<b>17,094,143</b>	<b>2.93%</b>
Sengkang Mall Ltd 4.88% 20 Nov 2012	<b>2,400,000</b>	<b>2,415,796</b>	<b>0.41%</b>
Singapore Govt Securities 2.5% 01 Jun 2019	<b>5,000,000</b>	<b>4,945,302</b>	<b>0.85%</b>

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements (continued)

As at 31 December 2009

Singapore Bond Fund (continued)			
Holdings as at 31 Dec 2009	Fair value at 31 Dec 2009	Percentage of total net assets attributable to unitholders at 31 Dec 2009	
	S\$	%	
<b>By Geography (Primary)</b> (continued)			
<b>Quoted Debt Securities</b> (continued)			
<b>Singapore</b> (continued)			
Singapore Govt Securities 2.5% 01 Oct 2012	7,000,000	7,376,950	1.27
Singapore Govt Securities 3.625% 01 Jul 2014	12,000,000	13,482,318	2.31
Singapore Govt Securities 4.625% 01 Jul 2010	10,000,000	10,426,993	1.79
SP Power Assets 4.84% 22 Oct 2018	1,750,000	1,866,869	0.32
SPARC II Ltd 5% 07 Sep 2011	1,000,000	1,026,453	0.18
Suntec Real Estate 3.25% 20 Mar 2013	3,000,000	3,102,083	0.53
UOB Ltd 4.1% 03 Sep 2019	8,000,000	8,074,137	1.38
UOL Ltd 3.34% 15 May 2012	9,000,000	9,073,884	1.56
Wing Tai Holdings 4.98% 25 Apr 2011	7,500,000	7,645,334	1.31
Total Singapore	248,197,507	248,197,507	42.57
<b>United Kingdom</b>			
Standard Chartered 5.25% 10 Apr 2023	39,000,000	38,165,186	6.55
Standard Chartered 6.409% 31 Dec 2049	2,900,000	3,361,213	0.58
Standard Chartered 7.014% 30 Dec 2049	5,000,000	6,093,265	1.04
Total United Kingdom	47,619,664	47,619,664	8.17
<b>United States</b>			
Citigroup Inc 4.05% 29 Jun 2016	10,000,000	8,995,219	1.54
Household Fin Corp 4.07% 24 Feb 2014	4,500,000	4,617,830	0.79
Morgan Stanley 3.585% 23 Oct 2012	6,250,000	6,288,607	1.08
Morgan Stanley 4% 23 Oct 2017	18,750,000	17,579,281	3.01
Total United States	37,480,937	37,480,937	6.42
<b>Total Debt Securities</b>	381,471,752	381,471,752	65.42

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 31 December 2009

Singapore Bond Fund <i>(continued)</i>		
Holdings as at 31 Dec 2009	Fair value at 31 Dec 2009	Percentage of total net assets attributable to unitholders at 31 Dec 2009
	S\$	%
<b>By Geography (Primary)</b> <i>(continued)</i>		
<b>Others</b>		
<b>China</b>		
Capitaretail China Trust	1,120,000	1,433,600
Total China		0.25
	1,433,600	0.25
<b>India</b>		
Ascendas India Trust	450,000	438,750
Total India		0.08
	438,750	0.08
<b>Malaysia</b>		
Amanah Raya Reit	1,200,000	419,680
Total Malaysia		0.07
	419,680	0.07
<b>Singapore</b>		
Ascendas Real Estate Investment Trust	5,972,000	13,198,120
Ascott Residence Trust	978,000	1,173,600
Capitamall Trust	13,100,500	23,449,895
Cityspring Infrastructure Trust	1,300,000	767,000
DBS Cap Funding 5.75% 29 May 2049	38,000,000	38,072,981
DBS Bank 6% Non Cum PF	106,850	11,112,400
First Ship Lease Trust	6,600,000	3,960,000
Frasers Centrepoint Trust	5,633,000	7,773,540
Frasers Commercial Trust Reit	4,679,000	655,060
OCBC 5.1% 31 Dec 2049	40,000	4,080,000
OCBC Capital Corp 5.1% 29 Aug 2049	210,000	21,155,400
Starhill Global Reit	11,000,000	5,720,000
Total Singapore		131,117,996
		22.48
<b>Total Others</b>		133,410,026
		22.88
<b>Portfolio of investments</b>		514,881,778
		88.30
<b>Other net assets</b>		68,323,599
		11.70
<b>Net assets attributable to unitholders</b>		583,205,377
		100.00

