

AIG International Funds

SEMI-ANNUAL REPORT

(For the period 1 January 2009 - 30 June 2009)

&

UNAUDITED FINANCIAL STATEMENTS

(For the six-month period ended 30 June 2009)



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- *Please note that all figures shown in this report are as of 30 June 2009 unless otherwise stated.*

AIG International Funds – Singapore Bond Fund

Fund Manager's Review

Portfolio Performance

For the first-half of 2009, the AIGIF Singapore Bond Fund (the "Fund") registered a return of 3.84% (bid-to-bid basis) and 0.81% (bid-to-offer basis, i.e. net of sales charges), while the JP Morgan Singapore Government Bond Index (All Sectors) recorded a return of minus 0.54%.

Asset Class Overview

Asian corporate credit spreads narrowed at the start of 2009 with sentiment buoyed by a number of successful new issues in the investment grade sector. The initial rally in corporate credit spreads was not sustained as subsequent macroeconomic data refocused the markets' attention on the deepening US recession. Corporate credit spreads resumed widening as global equities plunged to multi-year lows in early March on renewed concerns over the health of the US financial system and the bleak economic outlook. The plunge in the prices of risk assets turned out to be relatively short-lived. A series of positive developments and news provided investors with optimism that the worst of the credit crisis and global recession may be nearing bottom. This set the stage for a sharp recovery in global financial markets from the second half of March through most of the second quarter. Positive profit announcements by major US banks, plans by the US Treasury to purchase illiquid assets from banks and the favorable results of the Fed's stress test of the strength of financial institutions allayed investors' concerns over the health of the US banking system. Sentiment was also buoyed by the Fed Chairman's positive assessment of the economy, reinforced by the subsequent release of economic data suggesting that the worst recession since the Great Depression may be coming to an end. The rate of job losses, house price declines and the economic contraction moderated while consumer confidence rose steadily. US GDP declined by 5.5% in the first quarter, less than the previous quarter's

decline of 6.3% and was also lower than earlier estimates and market expectations. With the marked improvement in confidence, volatility fell while global equities rallied and corporate credit spreads tightened through most of the second quarter. The 5-year North America Investment Grade Index Series 12 narrowed significantly from its March wide of 202 basis points to close the half-year at 131 basis points. In Asia, the JP Morgan Asia Credit Index (investment-grade sub-index) spread closed the half-year at 335 basis points, down from its March wide of 607 basis points. Diminished demand for the safety of US Treasuries (USTs) as risk appetite increased and concerns over the large supply of USTs needed to fund the record US budget deficit put upward pressure on yields. The 10-year UST Note yield touched the year's high of 4% in mid-June before retracing to close the quarter at 3.53% for a rise of 132 basis points from year-end 2008 close of 2.21%.

The outlook for the Singapore economy remained bleak through most of the first half of the year with official growth forecast revised downwards on a number of occasions. 2008 4th quarter GDP contracted by 4.2% year-on-year and 16.4% quarter-on-quarter bringing 2008 full year growth to 1.1%. The pace of contraction moderated in the first quarter of 2009 GDP shrinking by 12.7% quarter-on-quarter. Further improvement was seen in the second quarter with GDP registering positive growth of 20.4% quarter-on-quarter. This led to the first upward revision in the official GDP outlook for the year to -4% to -6% from previously -6% to -9%. With external and domestic demand remaining weak, elevated unemployment rate and easing commodities prices, domestic inflation continued to ease. The CPI registered minus 0.3% year-on-year in May for a second month of price decline. Singapore Government Securities (SGS) yields were generally influenced by the direction of UST yields. While SGS remained resilient during the first half of the quarter even as UST yields rose, the domestic market succumbed to selling pressure in the second quarter as US yields continued to climb. The 10-year SGS yield rose sharply to the year's high

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

of 2.9% in mid-June before retracing to close at 2.59%, a rise of 54 basis points from year-end 2008 close of 2.05%.

