

# AIG International Funds



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## SEMI-ANNUAL REPORT

(For the period 1 January 2008 - 30 June 2008)

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## UNAUDITED FINANCIAL STATEMENTS

(For the six-month period ended 30 June 2008)



# PART I CONTENTS

PAGE

## BOND FUNDS

AIG International Funds – Singapore Bond Fund 2

## BALANCED FUNDS

AIG International Funds – Acorns of Asia Balanced Fund 6

- *Please note that all figures shown in this report are as of 30 June 2008 unless otherwise stated.*

# AIIG International Funds – Singapore Bond Fund

## Fund Manager's Review

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### Portfolio Performance

For the first-half of 2008, the AIIGIF Singapore Bond Fund (the "Fund") registered a return of -2.60% (bid-to-bid basis) and -5.52% (bid-to-offer basis, ie net of sales charges), lagging behind its benchmark, the JP Morgan Singapore Government Bond Index (All Sectors) which recorded a return of -1.29%.

### Asset Class Overview

Global bonds faced a challenging first half with credit spreads widening substantially while government bonds had to contend with inflationary pressures. Financial markets were spooked by concerns that the continuous decline in US house prices, rising foreclosures, additional write-downs by financial institutions and contraction in bank credit would lead to a downward spiral. The deterioration in credit and liquidity conditions led the US Fed to cut rates aggressively. The Fed unexpectedly cut its target rate by a large 75 basis points on 22 Jan, before its next scheduled meeting. This was followed by three more rate cuts totalling 150 basis points, bringing the target rate to 2% by end June. Doubts over the soundness of US financial institutions were raised when Bear Stearns was taken over by JP Morgan Chase with help from the Fed, at a massive discount to Bear Stearns' stated NAV. Heightened risk aversion, recessionary fears and aggressive Fed rate cuts led to strong demand for US Treasuries (UST). The yield on the 10-year UST Note fell to the year's low of 3.3% in mid-March from last year's close of 4.02%. However, UST yields rebounded in the second quarter on inflation fears, to a high of almost 4.3% before easing to close the first half at 4%. Weakness in the US economy, which is on the brink of recession, mitigated the spike in yields.

In Singapore, government bond yields were driven by the general direction of US interest rates and inflationary concerns, while corporate

bond spreads were driven by credit events in the US. As in the region, domestic inflation continued to climb, pressured by high crude oil, commodities and food prices and a low unemployment rate. From 4.4% in Dec 2007, the CPI surged to 6.6% in Jan and climbed further to a 26-year high of 7.5% for each of the 3 months in the second quarter. A strong currency stance by the local central bank to mitigate inflationary pressures and a weak USD resulted in a strong SGD, drawing strong capital inflows and keeping short-term rates low. The one-month interbank rate fell sharply from about 2% as at end 2007 to a low of 0.8% in April. Aggressive US Fed rate cuts, decline in UST yields, strong domestic liquidity, low short-term rates and global risk aversion provided strong buying support for Singapore Government Securities (SGS), driving the 10-year SGS yield down to a low of about 2% in mid-March from 2.7% as at end Dec 2007. However, the confluence of inflation fears, rising UST yields in the second quarter and weak results of a re-opening of a government bond issue led to a sharp sell-off in the SGS market. The 10-year SGS yield surged to almost 4% before easing to close the first half at 3.6% for a rise of 0.9%. Corporate bond spreads were driven by credit events in the US, with spreads widening significantly in the first quarter on worsening of the US credit crisis and doubts over the soundness of US financial institutions. Although efforts by the Fed and the government to contain the crisis and successful capital raising by financial institutions led to partial recovery in credit markets, credit spreads ended the half year wider than last year's closing levels.

### Fund Review

In the earlier part of the year, the Fund had adopted a cautious stance by maintaining a relatively high level of cash based on the view that the low level of bond yields in an inflationary environment would be unsustainable. The Fund reduced cash holdings in the second quarter by participating in the re-opening of the 10-year benchmark SGS auction and two

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

primary issues by Standard Chartered and DBS Bank. The Fund also participated in a number of USD-denominated primary issues most of which performed well in the secondary market. Most of these have been sold to lock in profits. Although the Fund's prudent cash positioning provided cushion against the rise in bond yields, the resumption of spread widening in the second quarter especially in the financial sector and the equities market downturn adversely affected the Fund's holdings of corporate bonds, especially those in the financial sector, and REITs. Even with the sharp correction in prices, the Fund's selective holdings of REITs, whose fundamentals remain sound, have added to Fund performance over the longer horizon.

## Outlook

With the US housing market downturn showing no signs of bottoming, the near term outlook for the region's financial markets remains uncertain at the time of writing. The US credit crisis which stem from the most severe housing downturn in decades will continue to dominate investors' concerns. Markets will also have to contend with inflationary risks. Central banks are faced with the dilemma of the need for tighter monetary policy to combat inflation in the face of slowing economic growth. Credit spreads are expected to remain wide until there are signs of a bottoming of the US housing downturn. Taking a longer-term perspective, the Fund will continue to judiciously add to positions, mindful that markets will remain volatile in the near term. We would also like to take this opportunity to record our deep appreciation to our unit-holders for their support of the Fund.

## Asset Allocation

### By Country

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

### By Industry

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

### By Asset Class

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

Credit Rating (By Moody's)	Fair Value (S\$'000)	% of Fixed Income Instruments
A1	18,646	4.19
A3	55,965	12.60
Aa1	7,631	1.72
Aa2	62,233	14.01
Aa3	29,025	6.54
Aaa	114,969	25.86
B2	1,207	0.27
Ba2	1,326	0.30
Baa1	6,095	1.37
Baa2	18,267	4.11
NR	128,723	29.03

Source: AIG Global Investment Corporation (Singapore) Ltd.

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

Top 10 Holdings (as at 30 June 2008)		
	Fair Value (S\$'000)	%
DBS Cap Funding 5.75% 29 May 2049	39,420	6.06
Standard Chartered 5.25% 10 Apr 2023	38,011	5.85
Singapore Govt Bond 4% 01 Sep 2018	36,686	5.64
OCBC 3.78% 28 Nov 2017	19,226	2.96
Capitamall Trust	19,197	2.95
Morgan Stanley 4% 23 Oct 2017	16,248	2.50
HSBC 3.18% 24 Nov 2008	15,144	2.33
DBS Bank 4.47% 15 Jul 2021	15,127	2.33
Ascendas Real Estate Investment Trust	14,754	2.27
Capitaland Treasury Ltd 4.35% 31 Oct 2019	13,797	2.12

Source: AIG Global Investment Corporation (Singapore) Ltd.

10 Holdings (as at 30 June 2007)		
	Fair Value (S\$'000)	%
CapitaMall Trust	24,759	4.58
Ascendas Real Estate Investment Trust	19,627	3.63
DBS Bank 4.47% 15 Jul 2021	17,465	3.23
HSBC Singapore 3.18% 24 Nov 2008	15,090	2.79
Queensley Hldgs Ltd 4.5% 05 Dec 2009	13,170	2.43
Singapore Govt Bond 3.625% 01 Jul 2014	12,820	2.37
ABN Amro Bank 0% 11 Jul 2007	11,990	2.22
DBS Group Hldgs 6% Non Cum Prf Shs	11,743	2.17
Singapore Govt Bond 3.75% 01 Sep 2016	10,838	2.00
Swedbank 3.445% 28 Feb 2008	10,683	1.97

Source : AIG Global Investment Corporation (Singapore) Ltd

## Exposure to derivatives

	S\$	%
Fair value of derivative contracts	25,924.30	0.00
Net gain/(loss) on derivative contracts realised for the period 01 Jan to 30 Jun 2008	1,561,830.86	N/A
Net gain/(loss) on outstanding contracts marked to market	25,924.30	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 2008 – 30 June 2008

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

## Amount of related-party transactions

Please refer to the Notes to the Financial Statements.

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

## Performance of fund and benchmark

Period	Fund Performance	JP Morgan Sing Govt Bond Index
3-month	-1.94%	-4.06%
6-month	-2.60%	-1.29%
1-year	-4.44%	1.20%
3-year <sup>^</sup>	1.90%	2.12%
5-year <sup>^</sup>	3.59%	2.00%
Since Inception (26.03.02) <sup>^</sup>	4.43%	3.46%

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

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

<sup>^</sup>Annualised returns

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

Please refer to the Notes to the Financial Statements.

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

## Turnover Ratios

Please refer to the Notes to the Financial Statements.

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

## Soft Dollars

Not applicable.

# AIG International Funds - Acorns of Asia Balanced Fund

## Fund Manager's Review

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### Overview

The Asia ex Japan (AeJ) region, represented by the MSCI Far East Free ex Japan benchmark, suffered a fall of 22.9% (in Singapore Dollar terms) during the first-half of the year. This was the region's worst stock-market performance for the period since 1992, when there was a similar sharp decline of more than 20% against a backdrop of a deflating asset bubble in Japan. Fixed income markets in Asia also had to endure a challenging first-half. Corporate bonds had to contend with the US credit crisis while government bond yields rose on inflation fears.

This slump came amidst a very difficult period for financial markets globally. Indeed, both equities and bonds in the United States have fallen in tandem for only the sixth time since the savings & loans crisis of the 1990s.