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 31 December 2009

	<b>Singapore Bond Fund (continued)</b>	
	<b>Percentage of total net assets attributable to unitholders at 31 Dec 2009</b>	Percentage of total net assets attributable to unitholders at 31 Dec 2008
	%	%
<b><u>By Geography (Summary)</u></b>		
<b><u>Quoted Debt Securities</u></b>		
Germany	<b>1.39</b>	1.57
Hong Kong	<b>4.52</b>	4.72
India	<b>1.64</b>	1.46
Indonesia	-	0.16
Korea	<b>0.71</b>	-
Russia	-	0.37
Singapore	<b>42.57</b>	42.88
United Kingdom	<b>8.17</b>	9.46
United States	<b>6.42</b>	11.17
<b>Total Debt Securities</b>	<b>65.42</b>	71.79
<b><u>Others</u></b>		
China	<b>0.25</b>	0.13
India	<b>0.08</b>	0.04
Malaysia	<b>0.07</b>	0.07
Singapore	<b>22.48</b>	19.69
<b>Total Others</b>	<b>22.88</b>	19.93
<b>Portfolio of investments</b>	<b>88.30</b>	91.72
<b>Other net assets</b>	<b>11.70</b>	8.28
<b>Net assets attributable to unitholders</b>	<b>100.00</b>	100.00

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 31 December 2009

Singapore Bond Fund (continued)		
Fair value at 31 Dec 2009	Percentage of total net assets attributable to unitholders at 31 Dec 2009	Percentage of total net assets attributable to unitholders at 31 Dec 2008
	S\$	%
<b><u>By Industry (Secondary)</u></b>		
<b><u>Quoted Debt Securities</u></b>		
Airlines	7,379,346	1.27
Banks	128,072,825	21.95
Finance	28,485,718	4.88
Government Agency	10,063,706	1.73
Hotels & Hospitality	5,121,829	0.88
Industrial Others	30,451,430	5.22
Others	-	0.37
Real Estate	124,526,510	21.36
Sovereign	36,231,563	6.22
Utilities	11,138,825	1.91
<b>Total Debt Securities</b>	<b>381,471,752</b>	<b>65.42</b>
<b><u>Others</u></b>		
Banks	74,420,781	12.77
Hotels & Hospitality	1,173,600	0.20
Infrastructure	767,000	0.13
Real Estate	53,088,645	9.10
Shipping	3,960,000	0.68
<b>Total Others</b>	<b>133,410,026</b>	<b>22.88</b>
<b>Portfolio of investments</b>	<b>514,881,778</b>	<b>88.30</b>
<b>Other net assets</b>	<b>68,323,599</b>	<b>11.70</b>
<b>Net assets attributable to unitholders</b>	<b>583,205,377</b>	<b>100.00</b>

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

# AIG INTERNATIONAL FUNDS

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

## Notes to the Financial Statements

For the financial year ended 31 December 2009

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 PineBridge Investments Singapore Limited (formerly known as 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 offices of the Manager and the Trustee are 1 Robinson Road, #12-02, AIA Tower, Singapore 048542; and 3 Temasek Avenue, #12-00 Centennial Tower, Singapore 039190, respectively.

The sub-funds investors are mainly from Singapore, with subscription and redemptions of the units denominated in Singapore dollars.

The performance of the sub-funds is measured and reported to the investors in Singapore Dollar. The Manager considers the Singapore Dollar as the functional currency which most faithfully represents the economic effects of the underlying transactions, events and conditions. These financial statements are expressed in Singapore Dollar, which is the sub-funds' functional and presentation currency.

### 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").

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 2. Significant accounting policies (continued)

(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.

(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 comprises 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 amounts 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.

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

## 2. Significant accounting policies (continued)

### (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.

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 registered in the Republic of Singapore)

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 3. Tax (continued)

(b) Tax of the Fund (continued)

	Acorns of Asia Balanced Fund		Singapore Bond Fund	
	2009	2008	2009	2008
	S\$	S\$	S\$	S\$
Singapore income tax	<b>497,543</b>	475,375	<b>532,615</b>	500,273
Overseas income tax	<b>1,886,675</b>	2,938,062	<b>8,320</b>	4,766
Total income tax	<b>2,384,218</b>	3,413,437	<b>540,935</b>	505,039

### 4. Receivables

	Acorns of Asia Balanced Fund	
	2009	2008
	S\$	S\$
Amounts receivable for creation of units	<b>1,065,174</b>	363,981
Accrued interest receivables	<b>402</b>	443
Other receivables	<b>16,876</b>	164,283
	<b>1,082,452</b>	528,707

  

	Singapore Bond Fund	
	2009	2008
	S\$	S\$
Amounts receivable for creation of units	<b>4,268,362</b>	454,874
Accrued interest receivables	<b>400</b>	1,772
Sales awaiting settlement	<b>1,243,422</b>	-
Other receivables	<b>106,452</b>	-
	<b>5,618,636</b>	456,647