Fund Review

The tightening of credit spreads and the equities market rally benefited the Fund's holdings of corporate bonds and REITs, enabling the Fund to return 3.84% in the first half of 2009. The Fund participated in the Asian corporate new issue market to take advantage of the concessions which issuers were willing to offer investors to tap the market. The Fund subscribed for 9 new issues amounting to USD29 million and has taken profit on all the positions by end June. The Fund also purchased a total nominal amount of SGD20.5 million in 5- and 10-year bonds issued by two high credit quality Singapore companies at yield of 4.6% and 6% respectively. The Fund subscribed for its full entitlement of rights issues by CapitaTrust, CapitaCommercial Trust and Ascendas REIT, all of which have contributed positively to performance after their rights issues. As reported in the Fund's 2008 Annual Report, the Fund's performance in 2008 was adversely affected by its holding of Lehman Brothers bonds. The Fund managed to sell the bulk of its holdings of Lehman Brothers bonds in July at prices higher than the carrying values which had been marked-down, resulting in an improvement in the NAV of the Fund. At the time of writing, as at end of the first week of August, Fund performance advanced further on continued improvement in global sentiment.

Outlook

Concerns over the large supply of USTs to fund the US deficit will continue to weigh on yields. However, muted inflation, the US Fed maintaining short-term rates low and continued weakness in the economy will cushion any rise in yields. Similarly, while there are upside risks for SGS yields to rise, domestic bond yields will be capped by strong domestic liquidity, falling

inflation and the weak economic outlook. While downside risks remain, barring any renewed risk aversion, the Fund will benefit from further improvement in the credit environment.

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*	Fair Value (\$'000)	% of Fixed Income Instruments
Aaa	56,289	15.75
Aa1	7,991	2.24
Aa2	44,823	12.54
Aa3	1,746	0.49
A2	30,313	8.48
A3	55,939	15.65
Baa1	10,985	3.07
Baa2	16,787	4.70
Ba2	1,381	0.39
NR	130,348	36.47
WR	801	0.22

Source: AIG Global Investment Corporation (Singapore) Ltd.

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

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

Top 10 Holdings (as at 30 June 2009)		
	Fair Value (S\$'000)	%
Standard Chartered 5.25% 10 Apr 2023	37,746	7.18
Singapore Govt Securities 4% 01 Sep 2018	35,421	6.74
DBS Cap Funding 5.75% 29 May 2049	35,130	6.68
OCBC Capital Corp 5.1% 29 Aug 2049	19,765	3.76
OCBC 3.78% 28 Nov 2017	18,412	3.50
Capitamall Trust	18,210	3.46
Morgan Stanley 4% 23 Oct 2017	16,042	3.05
DBS Bank 4.47% 15 Jul 2021	13,965	2.65
Singapore Govt Securities 3.625% 01 Jul 2014	13,474	2.56
Queensley Hldgs Ltd 4.5% 05 Dec 2009	13,065	2.48

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	39,420	6.06
Standard Chartered 5.25% 10 Apr 2023	38,011	5.85
Singapore Govt Securities 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.

Exposure to derivatives

	S\$	%
Fair value of derivative contracts	96,018.29	0.02
Net gain/(loss) on derivative contracts realised for the period 01 Jan to 30 Jun 2009	590,780.58	N/A
Net gain/(loss) on outstanding contracts marked to market	96,018.29	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 – 30 June 2009

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	5.12%	-0.76%
6-month	3.84%	-0.54%
1-year	-3.05%	8.28%
3-year [^]	1.13%	5.31%
5-year [^]	2.76%	3.97%
Since Inception (26.03.02) [^]	3.37%	4.11%

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

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

[^]Annualised returns

Expense Ratios [#]

Please refer to the Notes to the Financial Statements.

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

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

Overview

The Asia ex Japan (AeJ) region, represented by the MSCI Far East Free ex Japan benchmark, registered sharp gains of 32.3% (in Singapore Dollar terms) during the first-half of 2009. It handily outpaced its world equivalent (MSCI World), which rose 8.1%.

The recovery in markets followed a calamitous last few months of 2008, when a global credit crunch brought about by severe disruptions in the US financial system, caused world economic activity and asset prices to slump.

At the time, there were justifiable fears that it could take years for the global economy and financial markets to overcome a deflationary spiral. Risk aversion was at an extreme level; reflected in investors' action of abandoning most asset classes and seeking safety in government bonds of the major developed economies or holding cash.

It was against this backdrop that governments and central banks responded aggressively with policy easing. This was highlighted by a round of concerted interest rate cuts in October 2008, when the US Federal Reserve and its counterparts in the European Union, Britain, China and India, amongst others, took action.