Ironically, this is against a backdrop of a global economy that is still showing signs of robustness. Indeed, the International Monetary Fund (IMF), in its recently published "World Economic Outlook" report, actually raised its forecast for global growth to 4.1% for 2008, compared to an earlier assessment of 3.7% that it projected in April. It was of the opinion that the slowdown linked to tightening credit conditions in the first-quarter of this year was less severe than anticipated.

Nonetheless, the underlying fear in markets has centred on the onset of stagflation as we head into 2009 – stagnating economic growth in an environment of heightening inflation. Concerns about the latter have been triggered by sharp rises in food and energy prices. As an illustration, a gauge of 19 commodities via the Reuters/Jefferies CRB Index showed a 49% climb in the past year, exceeding the record 48% annual gain in 1973.

With the view that central banks would have no leeway but to hike interest rates to contain such inflationary pressures, this has led to concurrent worries about their impact on growth.

This unpalatable scenario has underpinned a very visible withdrawal of portfolio investment funds from the region. According to data provided by Citigroup Global Markets, the year-to-date net outflows have risen to about US\$13 billion.

Under these trying circumstances, the Acorns of Asia Balanced Fund (the "Fund") lost -18.41% (before upfront sales charges) and -20.86% (net of upfront sales charges) during the first-half of the year, compared to the composite benchmark's fall of -14.24%.

### Market Review

All markets in the region fell during the first-half of 2008, although to varying degrees. A key feature has been the volatile movements experienced by markets and its constituent sectors.

Overall, stock prices have exhibited a downward bias on account of worries about a possible recession in America and its impact on global growth, widening credit spreads, and the advent of inflationary pressures.

The sharpest declines among countries within AeJ have been registered by the Philippines (-41.5%) and China (-30.5%). The former has been grappling with rising food prices, specifically rice, on which there is significant import dependency. There have also been concerns about the budget deficit situation, and how government plans to raise debt funding might de-stabilize the local bond markets.

In China, with inflation running at its highest level in more than ten years, worries have abounded about a possible hard economic landing as the authorities have adopted a tighter monetary policy stance to contain price pressures. In

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

addition, investor sentiment has been unsettled by a series of natural disasters, including the recent earthquake in Sichuan.

Elsewhere, both Thailand and Taiwan actually achieved positive returns in the early part of the year. Investors in Taiwan initially responded to the emphatic electoral victory of the Kuomintang the general election held in March. This was seen as paving the way for normalizing and deepening economic ties with China, which would then benefit the domestic economy through encouraging cross-border investments. For Thailand, the lifting of official capital restrictions generated a short-term salutary effect. However, both countries subsequently succumbed to similar negative sentiment that has pervaded its regional counterparts (Thailand - 14.1%; Taiwan -11.1%).

Corporate bonds spreads globally widened in the first-half on fears that the continuing decline in US house prices, rising foreclosures, additional write-downs by major financial institutions and contraction in lending, would lead to a downward spiral. While government bonds fared relatively better than corporate bonds as a result of buying support from investors shifting into safe haven assets, government bond markets in the region were not spared from volatility due to surging inflation.

The Fund's performance during the first-half was hampered by the difficult market conditions, particularly via its equity exposure to China, the Philippines, Korea and Taiwan. Having a relatively ample level of cash afforded some protection, but was not sufficient to offset the downdraft in stock prices. In addition, the Fund's holdings of fixed income instruments were also affected by the general weak sentiment.

## **Outlook**

The immediate outlook for the region's financial markets remains murky at the time of writing. Consequently, sentiment swings among

investors should continue to feature.

Inflation continues to be a major risk in investors' mindset. For instance, consumer prices in Europe have recently accelerated at their fastest pace in more than 16 years. In the United States, the June consumer price index recorded an annual rise of 5%, the largest increase since 1991.

As highlighted earlier, in order to combat this, central banks globally will probably need to hike interest rates further, and such actions could lead to economies around the world experiencing reduced growth next year. In addition, for many emerging markets, including Asia's, where inflationary pressures are seen to be even stronger, the IMF believes tighter monetary policies have to be also complemented by less pro-growth fiscal measures.

Nervousness among investors will also not be alleviated by continual negative news relating to the troubled property sector in the United States. For instance, the most recent episode concerned the financial challenges faced by two key institutions, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). This pair constitutes the largest source of home financing in America, through either owning or guaranteeing around half of the US\$12 trillion in home loans outstanding. Their demise would have deepened the worst housing recession in nearly 25 years. Thus the authorities in the US have had to assemble a rescue plan to stem a loss of confidence in the two firms.

From a strategic perspective, this action is in keeping with the determination of central banks and governments globally to initiate measures to prevent a prolonged recession. This should provide a good prop for markets.

Similarly, the longer-run investment case for AeJ remains. The industrial transformation of China and India should continue to progress. China has already overtaken the United Kingdom's

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

as the world's fourth-biggest economy, and is poised to edge out Germany as the third largest by 2009. The growth of this duo will provide complementary benefits for the region.

To underline the trend, in a recent survey conducted by consultant KPMG International, which polled corporate investment strategists from more than 300 of the biggest multinational companies, China was expected to overtake the United States as the world's leading recipient of corporate investment in the next five years. It should also become the most influential country in information technology, industrial products and mining. As for India, it should see the largest growth in its share of foreign investment overall.

Demographically, the region also has the advantage of having a rising proportion of households with strong middle-class aspirations. The high savings rate (at an estimated 30% overall) also provides a potential platform for achieving a more sustainable economic expansion going forward through growth in domestic consumption. Countries in the region are also striving to make themselves more economically efficient through on-going infrastructure development and renewal, which will further underpin growth.

Thus, while more short-term negativity is expected for the regional markets, the fundamental underpinnings portend a positive longer-term outlook. We will continue to search for and evaluate opportunities that could benefit the portfolio in the event of any market turnaround. We would also like to take this opportunity to record our deep appreciation to our unit-holders for their support of the Fund.

## Asset Allocation

### By Country

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

### By Industry

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

### By Asset Class

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

Credit Rating (By Moody's)	Fair Value (S\$'000)	% of Fixed Income Instruments
A1	1,317	0.40
A3	41,122	12.45
Aa1	7,631	2.31
Aa2	46,068	13.95
Aa3	22,548	6.83
Aaa	90,651	27.43
B1	1,363	0.41
B2	722	0.22
Ba2	663	0.20
Baa1	3,386	1.02
Baa2	7,886	2.38
NR	106,968	32.40

Source : AIG Global Investment Corporation (Singapore) Ltd

### Top 10 Holdings (as at 30 June 2008)

	Fair Value (S\$'000)	%
DBS Cap Funding 5.75% 29 May 2049	32,366	2.43
Standard Chartered 5.25% 10 Apr 2023	32,163	2.41
PT United Tractors	24,964	1.87
Queensley Hldgs Ltd 4.5% 05 Dec 2009	24,136	1.81
PT Tambang Batubara Bukit Asam	21,268	1.59
Singapore Govt Bond 3.625% 01 Jul 2014	21,103	1.58
Singapore Govt Bond 3.75% 01 Sep 2016	20,781	1.56
PT Astro Agro Lestari	20,249	1.52
United Overseas Bank Ltd 4.1% 03 Sep 2019	19,325	1.45
Capitamall Trust	19,057	1.43

Source : AIG Global Investment Corporation (Singapore) Ltd.

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

## Top 10 Holdings (as at 30 June 2007)

	Fair Value (S\$'000)	%
CapitaMall Trust	24,759	1.89
Queensley Hldgs Ltd 4.5% 05 Dec 2009	24,314	1.85
Innolux Display Corporation	22,745	1.73
PT United Tractors	22,084	1.68
Ascendas Real Estate Investment Trust	21,879	1.67
Keppel Corp Ltd	21,771	1.66
Singapore Govt Bond 3.75% 01 Sep 2016	21,677	1.65
Singapore Govt Bond 3.625% 01 Jul 2014	21,366	1.63
UOB Ltd 4.1% 03 Sep 2019	20,909	1.59
Bank Mandiri	20,450	1.56

Source : AIG Global Investment Corporation (Singapore) Ltd.

## Exposure to derivatives

	S\$	%
Fair value of derivative contracts	16,475.97	0.00
Net gain/(loss) on derivative contracts realised for the period 01 Jan to 30 Jun 2008	1,109,756.57	N/A
Net gain/(loss) on outstanding contracts marked to market	16,475.97	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 2008 – 30 June 2008

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

## Amount of related-party transactions

Please refer to the Notes to the Financial Statements.

## Performance of fund and benchmark

Period	Fund Performance	60% MSCI All Country Far East Free Ex Japan (DTR Net) in SGD / 40% JP Morgan Sing Govt. Bond Index
3-month	-5.74%	-6.09%
6-month	-18.41%	-14.24%
1-year	-17.35%	-8.14%
3-year <sup>^</sup>	4.29%	7.87%
5-year <sup>^</sup>	11.89%	10.81%
Since Inception (01.10.01) <sup>^</sup>	11.52%	11.35%

Source: AIG Global Investment Corporation (Singapore) Ltd.

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

<sup>^</sup>Annualised returns

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

Please 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.

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

## **Turnover Ratios**

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Please refer to the Notes to the Financial Statements.