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 5. Payables

	<b>Acorns of Asia Balanced Fund</b>	
	<b>2009</b>	2008
	<b>S\$</b>	S\$
Payable to unitholders for cancellation of units	<b>923,140</b>	1,338,773
Accrued expenses	<b>1,781,568</b>	1,124,057
	<b>2,704,708</b>	2,462,830

  

	<b>Singapore Bond Fund</b>	
	<b>2009</b>	2008
	<b>S\$</b>	S\$
Payable to unitholders for cancellation of units	<b>381,359</b>	513,857
Accrued expenses	<b>568,027</b>	486,241
	<b>949,386</b>	1,000,098

### 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.

	<b>Contractual or underlying principal amount</b>	<b>Fair value gains</b>	<b>Fair value losses</b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
<b>2009</b>			
Acorns of Asia Balanced Fund [see (b) below]	<b>2,781,413</b>	-	<b>(8,874)</b>
Singapore Bond Fund [see (b) below]	<b>6,373,489</b>	-	<b>(20,335)</b>
<b>2008</b>			
Acorns of Asia Balanced Fund [see (b) below]	13,087,200	720,669	-
Singapore Bond Fund [see (b) below]	20,717,600	1,140,849	-

- (b) The forward foreign exchange contracts were entered into with Citibank Singapore, a member of Citigroup and a related party of the Trustee.

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 7. Net assets attributable to unitholders

	<b>Acorns of Asia Balanced Fund</b>	
	<b>2009</b>	2008
	<b>S\$</b>	S\$
<b>At the beginning of financial year</b>	<b>787,360,075</b>	1,520,265,835
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	<b>448,393,975</b>	(694,259,628)
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	<b>136,953,035</b>	440,539,790
Cancellation of units	<b>(66,318,273)</b>	(479,185,922)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	<b>70,634,762</b>	(38,646,132)
Total increase/(decrease) in net assets attributable to unitholders	<b>519,028,737</b>	(732,905,760)
<b>At the end of financial year</b>	<b>1,306,388,812</b>	787,360,075
<b>Units in issue</b> (see note 8)	<b>597,014,367</b>	559,626,665
<b>Net asset attributable to unitholders per unit</b>	<b>2.188</b>	1.407

Reconciliation of "Net assets attributable to unitholders per unit for issuing/redeeming units" at financial year end and the "Net assets attributable to unitholders per unit per the financial statements":

	<b>Acorns of Asia Balanced Fund</b>	
	<b>2009</b>	2008
	<b>S\$</b>	S\$
Net assets attributable to unitholders per unit for issuing/redeeming units	<b>2.194</b>	1.412
Effect of adopting bid prices as fair value	<b>(0.006)</b>	(0.005)
Net assets attributable to unitholders per unit per the financial statements	<b>2.188</b>	1.407

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 7. Net assets attributable to unitholders (continued)

	<b>Singapore Bond Fund</b>	
	<b>2009</b>	2008
	<b>S\$</b>	S\$
<b>At the beginning of financial year</b>	<b>512,009,592</b>	581,991,215
<b>Operations</b>		
Change in net assets attributable to unitholders resulting from operations	<b>66,526,833</b>	(54,547,382)
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	<b>54,192,577</b>	433,890,031
Cancellation of units	<b>(49,523,625)</b>	(449,324,272)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	<b>4,668,952</b>	(15,434,241)
Total increase/(decrease) in net assets attributable to unitholders	<b>71,195,785</b>	(69,981,623)
<b>At the end of financial year</b>	<b>583,205,377</b>	512,009,592
<b>Units in issue (see note 8)</b>	<b>421,129,098</b>	418,191,188
<b>Net asset attributable to unitholders per unit</b>	<b>1.385</b>	1.224

Reconciliation of "Net assets attributable to unitholders per unit for issuing/redeeming units" at financial year end and the "Net assets attributable to unitholders per unit per the financial statements":

	<b>Singapore Bond Fund</b>	
	<b>2009</b>	2008
	<b>S\$</b>	S\$
Net assets attributable to unitholders per unit for issuing/redeeming units	<b>1.386</b>	1.225
Effect of adopting bid prices as fair value	<b>(0.001)</b>	(0.001)
Net assets attributable to unitholders per unit per the financial statements	<b>1.385</b>	1.224

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 8. Units in issue

	<b>Acorns of Asia Balanced Fund</b>	
	<b>2009</b>	2008
Units at beginning of financial year	<b>559,626,665</b>	596,955,499
Units created	<b>74,154,078</b>	199,976,579
Units cancelled	<b>(36,766,376)</b>	(237,305,413)
Units at end of financial year	<b>597,014,367</b>	559,626,665

  

	<b>Singapore Bond Fund</b>	
	<b>2009</b>	2008
Units at beginning of financial year	<b>418,191,189</b>	433,389,198
Units created	<b>42,169,517</b>	326,540,057
Units cancelled	<b>(39,231,608)</b>	(341,738,066)
Units at end of financial year	<b>421,129,098</b>	418,191,189

### 9. Related party disclosures

- (a) As at 31 December 2009, the Manager and Trustee of AIG International Funds are PineBridge Investments Singapore Limited and Citicorp Trustee (Singapore) Limited, a subsidiary 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.