Alongside with the use of monetary tools, significant fiscal measures were also introduced to help resuscitate economic activity. The most eye-catching have been China's massive stimulus package totaling around S\$770 billion and US President Barack Obama's S\$1.14 trillion fiscal initiative.

After a hesitant initial few months of 2009, such unprecedented policy responses would appear to have somewhat managed to stabilize the global economy, and by extension, shore up investor confidence. This has encouraged the

return of risk-taking to a certain extent, with investors refocusing on equities in the wake of the sharp sell-off that had caused valuations in the region to reach troughs not seen in almost the past 20 years.

Under the more conducive market circumstances, the Acorns of Asia Fund (the Fund) rose by 26.84% (before upfront sales charges) and 23.15% (net of upfront sales charges) during the first-half of the year, compared to the composite benchmark's gain of 19.57%.

Market Review

All markets in the region advanced in the first-half of 2009, although at varying paces. The strongest performing markets were Indonesia (+55.2%), Thailand (+42.6%), Taiwan (+35.9%) and China (+35.7%). The bulk of gains for regional equities were primarily recorded during the second calendar quarter of the year. The latter was adjudged to be one of the most rewarding for investors in the region in nearly 10 years.

Investors' keenness for Indonesia was based on the fact that it would likely be one of a handful of economies that will still be able to register growth for the year despite the challenging global circumstances. In Thailand, the appointment of Prime Minister Abhisit Vejjajiva generated optimism that a certain degree of stability could return to the country's politics to allow for a refocus on economic recovery policies. In Taiwan, expectations were for it to derive visible benefits from the closer economic rapprochement with China. For China itself, investors believed it had the ability to engineer sufficient internal growth momentum to help the economy attain a real GDP growth rate of between 7% and 8% in 2009.

The strong price rally achieved during the second quarter masked the fact that regional stocks had actually wallowed in the early months of the year. They were generally taking their cues from their counterparts in the US where prices were

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

reaching 11-year lows.

Sentiment underwent a sharp turn for the better from March when investors took heart from signs of a growth revival in China where there was a rebound in credit creation, and indications that the recession in the US might be nearing at end. Investors were also encouraged by 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, the improvement in risk appetite was such that inflows into emerging-market equity funds, including those deployed in the Asia ex-Japan region, totaled approximately S\$38 billion during the second calendar quarter, which was a new record. China alone attracted more than S\$5 billion.

These inflows, monitored by US-based EPFR Global, were better than the previous high of almost S\$32 billion set in the fourth quarter of 2007.

In the fixed income segment, as the impetus for "flight to safety" had abated, the improvement in investors' risk appetite led to declines in the prices of government securities. Thus, for example, on a slippage in prices, the yield on the 10-year Singapore Government Securities (SGS) rose to 2009s high of 2.9% in mid-June before retracing to close at 2.59% at the end of that month. Similarly, the yield on the 10-year US Treasury Note reached a 2009 high of 3.95% in June before ending the half year 3.53%. Conversely, corporate credit spreads narrowed, and like equities, visible improvements mainly came during the second quarter. As an indication, the 5-year North America Investment Grade Index Series 12 tightened significantly to close the half-year at 131 basis points, compared to the March wide of 202 basis points. In Asia, the spread on the JP Morgan Asia Credit Index (investment-grade sub-index) also narrowed significantly to close the half-year at 335 basis

points, down from the March wide of 607 basis points.

The Fund's performance during the first half of 2009 was helped by its equity exposure in Indonesia, China, Taiwan and Hong Kong, and its underweight position in the fixed income segment and the tightening of corporate credit spreads.

Outlook

In our 2008 annual report for the Fund, we had envisaged that the current year would be one featuring a sentiment tussle between concerns about global economic health and financial strains on one side, and determined pro-growth policy actions on the other.

This has broadly been the case, and despite the recent strong rallies in asset prices, we continue to believe that "mood swings" will remain a feature of financial markets in the near-term until there is conclusive evidence that the global economy has indeed turned the corner.

Nonetheless, the dire growth assessments prevalent at the start of this year have been replaced by guarded optimism that economic activity may have the potential to recover as we head into 2010 as the various stimulus measures take effect. Recent data-points have offered some encouragement for this view.