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

## **Soft Dollars**

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

# **AIG INTERNATIONAL FUNDS**

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

## **UNAUDITED FINANCIAL STATEMENTS**

*For the six-month period ended 30 June 2008*

## **AIG INTERNATIONAL FUNDS**

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

## **UNAUDITED FINANCIAL STATEMENTS**

*For the six-month period ended 30 June 2008*

# **PART II CONTENTS**

**PAGE**

**STATEMENTS OF TOTAL RETURN**

**13**

**BALANCE SHEETS**

**14**

**PORTFOLIO STATEMENTS**

**15**

**NOTES TO THE FINANCIAL STATEMENTS**

**35**

## AIG INTERNATIONAL FUNDS

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

# Statements Of Total Return

For the six-month period ended 30 June 2008

	Acorns of Asia Balanced Fund		Singapore Bond Fund	
	30 Jun 2008 S\$	30 Jun 2007 S\$	30 Jun 2008 S\$	30 Jun 2007 S\$
<b>Investment income</b>				
Dividends	13,588,601	13,204,787	2,117,934	1,416,358
Interest on deposits with banks	931,871	369,721	701,427	871,283
Other	255	766	231	-
	<b>14,520,727</b>	<b>13,575,274</b>	<b>2,819,592</b>	<b>2,287,641</b>
<b>Less: Expenses</b>				
Audit fee	34,912	4,396	13,378	3,012
Custody and related fees	359,566	184,952	35,885	20,435
Management fee	9,479,036	8,498,952	3,010,349	2,305,876
Registrar and related fees	27,361	25,943	14,656	11,193
Trustee fee	292,703	237,526	132,672	99,403
Other	879,184	560,618	305,925	187,686
	<b>11,072,762</b>	<b>9,512,387</b>	<b>3,512,866</b>	<b>2,627,605</b>
<b>Net income / (expenses)</b>	<b>3,447,965</b>	<b>4,062,887</b>	<b>(693,274)</b>	<b>(399,964)</b>
<b>Net gains or losses on value of investments</b>				
Net realised gains on investments	24,453,204	82,430,692	5,171,416	6,510,101
Net change in fair value on investments	(262,385,332)	116,912,934	(18,701,954)	14,094,295
Net realised gains/(losses) on forward foreign exchange contracts	1,109,756	(360,375)	1,561,831	(591,827)
Net change in fair value on forward foreign exchange contracts	(33,310)	51,562	(37,133)	101,485
Net foreign exchange gains/(losses)	(53,633,226)	1,277,300	(2,188,056)	88,708
<b>Net gains/(losses) on value of investments</b>	<b>(290,488,908)</b>	<b>200,312,113</b>	<b>(14,193,896)</b>	<b>20,202,762</b>
<b>Total return for the year before income tax</b>	<b>(287,040,943)</b>	<b>204,375,000</b>	<b>(14,887,170)</b>	<b>19,862,798</b>
<b>Less: Income tax</b>	<b>(1,512,896)</b>	<b>(1,774,397)</b>	<b>(226,374)</b>	<b>(264,619)</b>
<b>Total return for the year</b>	<b>(288,553,839)</b>	<b>202,600,603</b>	<b>(15,113,544)</b>	<b>19,598,179</b>

Notes

3

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

## AIG INTERNATIONAL FUNDS

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

### Balance Sheets

As at 30 June 2008

	Notes	Acorns of Asia Balanced Fund		Singapore Bond Fund	
		30 Jun 2008 S\$	31 Dec 2007 S\$	30 Jun 2008 S\$	31 Dec 2007 S\$
<b>ASSETS</b>					
Investments		<b>1,234,527,823</b>	1,300,953,440	<b>558,463,604</b>	459,220,160
Cash and bank balances	9	<b>35,668,486</b>	11,152,170	<b>261,062</b>	3,162,002
Fixed deposits with financial institutions		<b>68,428,432</b>	209,639,222	<b>102,609,292</b>	121,079,489
Receivables	4	<b>9,712,510</b>	9,545,661	<b>9,035,839</b>	4,008,627
Financial derivatives, at fair value	6	<b>16,476</b>	49,786	<b>25,924</b>	63,057
<b>Total assets</b>		<b>1,348,353,727</b>	1,531,340,279	<b>670,395,721</b>	587,533,335
<b>LIABILITIES</b>					
Payables	5	<b>14,253,612</b>	11,074,444	<b>20,360,037</b>	5,542,120
Net assets attributable to unitholders	7	<b>1,334,100,115</b>	1,520,265,835	<b>650,035,684</b>	581,991,215
<b>Total liabilities</b>		<b>1,348,353,727</b>	1,531,340,279	<b>670,395,721</b>	587,533,335

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

## AIG INTERNATIONAL FUNDS

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

# Portfolio Statements

As at 30 June 2008

Acorns of Asia Balanced Fund			
Holdings as at 30 Jun 2008	Fair value at 30 Jun 2008 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2008 %	
<b>By Geography (Primary)</b>			
<b>Quoted Equities</b>			
<b>China</b>			
Angang Steel Co Ltd	5,300,000	14,448,403	1.08
China Coal Energy Co Ltd	3,130,000	7,430,682	0.56
China Ground Source Energy Ltd	155,000,000	5,079,217	0.38
China Jin Hui Mining Corp Ltd	5,000,000	2,719,142	0.20
China Mengniu Dairy Co Ltd	3,880,000	14,878,585	1.12
China Petroleum & Chemical	5,000,000	6,353,379	0.48
China Railway Group Ltd	4,000,000	4,043,852	0.30
China Resources Land Ltd	3,400,000	6,364,883	0.48
China Shenhua Energy Co Ltd	1,900,000	10,100,914	0.76
China Telecom Corp Ltd	6,700,000	4,939,948	0.37
CNOOC Ltd	6,800,000	15,906,281	1.19
Cosco Holdings	2,798,000	9,285,854	0.70
Denway Motors Ltd	20,520,000	10,765,918	0.81
Hengan International Group Co Ltd	2,600,000	10,310,078	0.77
Lenovo Group Ltd	12,240,000	11,243,441	0.84
Mainland Headwear Holdings Ltd	5,500,000	1,044,952	0.08
Petrochina Co Ltd	4,750,000	8,345,673	0.63
Shanghai Jin Jiang International Hotel Co Ltd	16,138,000	4,894,476	0.37
Shenzhou International Group	6,000,000	2,175,313	0.16
Yanzhou Coal Mining Co Ltd	2,000,000	5,047,842	0.38
Zhuzhou Csr Times Elec Co Ltd	2,100,000	2,364,607	0.18
Zijin Mining Group Co Ltd	10,200,000	11,787,479	0.88
<b>Total China</b>		<b>169,530,919</b>	<b>12.72</b>
<b>Hong Kong</b>			
AAC Acoustic Technology Holdings Ltd	14,258,000	16,153,967	1.21
ASM Pacific Technology	645,000	6,616,273	0.50
Cheung Kong Infrastructure	2,200,000	12,654,466	0.95
Foxconn International Holdings Ltd	6,095,000	8,031,612	0.60
Hysan Development Co Ltd	2,371,000	8,823,414	0.66
Kingboard Chemical Holdings Ltd	1,000,000	6,274,942	0.47
<b>Total Hong Kong</b>		<b>58,554,674</b>	<b>4.39</b>

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 30 June 2008

Acorns of Asia Balanced Fund (continued)			
Holdings as at 30 Jun 2008	Fair value at 30 Jun 2008 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2008 %	
<b>By Geography (Primary)</b>			
<b>Quoted Equities</b>			
<b>Indonesia</b>			
PT Astra Agro Lestari	4,650,000	20,249,342	1.52
PT Bank Mandiri	33,250,000	12,739,884	0.95
PT Bumi Resources	14,500,000	17,521,945	1.31
PT Medco Energi International	22,000,000	15,318,808	1.15
PT Mitra Adiperkasa	21,000,000	1,578,301	0.12
PT Ramayana Lestari Sentosa	44,775,000	4,618,853	0.35
PT Tambang Batubara Bukit Asam	8,800,000	21,268,016	1.59
PT United Tractors	14,000,000	24,963,983	1.87
<b>Total Indonesia</b>		<b>118,259,132</b>	<b>8.86</b>
<b>Malaysia</b>			
Kuala Lumpur Kepong Bhd	900,000	6,591,793	0.49
Naim Cendera Holdings Bhd	3,950,000	5,753,253	0.43
SP Setia Bhd	2,060,000	2,520,362	0.19
Ta Ann Holdings Bhd	4,225,000	11,780,124	0.88
YTL Corporation Bhd	1,400,000	3,932,604	0.29
YTL Power International Bhd	4,650,000	3,521,865	0.26
YTL Power International Bhd – Warrant	1,550,000	383,793	0.03
<b>Total Malaysia</b>		<b>34,483,794</b>	<b>2.57</b>
<b>Philippines</b>			
Alliance Global Group Inc	60,000,000	5,358,751	0.40
Banco De Oro Unibank Inc	4,750,000	6,111,853	0.46
Filinvest Land Inc	144,955,000	3,028,117	0.23
First Gen Corporation	7,800,000	6,494,080	0.48
International Container Terminal Services Inc	6,625,000	5,916,955	0.44
<b>Total Philippines</b>		<b>26,909,756</b>	<b>2.01</b>