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 9. Related party disclosures (continued)

(b) As at 31 December 2009 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)

	<b>Acorns of Asia Balanced Fund</b>	
	<b>2009</b>	2008
	<b>S\$</b>	S\$
Income derived/(expenses incurred) for the financial year		
- Current account	<b>12,815</b>	30,544
- Bank charges	<b>(1,426)</b>	(1,738)

	<b>Singapore Bond Fund</b>	
	<b>2009</b>	2008
	<b>S\$</b>	S\$
Income derived/(expenses incurred) for the financial year		
- Current account	-	905
- Bank charges	<b>(735)</b>	(2,913)

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

	<b>Acorns of Asia Balanced Fund</b>	
	<b>2009</b>	2008
	<b>S\$</b>	S\$
Balance at end of the financial year		
- Current account	<b>6,681,860</b>	6,911,028

  

	<b>Singapore Bond Fund</b>	
	<b>2009</b>	2008
	<b>S\$</b>	S\$
Balance at end of the financial year		
- Current account	<b>2,235,741</b>	946,209

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 10. Financial risk management

The investments held by each sub-fund are subject to market price risk, interest rate risk, credit risk, liquidity risk and currency risk. The sub-funds' overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise the potential adverse effects on performance.

Specific guidelines on exposures to individual securities, single entity, groups of related companies and certain industries are in place at any time for each sub-fund as part of the overall financial risk management to reduce their risk exposures.

The sub-funds' assets consist primarily of financial instruments such as equity investments, fixed income (including hybrid) investments, money market investments, fixed deposits and cash in accordance with the sub-funds' stated investment objectives. The allocation of assets among the various types of investments is determined by the Manager so as to achieve the sub-funds' investment objectives.

#### (a) Market risk

Market risk is the risk of loss from uncertainties and fluctuations in the market prices of financial instruments due to changes in interest rates, credit spreads, exchange rates and other indirect factors such as volatility and correlations. Each sub-fund's investments are substantially dependent on changes in market prices and are monitored by the Manager on a regular basis so as to assess changes in fundamentals and valuation. Although the Manager makes reasonable efforts in the choice of investments, events beyond reasonable control of the Manager could affect the prices of the underlying investments and hence the asset value of the sub-funds.

Each sub-fund distinguishes the following components of market risk:

- Price risk
- Interest rate risk
- Currency risk

#### (i) *Price risk*

The portfolio managers of each sub-fund, together with in-house analysts are engaged in research activity and a range of internal and external formal and informal meetings and discussions, the purpose of which is to identify, analyse and mitigate market risks. Internal meetings focus on the review and outlook of macro-economic fundamentals, interest rates, fixed income, equity and currency markets and asset allocation. These meetings are held on a periodic basis ranging from weekly to monthly. Stock and sector allocations for equities are constantly monitored to determine whether any of the evaluated factors have changed or if an individual stock has hit valuation targets. If valuation targets are achieved and fair values are met, then the investment criteria will be re-examined to ascertain whether or not the security has met evaluation criteria (used to make and buy and sell decision) and should be exited.

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 10. Financial risk management (continued)

(a) Market risk (continued)

(i) *Price risk* (continued)

The sub-funds do not attempt to track a particular benchmark. Benchmark comparisons are carried out for performance measurement and illustrative purposes only, as there are considerable differences between the sub-funds' investment objectives and their respective benchmarks. This is due to the lack of suitable benchmarks which are similar to the sub-funds' investments objectives.

While the benchmark of the equities component of the Acorns of Asia Balanced sub-fund is the MSCI AC FE ex Japan DTR Net Index whose constituents are stocks with certain minimum levels of market capitalisation, the sub-fund invests in stocks of growth companies with lower levels of market capitalisation but with the potential to grow into large companies. Hence, there would be considerable differences between the equities holdings in the sub-fund compared to the components of its equity benchmark.