For instance, China's real GDP expanded at an annualized 7.9% in the second calendar quarter. This was the first acceleration in growth in more than two years. Likewise, in the US, industrial production for June edged down a modest 0.4%, the smallest decline in eight months. Additionally, almost half of American companies responding to a survey by the National Association for Business Economics disclosed that their outlook on hiring was starting to improve. Here in Singapore, the advance GDP report for the April to June period indicated that exports fell a relatively manageable 3.7% p.a., an

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

improvement over the 9.6% p.a. slump reported for the first quarter.

With investors concerned about the lack of a “growth engine” to help the global economy and a relatively subdued US, reports of recovery in China have 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 this year, and its further expansion should provide some complementary benefits for other countries, particularly those in the Asia ex-Japan region.

For example, China will have demand for commodities as it continues to build its infrastructure, which will help resource producers such as Indonesia. The improvement in Chinese domestic consumption has resulted in greater sales of household appliances, including LCD TVs that are sourced from Taiwan.

China has also outpaced the US during the first half of this year as the largest global market for new vehicles, which has supported the revenues of car producers from Korea. A total of 6.1 million units were sold in China in the January to June period, compared to America’s 4.8 million.

Incidentally, it is projected that China would likely surpass Japan as the world’s second biggest economy by the end of 2009 or sometime during 2010.

Counterbalancing the recent slate of better macroeconomic news (the so-called “green shoots” of recovery) is the fact that the US economy is still in a challenging situation. The jobless rate there reached a 26-year high of 9.5% in June, and could potentially climb above 10% in the coming months. Bank failures have continued, and the risk of another high-profile corporate bankruptcy, along the lines of what happened to General Motors, remains.

Hence, in the near term, markets should still be

accompanied by volatility, as investors continue to react to the evidence of the day concerning the prospects of a meaningful global economic recovery. Under such an environment, the Fund will continue to adopt an active stance with respect to its exposure to equities.

In fixed income, concerns over the large supply of USTs to fund the US deficit will continue to weigh on yields. However, muted inflation, the US Fed maintaining short-term rates low and continued weakness in the economy will cushion any rise in yields. Similarly, while there are upside risks for SGS yields to rise, domestic bond yields will be capped by strong domestic liquidity, falling inflation and the weak economic outlook. While downside risks remain, barring any renewed risk aversion, the Fund will benefit from further improvement in the credit environment, and will maintain its preference for high-quality credit issues with attractive pricing.

As before, we would like to thank 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)”

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

Credit Rating*	Fair Value (S\$'000)	% of Fixed Income Instruments
Aaa	10,105	4.21
Aa1	7,991	3.33
Aa2	43,598	18.17
A1	256	0.11
A2	22,076	9.20
A3	41,069	17.11
Baa1	1,429	0.60
Baa2	7,172	2.99
Ba2	690	0.29
B1	1,291	0.54
NR	104,194	43.42
WR	101	0.03

Source: AIG Global Investment Corporation (Singapore) Ltd.

*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 30 June 2009)		
	Fair Value (S\$'000)	%
Standard Chartered 5.25% 10 Apr 2023	31,939	3.09
DBS Cap Funding 5.75% 29 May 2049	28,843	2.79
Queensley Hldgs Ltd 4.5% 05 Dec 2009	24,120	2.33
AAC Acoustic Technology Holdings	19,865	1.92
United Overseas Bank Ltd 4.1% 03 Sep 2019	18,391	1.78
Capitamall Trust	16,889	1.63
Morgan Stanley 4% 23 Oct 2017	16,042	1.55
Sinofert Holdings Ltd	14,161	1.37
CNOOC Ltd	13,994	1.35
DBS Bank 4.47% 15 Jul 2021	13,965	1.35

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 Securities 3.625% 01 Jul 2014	21,103	1.58
Singapore Govt Securities 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.

Exposure to derivatives

	S\$	%
Fair value of derivative contracts	57,445.83	0.01
Net gain/(loss) on derivative contracts realised for the period 01 Jan to 30 Jun 2009	479,577.36	N/A
Net gain/(loss) on outstanding contracts marked to market	57,445.83	N/A

Source: AIG Global Investment Corporation (Singapore) Ltd.

Amount and percentage of NAV invested in other schemes

NIL.

Amount and percentage of borrowings to NAV

NIL.