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 30 June 2008

Acorns of Asia Balanced Fund (continued)			
Holdings as at 30 Jun 2008	Fair value at 30 Jun 2008 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2008 %	
<b>By Geography (Primary)</b>			
<b>Quoted Equities</b>			
<b>Singapore</b>			
Jaya Holdings Ltd	4,000,000	6,360,000	0.48
Keppel Corporation Ltd	1,260,000	13,885,200	1.04
Unisteel Technology Ltd	2,750,000	5,197,500	0.39
<b>Total Singapore</b>		<b>25,442,700</b>	<b>1.91</b>
<b>South Korea</b>			
Cape Industries Ltd	200,000	5,224,252	0.39
Cheil Industries Inc	152,255	9,517,321	0.71
Daelim Industrial Co Ltd	46,500	6,405,557	0.48
Daishin Securities Co Ltd	150,000	4,347,046	0.33
Daishin Securities Co Ltd – Preference	215,000	2,710,243	0.20
Dongkuk Steel Mill Co Ltd	260,000	15,137,336	1.13
Doosan Heavy Industries & Construction	73,000	9,391,958	0.70
Doosan Infracore Co Ltd	240,000	9,372,465	0.70
GS Engineering & Construction Co Ltd	58,742	8,664,484	0.65
Hanwha Chemical Corp	244,200	3,665,437	0.27
Hyundai Department Store Co Ltd	65,000	7,087,179	0.53
Hyundai Development Co Ltd	45,800	3,089,093	0.23
Hyundai Engineering & Construction	50,000	4,509,491	0.34
Hyundai Heavy Industries	21,800	9,079,933	0.68
Hyundai Steel Co	135,000	13,701,967	1.03
Hyunjin Materials Co Ltd	122,930	7,508,511	0.56
LG Petrochemical Ltd	31,500	4,089,537	0.31
LIG Non Life Insurance Co Ltd	230,500	7,413,857	0.56
Namhae Chemical Corp	285,500	10,314,520	0.77
NHN Corp	59,060	13,945,898	1.05
Samsung C&T Corp	89,000	6,511,732	0.49
Samsung Engineering Co Ltd	86,500	8,723,202	0.65
Samsung Securities Co Ltd	23,395	1,976,216	0.15
Samsung Techwin Co Ltd	215,000	12,880,641	0.97
SK Energy Co Ltd	41,000	6,207,374	0.47
Ssangyong Motor Co Ltd	1,460,000	7,153,067	0.54
Yuhan Corporation	28,850	8,117,117	0.61
<b>Total South Korea</b>		<b>206,745,434</b>	<b>15.50</b>

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 30 June 2008

<b>Acorns of Asia Balanced Fund (continued)</b>			
	<b>Holdings as at 30 Jun 2008</b>	<b>Fair value at 30 Jun 2008 S\$</b>	<b>Percentage of total net assets attributable to unitholders at 30 Jun 2008 %</b>
<b><u>By Geography (Primary)</u></b>			
<b><u>Quoted Equities</u></b>			
<b>Taiwan</b>			
Advanced Semiconductor Engineering	11,000,000	13,423,935	1.01
Ambassador Hotel	5,473,000	11,630,069	0.87
Compal Electronics	5,803,000	8,524,071	0.64
Far Eastern Department Store	3,150,000	4,556,524	0.34
Formosa Chemical & Fibre	1,410,000	3,776,078	0.28
Formosa Petrochemical Corp	1,090,000	3,914,907	0.29
Formosa Plastics Corp	2,200,000	7,211,978	0.54
High Tech Computer Corp	360,000	10,963,066	0.82
Innolux Display Corporation	1,000,000	2,440,715	0.18
Largan Precision Co Ltd	828,000	14,350,332	1.08
Mediatek Inc	250,000	3,879,394	0.29
Merry Electronics Co Ltd	3,080,000	7,448,436	0.56
Mitac International	500,000	459,034	0.03
Quanta Computer Inc	4,216,000	8,864,553	0.66
Taiwan Fertilizer Co Ltd	2,140,000	10,925,448	0.82
Vanguard International Semiconductor Corp	9,000,000	8,967,950	0.67
Winbond Electronics Corp	31,957,000	9,159,391	0.68
Wistron Corporation	2,700,000	5,247,762	0.39
<b>Total Taiwan</b>		<b>135,743,643</b>	<b>10.15</b>
<b>Thailand</b>			
Banpu Public Co Ltd	250,000	5,355,391	0.40
PTT Exploration & Prod – Foreign	1,100,000	8,390,113	0.63
PTT Public Co Ltd – Foreign	1,050,000	8,945,937	0.67
Thoresen Thai Agencies – Foreign	5,400,000	8,982,451	0.67
<b>Total Thailand</b>		<b>31,673,892</b>	<b>2.37</b>
<b>Total Equities</b>		<b>807,343,944</b>	<b>60.48</b>

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 30 June 2008

Acorns of Asia Balanced Fund (continued)			
Holdings as at 30 Jun 2008	Fair value at 30 Jun 2008 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2008 %	
<b>By Geography (Primary)</b>			
<b><u>Quoted Debt Securities</u></b>			
<b>Germany</b>			
Deutsche Bank 3.25% 10 Oct 2012	8,000,000	7,631,458	0.57
Dresdner Bank AG 5.30% 18 Feb 2010	250,000	262,264	0.02
<b>Total for Germany</b>		7,893,722	0.59
<b>Hong Kong</b>			
HK Land Treasury 3.65% 05 Oct 2015	10,000,000	8,959,000	0.67
<b>Total for Hong Kong</b>		8,959,000	0.67
<b>India</b>			
Bank of Baroda 6.625% 25 May 2022	1,000,000	1,219,215	0.09
ICICI Bank Ltd 3.3% 03 May 2012	2,000,000	1,884,288	0.14
<b>Total for India</b>		3,103,503	0.23
<b>Indonesia</b>			
Lippo Karawaci Finance 8.875% 09 Mar 2011	1,000,000	1,362,564	0.10
PT Bank Lippo 22 Nov 2016	500,000	662,876	0.05
<b>Total for Indonesia</b>		2,025,440	0.15
<b>Kazakhstan</b>			
Kazmunaigaz Finance 8.375% 02 Jul 2013	1,500,000	2,033,927	0.16
Kazmunaigaz Finance 9.125% 02 Jul 2018	1,000,000	1,352,553	0.10
<b>Total for Kazakhstan</b>		3,386,480	0.26

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 30 June 2008

Acorns of Asia Balanced Fund (continued)		
Holdings as at 30 Jun 2008	Fair value at 30 Jun 2008 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2008 %
<b>By Geography (Primary)</b>		
<b><u>Quoted Debt Securities</u></b>		
<b>Pakistan</b>		
Republic of Pakistan 6.875% 01 Jun 2017	700,000	0.06
<b>Total for Pakistan</b>	<b>722,259</b>	<b>0.06</b>
<b>Singapore</b>		
Ascott Capital 3.085% 27 Apr 2010	3,000,000	2,997,028
Capitaland Commercial 4.4% 03 Mar 2011	4,250,000	4,409,992
Capitaland Treasury Ltd 4.08% 15 Mar 2011	5,000,000	5,092,803
Capitaland Treasury Ltd 4.35% 31 Oct 2019	15,000,000	13,796,548
DBS Bank 4.47% 15 Jul 2021	16,000,000	15,127,228
Fraser & Neave Ltd 3.065% 10 Sep 2008	5,000,000	5,059,525
Fraser & Neave Ltd 3.38% 15 Apr 2011	10,000,000	9,839,378
Fraser & Neave Ltd 3.41% 12 Aug 2010	5,000,000	5,054,430
Hotel Properties 3.42% 06 Jul 2010	3,000,000	2,995,135
HSBC Singapore 3.36% 22 Nov 2010	2,000,000	2,001,964
Mapletree Treasury 4.45% 07 Mar 2018	7,000,000	6,028,544
OCBC 3.78% 28 Nov 2017	10,000,000	9,613,175
Public Utilities 3.095% 08 Oct 2014	5,000,000	4,836,190
Queensley Holdings Ltd 4.5% 05 Dec 2009	24,000,000	24,136,373
Sengkang Mall Ltd 4.88% 20 Nov 2012	3,600,000	3,513,174
Singapore Govt Bond 2.25% 01 Jul 2013	2,500,000	2,483,720
Singapore Govt Bond 2.5% 01 Oct 2012	7,000,000	7,040,233
Singapore Govt Bond 3.25% 01 Sep 2020	4,165,000	3,975,435
Singapore Govt Bond 3.5% 01 Jul 2012	2,000,000	2,121,008
Singapore Govt Bond 3.625% 01 Jul 2014	20,000,000	21,102,508
Singapore Govt Bond 3.75% 01 Sep 2016	20,000,000	20,780,603
Singapore Govt Bond 4% 01 Sep 2018	17,000,000	17,818,725