As of 31 December 2009, the historical 1-year beta for Acorns of Asia Balanced sub-fund (for equities and REITS only) is estimated to be 0.89 (2008: 1.22). The benchmark for equities portion is MSCI AC FE ex Japan DTR Net.

The table below summarises the impact of increases/decreases from the sub-fund's underlying investments in equities and REITS on the sub-fund's net asset attributable to unitholders as at 31 December 2009 and 2008. The analysis is based on the assumption that the estimated 1-year beta of 0.89 (2008: 1.22) is applied to the closing net asset values for every 5% movement in the underlying benchmark index.

Fund	Benchmark component	Impact of 5% (2008: 5%) increase in benchmark on net assets attributable to unitholders	
		31 Dec 2009 S\$m	31 Dec 2008 S\$m
<b>Acorns of Asia</b>			
<b>Balanced Fund</b>	MSCI AC FE ex Japan DTR Net	<b>41.17</b>	27.47

The market prices of the debt securities held by the sub-funds are highly affected by the volatility of the interest rate and credit spread movements as the sub-funds debt securities investments are primarily in bonds issued by corporations, both Singapore and non-Singapore. Consequently, no separate price risk sensitivity analysis is prepared for the debt securities component of the Acorns of Asia Balanced sub-fund and the Singapore Bond sub-fund, as this is covered as part of interest risk and credit risk sensitivity analyses.

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 10. Financial risk management (continued)

(a) Market risk (continued)

(ii) *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in changes in market interest rates. As each sub-fund invests in debt securities whose values are driven by changes in interest rates, each sub-fund is subject to interest rate (duration) risk. When interest rates rise, the price of previously acquired debt securities will normally fall because new debt securities acquired will pay higher rate of interest, and vice-versa. Interest rate risks are managed by the portfolio managers utilising the output of an internal Duration Committee. The Committee uses a systematic framework to take into account fundamental, valuation and technical influences on interest rates. This framework is used as the basis for discussion of interest rate risk and qualitative conclusions. The output from this Committee is used as an input by portfolio managers in managing the interest rate risk of fixed income holdings. The fast moving nature of markets necessitates that portfolio managers be authorised to initiate fixed income trades within the stated investment objectives and guidelines of each sub-fund, with discretion to manage the day-to-day duration risk.

The tables below summarise the sub-funds' exposures to interest rate risks.

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 10. Financial risk management (continued)

(a) Market risk (continued)

(ii) *Interest rate risk* (continued)

#### Acorns of Asia Balanced Fund:

	Variable rates S\$	Fixed Rates S\$	Non-interest bearing S\$	Total S\$
<b>As at 31 Dec 2009</b>				
<b>Assets</b>				
Investments	-	270,014,986	975,827,235	1,245,842,221
Receivables	-	-	1,082,452	1,082,452
Cash and bank balances	6,681,860	-	-	6,681,860
Fixed deposits with financial institutions	-	55,495,861	-	55,495,861
<b>Total assets</b>	<b>6,681,860</b>	<b>325,510,847</b>	<b>976,909,687</b>	<b>1,309,102,394</b>
<b>Liabilities</b>				
Payables	-	-	2,704,708	2,704,708
Financial derivatives, at fair value	-	-	8,874	8,874
Net assets attributable to unitholders	-	-	1,306,388,812	1,306,388,812
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>1,309,102,394</b>	<b>1,309,102,394</b>
<b>As at 31 Dec 2008</b>				
<b>Assets</b>				
Investments	-	271,011,132	498,026,108	769,037,240
Receivables	-	-	528,707	528,707
Cash and bank balances	6,911,028	-	-	6,911,028
Fixed deposits with financial institutions	-	12,625,261	-	12,625,261
Financial derivatives, at fair value	-	-	720,669	720,669
<b>Total assets</b>	<b>6,911,028</b>	<b>283,636,393</b>	<b>499,275,484</b>	<b>789,822,905</b>
<b>Liabilities</b>				
Payables	-	-	2,462,830	2,462,830
Net assets attributable to unitholders	-	-	787,360,075	787,360,075
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>789,822,905</b>	<b>789,822,905</b>

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 10. Financial risk management (continued)

(a) Market risk (continued)

(ii) *Interest rate risk* (continued)

#### Singapore Bond Fund:

	Variable rates S\$	Fixed Rates S\$	Non-interest bearing S\$	Total S\$
<b>As at 31 Dec 2009</b>				
<b>Assets</b>				
Investments	-	381,471,752	133,410,026	514,881,778
Receivables	-	-	5,618,636	5,618,636
Cash and bank balances	2,235,741	-	-	2,235,741
Fixed deposits with financial institutions	-	61,438,943	-	61,438,943
<b>Total assets</b>	<b>2,235,741</b>	<b>442,910,695</b>	<b>139,028,662</b>	<b>584,175,098</b>