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

Amount of subscriptions and redemptions for the period 1 January 2009 – 30 June 2009

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	19.32%	14.93%
6-month	26.84%	19.57%
1-year	-14.18%	-4.06%
3-year [^]	-0.90%	3.33%
5-year [^]	3.20%	6.83%
Since Inception (01.10.01) [^]	7.81%	9.23%

Source: AIG Global Investment Corporation (Singapore) Ltd.

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

[^]Annualised returns

Expense Ratios [#]

Please refer to the Notes to the Financial Statements.

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

Turnover Ratios

Please refer to the Notes to the Financial Statements.

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

Soft Dollars

In the normal course of business, the Managers shall be entitled to receive soft dollar benefits from selected brokers, in relation to equity transactions. These brokers may also execute trades for other clients managed by the Manager. The products and services received generally benefit the entire Managers’ clients and trades are executed on the best available terms with no excessive churning. Products 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 2009

AIG INTERNATIONAL FUNDS

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

UNAUDITED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2009

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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 2009

	Acorns of Asia Balanced Fund		Singapore Bond Fund	
	30 Jun 2009 S\$	30 Jun 2008 S\$	30 Jun 2009 S\$	30 Jun 2008 S\$
Investment income				
Dividends	9,593,838	13,588,601	3,126,753	2,117,934
Interest on deposits with banks	23,532	931,871	36,732	701,427
Other	-	255	70	231
	9,617,370	14,520,727	3,163,555	2,819,592
Less: Expenses				
Audit fee	18,928	34,912	13,214	13,379
Custody and related fees	202,231	359,566	34,001	35,885
Management fees	6,604,708	9,479,036	2,516,957	3,010,349
Registrar and related fees	20,129	27,361	15,118	14,656
Trustee fees	176,125	292,703	100,678	132,672
Other	582,957	879,184	272,383	305,925
	7,605,078	11,072,762	2,952,351	3,512,866
Net income / (expenses)	2,012,292	3,447,965	211,204	(693,274)
Net gains or losses on value of investments				
Net realised gains / (losses) on investments	(63,694,481)	24,453,204	6,582,091	5,171,416
Net change in fair value on investments	271,265,934	(262,385,332)	13,208,141	(18,701,954)
Net realised gains / (losses) on forward foreign exchange contracts	479,577	1,109,756	590,781	1,561,831
Net change in fair value on forward foreign exchange contracts	(663,223)	(33,310)	(1,044,831)	(37,133)
Net foreign exchange gains / (losses)	4,137,659	(53,633,226)	114,942	(2,188,056)
Net gains/(losses) on value of investments	211,525,466	(290,488,908)	19,451,124	(14,193,896)
Total return for the year before income tax	213,537,758	(287,040,943)	19,662,328	(14,887,170)
Less: Income tax	(971,676)	(1,512,896)	(264,002)	(226,374)
Total return for the year	212,566,082	(288,553,839)	19,398,326	(15,113,544)

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 2009

	Note	Acorns of Asia Balanced Fund		Singapore Bond Fund	
		30 Jun 2009 S\$	31 Dec 2008 S\$	30 Jun 2009 S\$	31 Dec 2008 S\$
ASSETS					
Investments		986,901,797	769,037,240	474,083,301	469,640,407
Cash and bank balances	9	22,113,041	6,911,028	385,065	946,209
Fixed deposits with financial institutions		25,602,536	12,625,261	51,539,631	40,825,578
Receivables	4	5,086,652	528,707	726,334	456,647
Financial derivatives, at fair value	6	57,446	720,669	96,018	1,140,849
Total assets		1,039,761,472	789,822,905	526,830,349	513,009,690
LIABILITIES					
Payables	5	4,795,360	2,462,830	909,783	1,000,098
Net assets attributable to unitholders	7	1,034,966,112	787,360,075	525,920,566	512,009,592
Total liabilities		1,039,761,472	789,822,905	526,830,349	513,009,690