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 30 June 2008

Acorns of Asia Balanced Fund (continued)		
Holdings as at 30 Jun 2008	Fair value at 30 Jun 2008 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2008 %
<b>By Geography (Primary)</b>		
<b><u>Quoted Debt Securities</u></b>		
<b>Singapore (continued)</b>		
Singapore Govt Bond 4.375% 15 Jan 2009	3,000,000	0.23
SPARC II Ltd 5% 07 Sep 2011	2,100,000	0.17
UOB Ltd 4.1% 03 Sep 2019	20,000,000	1.45
UOL 3.34% 15 May 2012	3,000,000	0.22
Wing Tai Holdings 4.98% 25 Apr 2011	7,500,000	0.57
<b>Total for Singapore</b>	<b>224,987,147</b>	<b>16.89</b>
<b>South Korea</b>		
Export – Import Bank Korea 3.1% 10 Sep 2008	4,000,000	0.30
<b>Total for South Korea</b>	<b>4,049,249</b>	<b>0.30</b>
<b>United Arab Emirates</b>		
Emirates Airlines 4.28% 21 Jun 2011	2,500,000	0.18
<b>Total for United Arab Emirates</b>	<b>2,439,638</b>	<b>0.18</b>
<b>United Kingdom</b>		
Standard Chartered 5.25% 10 Apr 2023	33,000,000	2.41
Standard Chartered 6.409% 31 Dec 2049	1,600,000	0.13
Standard Chartered 7.014% 30 Dec 2049	2,500,000	0.23
<b>Total for United Kingdom</b>	<b>36,945,924</b>	<b>2.77</b>

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 30 June 2008

Acorns of Asia Balanced Fund (continued)			
Holdings as at 30 Jun 2008	Fair value at 30 Jun 2008 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2008 %	
<b>By Geography (Primary)</b>			
<b>Quoted Debt Securities</b>			
<b>United States</b>			
General Electric Cap Corp 2.725% 10 Nov 2008	2,000,000	2,014,415	0.15
General Electric Cap Corp 3.65% 06 Apr 2009	10,000,000	10,195,768	0.77
Lehman Brothers Holdings 6.2% 26 Sep 2014	1,000,000	1,317,340	0.10
Morgan Stanley 3.585% 23 Oct 2012	6,250,000	6,037,993	0.45
Morgan Stanley 4% 23 Oct 2017	18,750,000	16,247,851	1.22
<b>Total for United States</b>		<b>35,813,367</b>	<b>2.69</b>
<b>Total Debt Securities</b>		<b>330,325,729</b>	<b>24.79</b>

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 30 June 2008

Acorns of Asia Balanced Fund (continued)			
Holdings as at 30 Jun 2008	Fair value at 30 Jun 2008 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2008 %	
<b>By Geography (Primary)</b>			
<b>Others</b>			
<b>China</b>			
Capitaretail China Trust	200,000	248,000	0.02
<b>Total China</b>		248,000	0.02
<b>India</b>			
Ascendas India Trust	250,000	225,000	0.02
<b>Total India</b>		225,000	0.02
<b>Malaysia</b>			
Amanah Raya Reit	1,000,000	387,018	0.03
<b>Total Malaysia</b>		387,018	0.03
<b>Singapore</b>			
Ascendas Real Estate Investment Trust	7,442,000	16,446,820	1.23
Ascott Residence Trust	978,000	1,026,900	0.08
Capitacommercial Trust	1,100,000	2,101,000	0.16
Capitamall Trust	6,395,000	19,057,100	1.43
Cityspring Infrastructure	580,000	440,800	0.03
DBS Cap Funding 5.75% 29 May 2049	31,200,000	32,365,512	2.43
DBS Group Hldgs 6% Non Cum Pref Shs	100,000	10,650,000	0.80
First Ship Lease Trust	2,000,000	2,440,000	0.18
Frasers Centrepoint Trust	5,000,000	5,900,000	0.44
Macquarie Prime Reit	3,500,000	3,570,000	0.27
OCBC 5.1% Pref Shs 31 Dec 2049	20,000	2,000,000	0.15
<b>Total Singapore</b>		95,998,132	7.20
<b>Total Others</b>		96,858,150	7.27
<b>Portfolio of investments</b>		1,234,527,823	92.54
<b>Other net assets</b>		99,572,292	7.46
<b>Net assets attributable to unitholders</b>		1,334,100,115	100.00

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 30 June 2008

#### 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  
Kazakhstan  
Pakistan  
Philippines  
Singapore  
South Korea  
Sweden  
United Arab Emirates  
United Kingdom  
United States

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

<b>Acorns of Asia Balanced Fund (continued)</b>	
<b>Percentage of total net assets attributable to unitholders at 30 Jun 2008 %</b>	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %
<b>12.72</b>	12.35
<b>4.39</b>	4.48
<b>8.86</b>	6.34
<b>2.57</b>	2.09
<b>2.01</b>	3.74
<b>1.91</b>	2.31
<b>15.50</b>	17.80
<b>10.15</b>	11.26
<b>2.37</b>	1.07
<b>60.48</b>	61.44
<b>0.59</b>	0.54
<b>0.67</b>	0.64
<b>0.23</b>	0.20
<b>0.15</b>	0.99
<b>0.26</b>	-
<b>0.06</b>	0.22
<b>-</b>	0.07
<b>16.89</b>	13.34
<b>0.30</b>	0.27
<b>-</b>	0.33
<b>0.18</b>	0.17
<b>2.77</b>	0.37
<b>2.69</b>	2.49
<b>24.79</b>	19.63

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 30 June 2008

#### By Geography (Summary)

##### Others

China  
India  
Malaysia  
Singapore

##### **Total Others**

**Portfolio of investments**

**Other net assets**

**Net assets attributable to unitholders**

<b>Acorns of Asia Balanced Fund (continued)</b>	
<b>Percentage of total net assets attributable to unitholders at 30 Jun 2008 %</b>	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %
<b>0.02</b>	0.03
<b>0.02</b>	0.02
<b>0.03</b>	0.03
<b>7.20</b>	4.42
<b>7.27</b>	4.50
<b>92.54</b>	85.57
<b>7.46</b>	14.43
<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 in the Republic of Singapore)

### Portfolio Statements *(continued)*

As at 30 June 2008

<b>Acorns of Asia Balanced Fund (continued)</b>			
	<b>Fair value at 30 Jun 2008 S\$</b>	<b>Percentage of total net assets attributable to unitholders at 30 Jun 2008 %</b>	<b>Percentage of total net assets attributable to unitholders at 31 Dec 2007 %</b>
<b>By Industry (Secondary)</b>			
<b>Quoted Equities</b>			
Agribusiness	20,249,342	1.52	1.53
Auto	17,918,985	1.35	2.13
Chemicals	43,897,905	3.28	3.34
Coal	61,676,948	4.62	2.21
Conglomerates	10,444,336	0.78	0.35
Construction & Material	14,869,217	1.11	0.81
Consumer Product	25,188,663	1.89	2.12
Electric Power	-	-	0.80
Electronics	174,072,913	13.04	16.26
Engineering & Construction	37,694,692	2.82	4.70
Finance	27,885,242	2.09	3.00
Food	5,358,751	0.40	0.83
Hotel	16,524,545	1.24	0.97
Industrial Others	18,964,417	1.42	1.50
Infrastructure	15,019,073	1.13	0.67
Insurance	7,413,857	0.56	-
Machinery	34,336,448	2.57	1.09
Manufacturing	9,517,321	0.71	0.19
Mining	19,554,463	1.46	0.40
Oil & Gas	63,114,186	4.74	4.14
Paper	-	-	1.55
Pharmaceutical	8,117,117	0.61	1.07
Plantation	6,591,793	0.49	-
Property	5,753,253	0.43	0.53
Real Estate	20,736,776	1.56	1.55
Refining	6,353,379	0.48	1.04
Retail	17,840,857	1.34	0.52
Shipbuilding	14,304,185	1.07	3.66
Steel	43,287,706	3.24	1.56
Telecommunications	4,939,948	0.37	-
Textiles & Apparel	3,220,265	0.24	0.41
Transportation	42,097,623	3.15	1.17
Utilities	10,399,738	0.77	1.34
<b>Total Equities</b>	<b>807,343,944</b>	<b>60.48</b>	<b>61.44</b>

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 30 June 2008

	<b>Acorns of Asia Balanced Fund (continued)</b>		
	<b>Fair value at 30 Jun 2008 S\$</b>	<b>Percentage of total net assets attributable to unitholders at 30 Jun 2008 %</b>	<b>Percentage of total net assets attributable to unitholders at 31 Dec 2007 %</b>
<b>By Industry (Secondary)</b>			
<b><u>Quoted Debt Securities</u></b>			
Airlines	2,439,638	0.18	0.17
Banks	100,935,865	7.56	5.25
Electric Power & Gas	4,836,190	0.36	0.64
Finance	35,813,367	2.69	2.49
Government	79,162,607	5.95	5.08
Hotels	2,995,135	0.23	0.20
Industrial Others	19,953,333	1.50	0.67
Oil & Gas	3,386,480	0.26	-
Real Estate	80,803,114	6.06	5.06
Telecommunications	-	-	0.07
<b>Total Debt Securities</b>	<b>330,325,729</b>	<b>24.79</b>	<b>19.63</b>
<b><u>Others</u></b>			
Banks	45,015,512	3.38	0.71
Infrastructure	440,800	0.03	0.03
Real Estate	48,961,838	3.68	3.60
Shipping	2,440,000	0.18	0.16
<b>Total Others</b>	<b>96,858,150</b>	<b>7.27</b>	<b>4.50</b>
<b>Portfolio of investments</b>	<b>1,234,527,823</b>	<b>92.54</b>	<b>85.57</b>
<b>Other net assets</b>	<b>99,572,292</b>	<b>7.46</b>	<b>14.43</b>
<b>Net assets attributable to unitholders</b>	<b>1,334,100,115</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 in the Republic of Singapore)