#### Liabilities

Payables	-	-	949,386	949,386
Financial derivatives, at fair value	-	-	20,335	20,335
Net assets attributable to unitholders	-	-	583,205,377	583,205,377
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>584,175,098</b>	<b>584,175,098</b>

#### As at 31 Dec 2008

#### Assets

Investments	-	367,583,883	102,056,524	469,640,407
Receivables	-	-	456,647	456,647
Cash and bank balances	946,209	-	-	946,209
Fixed deposits with financial institutions	-	40,825,578	-	40,825,578
Financial derivatives, at fair value	-	-	1,140,849	1,140,849
<b>Total assets</b>	<b>946,209</b>	<b>408,409,461</b>	<b>103,654,020</b>	<b>513,009,690</b>

#### Liabilities

Payables	-	-	1,000,098	1,000,098
Net assets attributable to unitholders	-	-	512,009,592	512,009,592
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>513,009,690</b>	<b>513,009,690</b>

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 10. Financial risk management (continued)

(a) Market risk (continued)

(ii) *Interest rate risk* (continued)

<u>Fund</u>	<b>Impact of 50 bps (2008: 50bps) decrease in interest rates on net assets attributable to unitholders</b>	
	<b>31 Dec 2009</b>	31 Dec 2008
	<b>S\$m</b>	S\$m
Acorns of Asia Balanced Fund	<b>6.94</b>	7.39
Singapore Bond Fund	<b>8.71</b>	9.80

(iii) *Currency risk*

Each sub-fund invests in securities denominated in currencies other than Singapore Dollar and may be affected favourably or unfavourably by movements in the exchange rate between the Singapore Dollar and the foreign currencies. The sub-funds may enter into forward foreign currency contracts to hedge some or all of these currency exposure.

The following sets out the total exposure to foreign currencies for the sub-funds:

#### **Acorns of Asia Balanced Fund as at 31 December 2009:**

<b>Currency</b>	<b>Gross</b>	<b>Hedges</b>	<b>Net</b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
HKD	347,584,481	–	347,584,481
IDR	93,676,284	–	93,676,284
KRW	161,081,340	–	161,081,340
MYR	22,632,028	–	22,632,028
PHP	8,598,598	–	8,598,598
THB	24,444,954	–	24,444,954
TWD	179,979,773	–	179,979,773
USD	6,296,023	(2,781,105)	3,514,918
	<b>844,293,481</b>	<b>(2,781,105)</b>	<b>841,512,376</b>

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 10. Financial risk management (continued)

(a) Market risk (continued)

(iii) *Currency risk* (continued)

Acorns of Asia Balanced Fund as at 31 December 2008:

<b>Currency</b>	<b>Gross S\$</b>	<b>Hedges S\$</b>	<b>Net S\$</b>
HKD	159,955,098	-	159,955,098
IDR	40,870,436	-	40,870,436
KRW	103,514,287	-	103,514,287
MYR	20,330,870	-	20,330,870
PHP	10,261,526	-	10,261,526
THB	17,249,116	-	17,249,116
TWD	68,484,455	-	68,484,455
USD	6,291,193	(13,084,625)	(6,793,432)
	<b>426,956,981</b>	<b>(13,084,625)</b>	<b>413,872,356</b>

Singapore Bond Fund as at 31 December 2009:

<b>Currency</b>	<b>Gross S\$</b>	<b>Hedges S\$</b>	<b>Net S\$</b>
MYR	419,680	-	419,680
USD	12,241,155	(6,372,783)	5,868,372
	<b>12,660,835</b>	<b>(6,372,783)</b>	<b>6,288,052</b>

Singapore Bond Fund as at 31 December 2008:

<b>Currency</b>	<b>Gross S\$</b>	<b>Hedges S\$</b>	<b>Net S\$</b>
MYR	357,758	-	357,758
USD	10,717,692	(20,713,524)	(9,995,832)
	<b>11,075,450</b>	<b>(20,713,524)</b>	<b>(9,638,074)</b>

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 10. Financial risk management (continued)

(a) Market risk (continued)

(iii) *Currency risk* (continued)

The following table shows the sub-funds' sensitivity to foreign currency exposure should those currencies increase or decrease by 1% against the Singapore Dollar with all other variables held constant

Sub-Fund	Currency	Impact of 1% (2008: 1%) increase in foreign currency exchange rates against Singapore Dollar on net assets attributable to unitholders	
		31 Dec 2009 S\$	31 Dec 2008 S\$
<b>Acoms of Asia Balanced Fund</b>	HKD	3,475,845	1,599,551
	IDR	936,763	408,704
	KRW	1,610,813	1,035,143
	MYR	226,320	203,309
	PHP	85,986	102,615
	THB	244,450	172,491
	TWD	1,799,798	684,845
	USD	35,149	(67,934)
<b>Singapore Bond Fund</b>	MYR	4,197	3,578
	USD	58,684	(99,958)