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 2009

Acorns of Asia Balanced Fund			
Holdings as at 30 Jun 2009	Fair value at 30 Jun 2009 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2009 %	
By Geography (Primary)			
Quoted Equities			
China			
Angang Steel Co Ltd	4,502,000	10,808,544	1.04
Anhui Conch Cement Co Ltd	750,000	6,783,843	0.66
Beijing Enterprises Holdings	1,028,500	7,392,405	0.71
China Ground Source Energy Ltd	155,000,000	2,141,333	0.21
China Jin Hui Mining Corp Ltd	5,000,000	812,101	0.08
China Mengniu Dairy Co Ltd	3,075,000	10,333,283	1.00
China Overseas Land & Invest	2,750,000	9,169,272	0.89
China Petroleum & Chemical	3,350,000	3,683,671	0.36
China Resources Land Ltd	3,764,000	12,100,505	1.17
China Shenhua Energy Co Ltd	1,480,000	7,833,133	0.76
CNOOC Ltd	7,800,000	13,993,898	1.35
Cosco Holdings Ltd	5,000,000	8,587,733	0.83
Denway Motors Ltd	21,500,000	12,402,740	1.20
Dongfeng Motor Group Co	5,780,000	7,100,263	0.69
Hengan International Group Co Ltd	1,300,000	8,809,894	0.85
Mainland Headwear Holdings Ltd	5,500,000	913,847	0.09
Petrochina Co Ltd	7,240,000	11,624,057	1.12
Shanghai Jin Jiang International Hotel Co Ltd	15,000,000	4,368,543	0.42
Shui On Land Ltd	8,770,000	8,710,277	0.84
Sinofert Holdings Ltd	19,350,000	14,160,799	1.37
Zhuzhou Csr Times Elec Co Ltd	1,810,000	3,689,962	0.36
Total China		165,420,103	16.00
Hong Kong			
AAC Acoustic Technology Holdings Ltd	17,274,000	19,865,264	1.92
Cheung Kong Infrastructure	1,360,000	6,855,251	0.66
Foxconn International Holdings Ltd	1,300,000	5,238,411	0.51
Galaxy Entertainment Group Ltd	13,500,000	5,116,235	0.49
Hysan Development Co Ltd	1,500,000	5,544,689	0.54
Kingboard Chemical Holdings Ltd	1,440,500	5,039,687	0.49
Pacific Basin Shipping Ltd	5,600,000	5,164,588	0.50
Shangri-La Asia Ltd	3,930,000	8,408,100	0.81
Shun Tak Holdings Ltd	7,900,000	7,153,022	0.69
Total Hong Kong		68,385,247	6.61

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 2009

Acorns of Asia Balanced Fund <i>(continued)</i>			
Holdings as at 30 Jun 2009	Fair value at 30 Jun 2009 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2009 %	
By Geography (Primary) <i>(continued)</i>			
Quoted Equities <i>(continued)</i>			
Indonesia			
PT Astra Agro Lestari	2,445,000	5,864,265	0.57
PT Bank Negara	43,560,000	10,571,388	1.02
PT Bumi Resources	28,327,000	7,437,386	0.72
PT Medco Energi International	20,000,000	8,586,247	0.83
PT Mitra Adiperkasa	21,000,000	1,102,730	0.11
PT Perusahaan Gas Negara	22,602,000	10,024,089	0.97
PT Ramayana Lestari Sentosa	40,000,000	2,895,197	0.28
PT Sampoerna Agro	24,401,000	5,644,731	0.55
PT Tambang Batubara Bukit Asam	8,108,500	13,348,932	1.29
PT United Tractors	6,000,000	8,430,134	0.81
Total Indonesia		73,905,099	7.15
Malaysia			
Naim Cendera Holdings Bhd	3,950,000	3,057,130	0.30
SP Setia Bhd	3,720,000	6,095,158	0.59
Ta Ann Holdings Bhd	4,225,000	7,096,527	0.69
Total Malaysia		16,248,815	1.58
Philippines			
Banco De Oro Unibank Inc	4,000,000	3,787,710	0.37
First Gen Corporation	6,000,000	3,562,251	0.34
International Container Terminal Services Inc	5,827,000	2,671,290	0.26
Total Philippines		10,021,251	0.97
Singapore			
Keppel Corporation Ltd	1,260,000	8,694,000	0.84
Sembcorp Marine Ltd	3,150,000	8,473,500	0.82
Total Singapore		17,167,500	1.66