### Portfolio Statements *(continued)*

As at 30 June 2008

Singapore Bond Fund		
Holdings as at 30 Jun 2008	Fair value at 30 Jun 2008 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2008 %
<b><u>By Geography (Primary)</u></b>		
<b><u>Quoted Debt Securities</u></b>		
<b>Germany</b>		
Deutsche Bank 3.25% 10 Oct 2012	8,000,000	7,631,458
<b>Total Germany</b>		1.17
	7,631,458	1.17
<b>Hong Kong</b>		
Cathay Pacific 3.0575% 23 Feb 2010	2,400,000	2,404,853
Cathay Pacific 3.82% 09 Nov 2011	5,000,000	5,012,711
HK Land Treasury 3.01% 04 Oct 2010	9,000,000	8,994,213
HK Land Treasury 3.65% 05 Oct 2015	10,000,000	8,959,000
<b>Total Hong Kong</b>		25,370,777
		3.90
<b>India</b>		
Bank of Baroda 6.625% 25 May 2022	2,000,000	2,438,431
ICICI Bank Ltd 3.3% 03 May 2012	7,000,000	6,595,007
<b>Total India</b>		9,033,438
		1.38
<b>Indonesia</b>		
PT Bank Lippo 22 Nov 2016	1,000,000	1,325,753
<b>Total Indonesia</b>		1,325,753
		0.20
<b>Kazakhstan</b>		
Kazmunaigaz Finance 8.375% 02 Jul 2013	2,500,000	3,389,878
Kazmunaigaz Finance 9.125% 02 Jul 2018	2,000,000	2,705,105
<b>Total Kazakhstan</b>		6,094,983
		0.94

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

## AIG INTERNATIONAL FUNDS

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

# Portfolio Statements *(continued)*

As at 30 June 2008

Singapore Bond Fund (continued)		
Holdings as at 30 Jun 2008	Fair value at 30 Jun 2008 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2008 %
<b>By Geography (Primary)</b>		
<b>Quoted Debt Securities</b>		
<b>Pakistan</b>		
Republic of Pakistan 6.875% 01 Jun 2017	1,170,000	1,207,204 0.19
<b>Total Pakistan</b>		<b>1,207,204 0.19</b>
<b>Singapore</b>		
Ascott Capital 3.085% 27 Apr 2010	8,000,000	7,992,075 1.23
Capitaland Commercial 4.4% 03 Mar 2011	1,750,000	1,815,879 0.28
Capitaland Commercial 3.98% 07 May 2010	1,000,000	1,024,588 0.16
Capitaland Treasury 4.08% 15 Mar 2011	5,000,000	5,092,803 0.78
Capitaland Treasury 4.35% 31 Oct 2019	15,000,000	13,796,548 2.12
DBS Bank 4.47% 15 Jul 2021	16,000,000	15,127,229 2.33
Fraser & Neave Ltd 3.065% 10 Sep 2008	6,000,000	6,071,430 0.93
Fraser & Neave Ltd 3.38% 15 Apr 2011	12,000,000	11,807,254 1.82
Fraser & Neave Ltd 3.41% 12 Aug 2010	5,000,000	5,054,430 0.78
Hotel Properties 3.42% 06 Jul 2010	5,000,000	4,991,892 0.77
HSBC Singapore 3.18% 24 Nov 2008	15,000,000	15,144,353 2.33
HSBC Singapore 3.36% 22 Nov 2010	5,000,000	5,004,911 0.77
Mapletree Treasury 4.45% 07 Mar 2018	8,000,000	6,889,764 1.06
OCBC 3.78% 28 Nov 2017	20,000,000	19,226,351 2.96
Power Seraya Ltd 3.97% 30 Sep 2010	3,000,000	3,055,820 0.47
Public Utilities 3.095% 08 Oct 2014	6,000,000	5,803,428 0.89
Queensley Holdings Ltd 4.5% 05 Dec 2009	13,000,000	13,073,868 2.01
Sengkang Mall Ltd 4.88% 20 Nov 2012	2,400,000	2,342,116 0.36
Senoko Power Ltd 4.51% 14 Oct 2013	2,000,000	2,032,628 0.31
Singapore Govt Bond 2.25% 01 Jul 2013	10,000,000	9,934,882 1.53

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 30 June 2008

Singapore Bond Fund (continued)			
	Holdings as at 30 Jun 2008	Fair value at 30 Jun 2008 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2008 %
<b>By Geography (Primary)</b>			
<b><u>Quoted Debt Securities</u></b>			
<b>Singapore (continued)</b>			
Singapore Govt Bond 2.5% 01 Oct 2012	10,000,000	10,057,475	1.55
Singapore Govt Bond 3.25% 01 Sep 2020	4,165,000	3,975,435	0.61
Singapore Govt Bond 3.5% 01 Jul 2012	5,000,000	5,302,519	0.82
Singapore Govt Bond 3.625% 01 Jul 2014	12,000,000	12,661,505	1.95
Singapore Govt Bond 3.75% 01 Sep 2016	10,000,000	10,390,302	1.60
Singapore Govt Bond 4% 01 Sep 2018	35,000,000	36,685,610	5.64
Singapore Govt Bond 4.375% 15 Jan 2009	3,000,000	3,118,116	0.48
SP Power Assets 4.84% 22 Oct 2018	1,750,000	1,724,187	0.27
SPARC II Ltd 5% 07 Sep 2011	1,000,000	1,053,753	0.16
Suntec Real Estate 3.25% 30 Mar 2013	3,000,000	2,907,584	0.45
UOB Ltd 4.1% 03 Sep 2019	8,000,000	7,730,137	1.19
UOL Ltd 3.34% 15 May 2012	9,000,000	8,617,584	1.33
Wing Tai Holdings 4.98% 25 Apr 2011	7,500,000	7,634,560	1.17
<b>Total Singapore</b>		<b>267,141,016</b>	<b>41.11</b>
<b>South Korea</b>			
Export – Import Bank Korea 3.1% 10 Sep 2008	6,000,000	6,073,874	0.93
<b>Total South Korea</b>		<b>6,073,874</b>	<b>0.93</b>
<b>United Kingdom</b>			
Standard Chartered 5.25% 10 Apr 2023	39,000,000	38,011,377	5.85
Standard Chartered 6.409% 31 Dec 2049	2,900,000	3,203,283	0.49
Standard Chartered 7.014% 30 Dec 2049	5,000,000	6,030,244	0.93
<b>Total United Kingdom</b>		<b>47,244,904</b>	<b>7.27</b>

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 30 June 2008

Singapore Bond Fund (continued)		
Holdings as at 30 Jun 2008	Fair value at 30 Jun 2008 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2008 %
<b>By Geography (Primary)</b>		
<b><u>Quoted Debt Securities</u></b>		
<b>United States</b>		
Citigroup Inc 4.05% 22 Jun 2016	10,000,000	8,754,125 1.35
Fannie Mae 2.29% 19 Feb 2009	7,500,000	7,574,112 1.17
General Electric Cap Corp 2.725% 10 Nov 2008	2,000,000	2,014,415 0.31
General Electric Cap Corp 3.65% 06 Apr 2009	13,000,000	13,254,498 2.04
Household Fin Corp 3% 12 May 2009	5,000,000	5,015,137 0.77
Household Fin Corp 4.07% 24 Feb 2014	4,500,000	4,173,576 0.64
Lehman Brothers Hldg 6.2% 26 Sep 2014	1,000,000	1,317,340 0.20
Lehman Brothers Treasury 4.35% 08 Aug 2016	10,000,000	8,574,849 1.32
Morgan Stanley 3.585% 23 Oct 2012	6,250,000	6,037,993 0.93
Morgan Stanley 4% 23 Oct 2017	18,750,000	16,247,851 2.50
<b>Total United States</b>		<b>72,963,896 11.23</b>
<b>Total Debt Securities</b>	<b>444,087,303</b>	<b>68.32</b>