(b) Credit risk

Credit risk is the risk that one party to a financial instrument or transaction will cause a financial loss for the other party by failing to discharge an obligation when it falls due. This includes issuer (or investment) risk and counterparty risk. Issuer risks involve the loss of principal if the issuer of debt securities defaults on their payment obligation. Issuer risks also arise from the widening of credit spread on debt securities which results in a decline in the price of the securities. The impact of a 50 basis points widening/narrowing in credit spreads on all the fixed income securities held by the sub-funds is the same as the impact of a 50 basis points increase/decrease in interest rates shown in Note 10(a)(ii).

Counterparty risk involves the risk of non-performance of a counterparty in a transaction resulting in the inability to complete the transaction which may result in a loss.

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 10. Financial risk management (continued)

#### (b) Credit risk (continued)

Each sub-fund invests in debt securities and is subject to issuer risks. Substantial research tools are available to the portfolio managers for use in the management of credit risk. These include an internal proprietary Credit Risk System (CRS), which provides individual company and industry research done by a team of in-house credit analysts, internal credit risk ratings, external ratings agencies' credit risk ratings, rating agency reports, purchased research databases and other advanced credit risks management tools. Issuer risk for each sub-fund is also mitigated by the following limits:

- exposure to debt securities issued by any single issuer cannot exceed 10% of each sub-funds' assets
- exposure to debt securities issued by any one group of companies cannot exceed 20% of each sub-funds' assets
- debt securities issued by non-Singapore entities which are rated non-investment grade cannot exceed 5% of each sub-funds' assets

Counterparty risk is managed by the following:

- transactions can be executed with only brokers included in the internal approved broker list. The list is updated on a quarterly basis or more frequently if circumstances demand it.
- all trades with counterparties are executed on Delivery Versus Payment basis. This is a securities industry procedure in which the buyers' payment for securities is due upon delivery of securities.

The sub-funds do not engage in securities lending.

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 10. Financial risk management (continued)

#### (b) Credit risk (continued)

The table below analyses the credit ratings of the debt securities held by the sub-funds.

<b>S&amp;P or Moody's Rating of debt securities credit ratings as at 31 December 2009</b>							
S&P	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	Below BBB-	Not rated	
Moody's	Aaa	Aa1 to Aa3	A1 to A3	Baa1to Baa3	Below Baa3	Not rated	Total
<b>Acorns of Asia Balanced Fund</b>							
- SGD millions	20.27	2.04	110.00	16.74	1.34	119.62	270.01
- % of portfolio	1.56	0.16	8.42	1.28	0.11	9.16	20.69
<b>Singapore Bond Fund</b>							
- SGD millions	36.23	6.97	131.39	35.34	2.68	168.87	381.48
- % of portfolio	6.21	1.20	22.53	6.06	0.46	28.96	65.42
<b>S&amp;P or Moody's Rating of debt securities credit ratings as at 31 December 2008</b>							
S&P	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	Below BBB-	Not rated	
Moody's	Aaa	Aa1 to Aa3	A1 to A3	Baa1to Baa3	Below Baa3	Not rated	Total
<b>Acorns of Asia Balanced Fund</b>							
- SGD millions	49.89	10.05	98.53	12.62	2.24	97.68	271.01
- % of portfolio	6.34	1.28	12.51	1.60	0.29	12.41	34.42
<b>Singapore Bond Fund</b>							
- SGD millions	89.89	24.24	112.33	27.97	2.83	110.32	367.58
- % of portfolio	17.56	4.73	21.94	5.46	0.55	21.55	71.79

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 10. Financial risk management (continued)

#### (b) Credit risk (continued)

The table below shows the credit ratings of financial institutions which the sub-funds place fixed deposits and hold cash bank accounts with.

	Amounts placed with financial institutions as at 31 December 2009	Credit rating as at 31 December 2009
	S\$m	
<b>Acorns of Asia Balanced Fund</b>		
- ABN Amro	29.2	A+
- Citigroup	20.8	A+
- OCBC	12.2	A+
<b>Singapore Bond Fund</b>		
- ABN Amro	27.4	A+
- Citigroup	29.7	A+
- OCBC	6.6	A+

  

	Amounts placed with financial institutions as at 31 December 2008	Credit rating as at 31 December 2008
	S\$m	
<b>Acorns of Asia Balanced Fund</b>		
- ABN Amro	12.6	A+
- Citigroup	6.8	A+
<b>Singapore Bond Fund</b>		
- ABN Amro	13.0	A+
- Citigroup	1.0	A+
- OCBC	27.8	A+

As at 31 December 2009, all deposits with banks licensed in Singapore are guaranteed by the Singapore Government, which is rated "AAA", until 31 December 2010.