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 2009

Acorns of Asia Balanced Fund <i>(continued)</i>			
Holdings as at 30 Jun 2009	Fair value at 30 Jun 2009 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2009 %	
By Geography (Primary) (continued)			
Quoted Equities (continued)			
South Korea			
Cape Industries Ltd	337,890	5,794,817	0.56
Cheil Industries Inc	180,000	9,342,780	0.90
CJ Chejedang Corp	40,750	6,919,205	0.67
CJ Homeshopping	51,290	3,658,304	0.35
Daelim Industrial Co	91,750	6,419,101	0.62
Daishin Securities Co Ltd	414,000	7,335,207	0.71
Dongkuk Steel Mill Co Ltd	249,310	7,347,921	0.71
Glovis Co Ltd	73,900	7,050,357	0.68
GS Engineering & Construction Co Ltd	70,000	5,883,248	0.57
Hankook Tire Co Ltd	560,000	10,589,847	1.02
Hite Brewery Co Ltd	48,020	8,453,592	0.82
Hynix Semiconductor Inc	163,708	2,547,287	0.25
Hyundai Engineering & Construction	104,150	6,328,495	0.61
Hyundai Mobis	73,861	9,227,739	0.89
Hyundai Steel Co Ltd	74,825	4,988,526	0.48
Hyunjin Materials Co Ltd	100,000	3,401,608	0.33
Intops Co Ltd	260,385	6,624,474	0.64
LIG Non Life Insurance Co Ltd	350,000	7,095,674	0.69
Mirae Asset Securities Co Ltd	61,880	4,898,583	0.47
NHN Corp	49,450	9,912,847	0.96
OCI Co Ltd	32,900	8,015,131	0.77
Samsung Engineering Co Ltd	55,000	5,297,195	0.51
Samsung Fire & Marine Insurance	20,000	4,281,823	0.41
Samsung SDI Co Ltd	50,000	5,820,781	0.56
Samsung Techwin Co Ltd	92,500	7,532,659	0.73
Ssangyong Motor Co Ltd	956,960	6,803,863	0.66
Taewoong Co Ltd	34,050	3,476,676	0.34
Total South Korea		175,047,740	16.91

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 2009

Acorns of Asia Balanced Fund (continued)			
Holdings as at 30 Jun 2009	Fair value at 30 Jun 2009 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2009 %	
By Geography (Primary) (continued)			
Quoted Equities (continued)			
Taiwan			
Acer Inc	4,000,000	10,051,823	0.97
Advanced Semiconductor Engineering	5,000,000	4,177,238	0.40
Ambassador Hotel	6,003,000	10,017,151	0.97
China Steel Corp	5,751,000	7,137,264	0.69
Compal Communications Inc	4,000,000	4,752,573	0.46
Compal Electronics	5,320,000	6,250,559	0.60
Far Eastern Department Store	3,410,000	4,840,835	0.47
Innolux Display Corporation	4,279,000	7,574,219	0.73
Largan Precision Co Ltd	175,000	2,677,180	0.26
Mediatek Inc	200,000	3,447,599	0.33
Merry Electronics Co Ltd	2,750,000	3,843,279	0.37
Quanta Computer Inc	3,650,000	8,512,528	0.82
Simplo Technology Co Ltd	1,865,000	10,853,324	1.05
Taiwan Fertilizer Co Ltd	3,120,000	13,397,493	1.29
Unimicron Technology Corp	6,030,000	6,685,983	0.65
Wistron Corporation	1,250,000	3,003,423	0.29
Total Taiwan		107,222,471	10.35
Thailand			
Banpu Public Co Ltd – Foreign	354,000	5,090,201	0.49
PTT Exploration & Prod – Foreign	1,493,600	8,323,779	0.80
PTT Public Co Ltd – Foreign	500,000	4,892,297	0.47
Sino Thai Engineering & Contr – Foreign	12,150,000	2,036,514	0.20
Thoresen Thai Agencies – Foreign	5,000,000	4,658,317	0.45
Total Thailand		25,001,108	2.41
Total Equities		658,419,334	63.64
Quoted Debt Securities			
Germany			
Deutsche Bank 3.25% 10 Oct 2012	8,000,000	7,991,378	0.77
Dresdner Bank AG 5.3% 18 Feb 2010	250,000	255,692	0.02
Total Germany		8,247,070	0.79