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

## AIG INTERNATIONAL FUNDS

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

### Portfolio Statements *(continued)*

As at 30 June 2008

Singapore Bond Fund (continued)		
Holdings as at 30 Jun 2008	Fair value at 30 Jun 2008 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2008 %
<b>By Geography (Primary)</b>		
<b>Others</b>		
<b>China</b>		
Capitaretail China Trust	1,120,000	1,388,800
<b>Total China</b>	<b>1,388,800</b>	<b>0.21</b>
<b>India</b>		
Ascendas India Trust	450,000	405,000
<b>Total India</b>	<b>405,000</b>	<b>0.06</b>
<b>Malaysia</b>		
Amanah Raya Reit	1,200,000	464,422
<b>Total Malaysia</b>	<b>464,422</b>	<b>0.07</b>
<b>Singapore</b>		
Ascendas Real Estate Investment Trust	6,676,000	14,753,960
Ascott Residence Trust	978,000	1,026,900
Capitacommercial Trust	550,000	1,050,500
Capitamall Trust	6,442,000	19,197,160
CDL Hospitality Trust	1,150,000	1,966,500
Cityspring Infrastructure Trust	650,000	494,000
DBS Cap Funding 5.75% 29 May 2049	38,000,000	39,419,534
DBS Group Hldgs 6% Non Cum Pref Shs	106,850	11,379,525
First Ship Lease Trust	6,000,000	7,320,000
Frasers Centrepoint Trust	5,000,000	5,900,000
Macquarie Prime Reit	5,500,000	5,610,000
OCBC 5.1% Pref Shs 31 Dec 2049	40,000	4,000,000
<b>Total Singapore</b>	<b>112,118,079</b>	<b>17.25</b>
<b>Total Others</b>	<b>114,376,301</b>	<b>17.59</b>
<b>Portfolio of investments</b>	<b>558,463,604</b>	<b>85.91</b>
<b>Other net assets</b>	<b>91,572,080</b>	<b>14.09</b>
<b>Net assets attributable to unitholders</b>	<b>650,035,684</b>	<b>100.00</b>

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

## AIG INTERNATIONAL FUNDS

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

# Portfolio Statements *(continued)*

As at 30 June 2008

### By Geography (Summary)

#### Quoted Debt Securities

Germany  
Hong Kong  
India  
Indonesia  
Japan  
Kazakhstan  
Pakistan  
Philippines  
Singapore  
South Korea  
Sweden  
United Kingdom  
United States

#### **Total Debt Securities**

#### Others

China  
India  
Malaysia  
Singapore

#### **Total Others**

#### **Portfolio of investments**

#### **Other net assets**

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

<b>Singapore Bond Fund (continued)</b>	
<b>Percentage of total net assets attributable to unitholders at 30 Jun 2008 %</b>	Percentage of total net assets attributable to unitholders at 31 Dec 2007 %
<b>1.17</b>	1.37
<b>3.90</b>	4.52
<b>1.38</b>	1.54
<b>0.20</b>	1.54
-	0.51
<b>0.94</b>	-
<b>0.19</b>	0.68
-	0.33
<b>41.11</b>	37.19
<b>0.93</b>	1.04
-	1.83
<b>7.27</b>	1.87
<b>11.23</b>	13.35
<b>68.32</b>	65.77
<b>0.21</b>	0.13
<b>0.06</b>	0.10
<b>0.07</b>	0.09
<b>17.25</b>	12.81
<b>17.59</b>	13.13
<b>85.91</b>	78.90
<b>14.09</b>	21.10
<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 in the Republic of Singapore)

### Portfolio Statements *(continued)*

As at 30 June 2008

	<b>Singapore Bond Fund (continued)</b>		
	<b>Fair value at 30 Jun 2008 S\$</b>	<b>Percentage of total net assets attributable to unitholders at 30 Jun 2008 %</b>	<b>Percentage of total net assets attributable to unitholders at 31 Dec 2007 %</b>
<b>By Industry (Secondary)</b>			
<b><u>Quoted Debt Securities</u></b>			
Airlines	7,417,564	1.14	1.29
Banks	143,350,286	22.04	21.64
Electric Power & Gas	12,616,063	1.94	2.82
Finance	56,635,659	8.71	10.28
Government	93,333,048	14.37	11.48
Government Agency	7,574,112	1.17	1.29
Industrial Others	22,933,114	3.53	1.91
Oil & Gas	6,094,983	0.94	-
Real Estate	94,132,474	14.48	14.93
Telecommunications	-	-	0.13
<b>Total Debt Securities</b>	<b>444,087,303</b>	<b>68.32</b>	<b>65.77</b>
<b><u>Others</u></b>			
Banks	54,799,059	8.43	2.00
Hotel	1,966,500	0.30	0.46
Infrastructure	494,000	0.08	0.10
Real Estate	49,796,742	7.65	9.34
Shipping	7,320,000	1.13	1.23
<b>Total Others</b>	<b>114,376,301</b>	<b>17.59</b>	<b>13.13</b>
<b>Portfolio of investments</b>	<b>558,463,604</b>	<b>85.91</b>	<b>78.90</b>
<b>Other net assets</b>	<b>91,572,080</b>	<b>14.09</b>	<b>21.10</b>
<b>Net assets attributable to unitholders</b>	<b>650,035,684</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 in the Republic of Singapore)*

# Notes to the Financial Statements

For the six-month period ended 30 June 2008

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

### **1. General**

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

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

- Acorns of Asia Balanced Fund
- Singapore Bond Fund

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

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

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

### **2. Significant accounting policies**

#### (a) Basis of accounting

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

#### (b) Investment income recognition

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

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

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the six-month period ended 30 June 2008

## 2. Significant accounting policies (continued)

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

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

### (d) Investments

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

### (e) Fair value

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

### (f) Foreign currency translation

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

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

### (g) Derivative financial instruments

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

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the six-month period ended 30 June 2008

### 2. Significant accounting policies (continued)

#### (g) Derivative financial instruments (continued)

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

### 3. Tax

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

#### (a) General

No tax is withheld from distributions made by the Fund.

#### (b) Tax of the Fund

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

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

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the six-month period ended 30 June 2008

### 3. Tax (continued)

#### (b) Tax of the Fund (continued)

	Acorns of Asia Balanced Fund		Singapore Bond Fund	
	30 Jun 2008 S\$	30 Jun 2007 S\$	30 Jun 2008 S\$	30 Jun 2007 S\$
Singapore income tax	<b>220,556</b>	290,804	<b>226,167</b>	264,619
Overseas income tax	<b>1,292,340</b>	1,483,593	<b>207</b>	-
Total income tax	<b>1,512,896</b>	1,774,397	<b>226,374</b>	264,619

### 4. Receivables

	Acorns of Asia Balanced Fund		Singapore Bond Fund	
	30 Jun 2008 S\$	31 Dec 2007 S\$	30 Jun 2008 S\$	31 Dec 2007 S\$
Amounts receivable for creation of units	<b>3,512,681</b>	9,342,241	<b>2,964,283</b>	3,961,957
Sales awaiting settlement	<b>465,561</b>	-	-	-
Accrued interest receivables	<b>6,106</b>	72,926	<b>8,857</b>	35,949
Other receivables	<b>5,728,162</b>	130,494	<b>6,062,699</b>	10,721
	<b>9,712,510</b>	9,545,661	<b>9,035,839</b>	4,008,627

### 5. Payables

	Acorns of Asia Balanced Fund		Singapore Bond Fund	
	30 Jun 2008 S\$	31 Dec 2007 S\$	30 Jun 2008 S\$	31 Dec 2007 S\$
Payables to unitholders for cancellation of units	<b>3,653,277</b>	9,012,247	<b>3,502,548</b>	4,999,970
Purchase awaiting settlement	<b>8,730,007</b>	-	<b>16,268,887</b>	-
Accrued expenses	<b>1,870,328</b>	2,062,197	<b>588,602</b>	542,149
	<b>14,253,612</b>	11,074,444	<b>20,360,037</b>	5,542,120

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the six-month period ended 30 June 2008

### 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>30 Jun 2008</b>			
Acorns of Asia Balanced Fund [see (b) below]	<b>14,931,743</b>	<b>16,476</b>	-
Singapore Bond Fund [see (b) below]	<b>24,123,523</b>	<b>25,924</b>	-
<b>31 Dec 2007</b>			
Acorns of Asia Balanced Fund [see (b) below]	25,012,800	49,786	-
Singapore Bond Fund [see (b) below]	31,680,000	63,057	-

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

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the six-month period ended 30 June 2008

### 7. Net assets attributable to unitholders

	Acorns of Asia Balanced Fund		Singapore Bond Fund	
	30 Jun 2008 S\$	31 Dec 2007 S\$	30 Jun 2008 S\$	31 Dec 2007 S\$
<b>At the beginning of financial year</b>	<b>1,520,265,835</b>	1,062,405,794	<b>581,991,215</b>	413,157,029
<b>Operations</b>				
Change in net assets attributable to unitholders resulting from operations	(288,553,839)	212,583,876	(15,113,544)	7,765,520
<b>Unitholders' contributions/ (withdrawals)</b>				
Creation of units	379,893,148	740,696,916	276,426,766	304,701,348
Cancellation of units	(277,505,029)	(495,420,751)	(193,268,753)	(143,632,682)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	102,388,119	245,276,165	83,158,013	161,068,666
Total increase in net assets attributable to unitholders	(186,165,720)	457,860,041	68,044,469	168,834,186
<b>At the end of financial year</b>	<b>1,334,100,115</b>	1,520,265,835	<b>650,035,684</b>	581,991,215
<b>Units in issue (see note 8)</b>	<b>642,704,286</b>	596,955,499	<b>495,567,548</b>	433,389,198
<b>Net asset attributable to unitholders per unit</b>	<b>2.076</b>	2.547	<b>1.312</b>	1.343

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

	Acorns of Asia Balanced Fund		Singapore Bond Fund	
	30 Jun 2008 S\$	31 Dec 2007 S\$	30 Jun 2008 S\$	31 Dec 2007 S\$
Net assets attributable to unitholders per unit for issuing/redeeming units	2.087	2.558	1.312	1.347
Effect of adopting bid prices as fair value	(0.011)	(0.011)	-	(0.004)
Net assets attributable to unitholders per unit per the financial statements	<b>2.076</b>	2.547	<b>1.312</b>	1.343