Citibank N.A., Singapore Branch is the custodian of the 2 sub-funds and was rated "A+" as at 31 December 2009.

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 10. Financial risk management (continued)

#### (c) Liquidity risk

Liquidity risk is the risk that a sub-fund will encounter difficulty in selling any of its investments in order to settle a liability including a redemption request. The sub-funds are exposed to daily cash redemption of units. Liquidity risk is mitigated by investing in debt issues which are at least SGD100 million in size, restricting exposure to any one single debt issue to a maximum of 10% of issue size and ensuring that the sub-funds invest a significant portion of assets in investments that can be traded in the market and maintaining a prudent level of cash and short-term securities that can be utilised to meet redemptions when needed.

The sub-funds' holdings of assets which can be converted to cash without any difficulties are as follows:

	<b>Cash and short-term fixed deposits</b>	<b>Singapore Government Securities</b>	<b>Corporate bonds maturing within 12 months</b>
	<b>S\$m</b>	<b>S\$m</b>	<b>S\$m</b>
<b>Acorns of Asia Balanced Fund</b>			
- 31 December 2009	62.18	20.27	18.73
- 31 December 2008	19.54	39.76	34.41
<b>Singapore Bond Fund</b>			
- 31 December 2009	63.68	36.23	63.62
- 31 December 2008	41.77	69.16	20.71

Payables, which comprise of amounts due to unitholders for cancellation of units and accrued expenses, are due within 3 months from the balance sheet date.

#### (d) Capital management

The sub-funds' capital is represented by the net assets attributable to unitholders. The sub-funds strive to invest the subscriptions of redeemable participating units in investments that meet the sub-funds' investment objectives while maintaining sufficient liquidity to meet unitholder redemptions.

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 10. Financial risk management (continued)

#### (e) Fair value measurement

Effective 1 January 2009 the sub-funds adopted the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (ie derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table analyses within the fair value hierarchy the sub-funds' financial assets and liabilities (by class) measured at fair value:

#### Acorns of Asia Balanced Fund as at 31 December 2009:

<b>Assets measured at fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
Investments:				
- Equity securities	868,733,206	-	-	868,733,206
- Debt securities	-	270,014,986	-	270,014,986
- Others	107,094,029	-	-	107,094,029
	<b>975,827,235</b>	<b>270,014,986</b>	<b>-</b>	<b>1,245,842,221</b>
<b>Liabilities measured at fair value</b>				
Financial derivatives, at fair value	-	8,874	-	8,874
	<b>-</b>	<b>8,874</b>	<b>-</b>	<b>8,874</b>

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 10. Financial risk management (continued)

(e) Fair value measurement (continued)

#### Singapore Bond Fund as at 31 December 2009:

Assets measured at fair value	Level 1	Level 2	Level 3	Total
	S\$	S\$	S\$	S\$
Investments:				
- Debt securities	-	381,471,752	-	381,471,752
- Others	133,410,026	-	-	133,410,026
	<b>133,410,026</b>	<b>381,471,752</b>	-	<b>514,881,778</b>
<b>Liabilities measured at fair value</b>				
Financial derivatives, at fair value	-	20,335	-	20,335
	-	<b>20,335</b>	-	<b>20,335</b>

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include active listed equities and preference shares. The sub-funds do not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include debt securities, corporate bonds and foreign exchange forward contracts.

The sub-funds do not engage in Level 3 investments.

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the financial year ended 31 December 2009

### 11. Financial ratios

	<b>Acorns of Asia Balanced Fund</b>	
	<b>2009</b>	2008
	<b>%</b>	%
Expense ratio <sup>1</sup>	<b>1.73</b>	1.65
Portfolio turnover ratio <sup>2</sup>	<b>74.72</b>	68.21

  

	<b>Singapore Bond Fund</b>	
	<b>2009</b>	2008
	<b>%</b>	%
Expense ratio <sup>1</sup>	<b>1.15</b>	1.14
Portfolio turnover ratio <sup>2</sup>	<b>31.86</b>	36.47

<sup>1</sup> Expense ratio as at 31 December 2009 and 2008 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.

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

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PineBridge Investments Singapore Limited  
(formally known as AIG Global Investment Corporation  
(Singapore) Ltd.)  
1 Robinson Road, AIA Tower #12-02  
Singapore 048542  
Co. Reg. No. 199602054E