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the six-month period ended 30 June 2008

### 8. Units in issue

	Acorns of Asia Balanced Fund		Singapore Bond Fund	
	30 Jun 2008	31 Dec 2007	30 Jun 2008	31 Dec 2007
Units at beginning of year	<b>596,955,499</b>	503,284,472	<b>433,389,198</b>	314,358,208
Units created	<b>167,687,621</b>	291,499,511	<b>206,698,891</b>	225,342,659
Units cancelled	<b>(121,938,834)</b>	(197,828,484)	<b>(144,520,541)</b>	(106,311,668)
Units at end of year	<b>642,704,286</b>	596,955,499	<b>495,567,548</b>	433,389,198

### 9. Related party disclosures

- (a) As at 30 June 2008, the Manager and Trustee of AIG International Funds are AIG Global Investment Corporation (Singapore) Limited, a member of American International Group, Inc.; and Citicorp Trustee (Singapore) Limited, a member of Citigroup, respectively. Management fees and trustee fees paid or payable by the respective sub-funds to the Manager and Trustee are shown in the Statement of Total Return and are on terms set out in the Trust Deed. All other related party transactions are disclosed elsewhere in the financial statements.
- (b) As at 30 June 2008 and during the six-month period then ended, the following significant transactions took place between the sub-funds and related parties at terms agreed between the parties and within the provisions of the Trust Deed:

(i)

	Acorns of Asia Balanced Fund		Singapore Bond Fund	
	30 Jun 2008	31 Dec 2007	30 Jun 2008	31 Dec 2007
	S\$	S\$	S\$	S\$
Income derived/(expenses incurred) for the financial year				
- Current account	<b>18,919</b>	99,433	<b>64</b>	2,901
- Bank charges	<b>(983)</b>	(5,893)	<b>(1,243)</b>	(10,368)

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

	Acorns of Asia Balanced Fund		Singapore Bond Fund	
	30 Jun 2008	31 Dec 2007	30 Jun 2008	31 Dec 2007
	S\$	S\$	S\$	S\$
Balance at the end of the financial year				
- Current account	<b>35,668,486</b>	11,152,170	<b>261,062</b>	3,162,002

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the six-month period ended 30 June 2008

### 10. Financial risk management

Risk Management Objectives and Policies

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

(a) *Foreign currency risk:*

#### Acorns of Asia Balanced Fund:

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

The following sets out the sub-fund's total exposure to foreign currency risk at 30 June 2008:

Currency	Gross S\$	Hedges S\$	Net S\$
HKD	229,030,185	-	229,030,185
IDR	119,697,698	-	119,697,698
KRW	206,745,436	-	206,745,436
MYR	35,000,921	-	35,000,921
PHP	26,997,528	-	26,997,528
THB	31,673,892	-	31,673,892
TWD	171,403,509	-	171,403,509
USD	13,634,976	(14,955,727)	(1,320,751)
	834,184,145	(14,955,727)	819,228,418

#### Singapore Bond Fund:

Most of the sub-fund's assets are held in Singapore dollars. The following sets out the sub-fund's total exposure to foreign currency risk at 30 June 2008:

Currency	Gross S\$	Hedges S\$	Net S\$
MYR	464,422	-	464,422
USD	21,944,424	(24,167,971)	(2,223,547)
	22,408,846	(24,167,971)	(1,759,125)

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the six-month period ended 30 June 2008

### 10. Financial risk management (continued)

#### (b) Interest rate risk

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

Currency	Acorns of Asia Balanced Fund %	Singapore Bond Fund %
SGD	4.36	4.23
USD	8.56	8.43

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

Currency	Acorns of Asia Balanced Fund Years	Singapore Bond Fund Years
SGD	10.27	9.58
USD	19.62	22.98

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the six-month period ended 30 June 2008

### 10. Financial risk management (continued)

#### (b) Interest rate risk (continued)

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

#### Acorns of Asia Balanced Fund:

	Up to 1 year S\$	1 to 5 years S\$	Over 5 years S\$	Non-interest bearing S\$	Total S\$
<b>30 Jun 2008</b>					
<b>Assets</b>					
Investments	24,437,073	93,908,235	246,345,933	869,836,582	<b>1,234,527,823</b>
Receivables	-	-	-	9,712,510	<b>9,712,510</b>
Cash and bank balances	35,668,486	-	-	-	<b>35,668,486</b>
Fixed deposits with financial institutions	68,428,432	-	-	-	<b>68,428,432</b>
Fair value on financial derivatives	-	-	-	16,476	<b>16,476</b>
<b>Total assets</b>	<b>128,533,991</b>	<b>93,908,235</b>	<b>246,345,933</b>	<b>879,565,568</b>	<b>1,348,353,727</b>
<b>Liabilities</b>					
Payables	-	-	-	14,253,612	<b>14,253,612</b>
Net assets attributable to unitholders	-	-	-	1,334,100,115	<b>1,334,100,115</b>
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,348,353,727</b>	<b>1,348,353,727</b>

	Up to 1 year S\$	1 to 5 years S\$	Over 5 years S\$	Non-interest bearing S\$	Total S\$
<b>31 Dec 2007</b>					
<b>Assets</b>					
Investments	18,182,399	114,742,627	165,484,197	1,002,544,217	<b>1,300,953,400</b>
Receivables	-	-	-	9,545,661	<b>9,545,661</b>
Cash and bank balances	11,152,170	-	-	-	<b>11,152,170</b>
Fixed deposits with financial institutions	209,639,222	-	-	-	<b>209,639,222</b>
Fair value on financial derivatives	-	-	-	49,786	<b>49,786</b>
<b>Total assets</b>	<b>238,973,791</b>	<b>114,742,627</b>	<b>165,484,197</b>	<b>1,012,139,664</b>	<b>1,531,340,279</b>
<b>Liabilities</b>					
Payables	-	-	-	11,074,444	<b>11,074,444</b>
Net assets attributable to unitholders	-	-	-	1,520,265,835	<b>1,520,265,835</b>
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,531,340,279</b>	<b>1,531,340,279</b>

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the six-month period ended 30 June 2008

### 10. Financial risk management (continued)

(b) Interest rate risk (continued)

#### Singapore Bond Fund:

	Up to 1 year S\$	1 to 5 years S\$	Over 5 years S\$	Non-interest bearing S\$	Total S\$
<b>30 Jun 2008</b>					
<b>Assets</b>					
Investments	58,265,935	132,451,593	296,789,309	70,956,767	<b>558,463,604</b>
Receivables	-	-	-	9,035,839	<b>9,035,839</b>
Cash and bank balances	261,062	-	-	-	<b>261,062</b>
Fixed deposits with financial institutions	102,609,292	-	-	-	<b>102,609,292</b>
Fair value on financial derivatives	-	-	-	25,924	<b>25,924</b>
<b>Total assets</b>	<b>161,136,289</b>	<b>132,451,593</b>	<b>296,789,309</b>	<b>80,018,530</b>	<b>670,395,721</b>
<b>Liabilities</b>					
Payables	-	-	-	20,360,037	<b>20,360,037</b>
Net assets attributable to unitholders	-	-	-	650,035,684	<b>650,035,684</b>
<b>Total liabilities</b>	-	-	-	<b>670,395,721</b>	<b>670,395,721</b>

	Up to 1 year S\$	1 to 5 years S\$	Over 5 years S\$	Non-interest bearing S\$	Total S\$
<b>31 Dec 2007</b>					
<b>Assets</b>					
Investments	37,866,399	166,331,700	178,587,033	76,435,028	<b>459,220,160</b>
Receivables	-	-	-	4,008,627	<b>4,008,627</b>
Cash and bank balances	3,162,002	-	-	-	<b>3,162,002</b>
Fixed deposits with financial institutions	121,079,489	-	-	-	<b>121,079,489</b>
Fair value on financial derivatives	-	-	-	63,057	<b>63,057</b>
<b>Total assets</b>	<b>162,107,890</b>	<b>166,331,700</b>	<b>178,587,033</b>	<b>80,506,712</b>	<b>587,533,335</b>
<b>Liabilities</b>					
Payables	-	-	-	5,542,120	<b>5,542,120</b>
Net assets attributable to unitholders	-	-	-	581,991,215	<b>581,991,215</b>
<b>Total liabilities</b>	-	-	-	<b>587,533,335</b>	<b>587,533,335</b>

## AIG INTERNATIONAL FUNDS

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

# Notes to the Financial Statements *(continued)*

For the six-month period ended 30 June 2008

### 10. Financial risk management (continued)

(c) *Liquidity risk*

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

(d) *Credit risk*

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

### 11. Financial ratios

	Acorns of Asia Balanced Fund		Singapore Bond Fund	
	30 Jun 2008 %	31 Dec 2007 %	30 Jun 2008 %	31 Dec 2007 %
Expense ratio <sup>1</sup>	<b>1.65</b>	1.71	<b>1.10</b>	1.11
Portfolio turnover ratio <sup>2</sup>	<b>33.71</b>	51.67	<b>15.44</b>	51.01

<sup>1</sup> Expense ratio as at 30 June 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.

**Important Notice:**

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