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 2009

Acorns of Asia Balanced Fund <i>(continued)</i>			
Holdings as at 30 Jun 2009	Fair value at 30 Jun 2009 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2009 %	
By Geography (Primary) <i>(continued)</i>			
Quoted Debt Securities <i>(continued)</i>			
Hong Kong			
HK Land Treasury 3.65% 05 Oct 2015	10,000,000	9,130,000	0.88
Total Hong Kong		9,130,000	0.88
India			
Bank of Baroda 6.625% 25 May 2022	1,000,000	1,242,613	0.12
ICICI Bank Ltd 3.3% 03 May 2012	2,000,000	1,823,888	0.18
Total India		3,066,501	0.30
Indonesia			
Lippo Karawaci Finance 8.875% 09 Mar 2011	1,000,000	1,291,117	0.12
PT Bank Lippo 7.375% 22 Nov 2016	500,000	690,425	0.07
Total Indonesia		1,981,542	0.19
Russia			
Transcapit 8.7% 07 Aug 2018	1,000,000	1,428,559	0.14
Total Russia		1,428,559	0.14
Singapore			
Ascott Capital 3.085% 27 Apr 2010	3,000,000	3,004,528	0.29
Capitaland Commercial 4.4% 03 Mar 2011	4,250,000	4,303,317	0.41
Capitaland Treasury Ltd 4.08% 15 Mar 2011	5,000,000	5,023,803	0.48
Capitaland Treasury Ltd 4.35% 31 Oct 2019	15,000,000	12,680,548	1.22
DBS Bank 4.47% 15 Jul 2021	16,000,000	13,965,269	1.35
Fraser & Neave Ltd 3.38% 15 Apr 2011	10,000,000	9,980,378	0.96
Fraser & Neave Ltd 3.41% 12 Aug 2010	5,000,000	5,079,963	0.49
Fraser & Neave Ltd 6% 30 Apr 2019	3,000,000	3,008,482	0.29
Hotel Properties 3.42% 06 Jul 2010	3,000,000	3,025,154	0.29
HSBC Singapore 3.36% 22 Nov 2010	2,000,000	2,035,364	0.20
Mapletree Treasury 4.45% 07 Mar 2018	7,000,000	6,418,444	0.62
Mapletree Treasury 4.6% 20 Aug 2013	4,000,000	4,057,134	0.39

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 2009

Acorns of Asia Balanced Fund <i>(continued)</i>		
Holdings as at 30 Jun 2009	Fair value at 30 Jun 2009 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2009 %
By Geography (Primary) <i>(continued)</i>		
Quoted Debt Securities <i>(continued)</i>		
Singapore <i>(continued)</i>		
OCBC 3.78% 28 Nov 2017	10,000,000	0.89
Public Utilities 3.095% 08 Oct 2014	5,000,000	0.50
Queensley Holdings Ltd 4.5% 05 Dec 2009	24,000,000	2.33
Sengkang Mall Ltd 4.88% 20 Nov 2012	3,600,000	0.34
Singapore Govt Securities 3.625% 01 Jul 2014	9,000,000	0.98
SPARC II Ltd 5% 07 Sep 2011	2,100,000	0.21
UOB Ltd 4.1% 03 Sep 2019	20,000,000	1.78
UOL 3.34% 15 May 2012	3,000,000	0.28
Wing Tai Holdings 4.98% 25 Apr 2011	7,500,000	0.71
Total Singapore	155,571,724	15.01
United Arab Emirates		
Emirates Airlines 4.28% 21 Jun 2011	2,500,000	0.22
Total United Arab Emirates	2,325,888	0.22
United Kingdom		
Standard Chartered 5.25% 10 Apr 2023	33,000,000	3.09
Standard Chartered 6.409% 31 Dec 2049	1,600,000	0.15
Standard Chartered 7.014% 30 Dec 2049	2,500,000	0.25
Total United Kingdom	36,044,319	3.49
United States		
Lehman Brothers Holdings 0% 26 Sep 2014	1,000,000	0.01
Morgan Stanley 3.585% 23 Oct 2012	6,250,000	0.58
Morgan Stanley 4% 23 Oct 2017	18,750,000	1.55
Total United States	22,177,748	2.14
Total Debt Securities	239,973,351	23.16

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 2009

Acorns of Asia Balanced Fund (continued)		
Holdings as at 30 Jun 2009	Fair value at 30 Jun 2009 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2009 %
By Geography (Primary) (continued)		
Others		
China		
Capitaretail China Trust	200,000	0.02
Total China	214,000	0.02
India		
Ascendas India Trust	250,000	0.02
Total India	171,250	0.02
Malaysia		
Amanah Raya Reit	1,000,000	0.03
Total Malaysia	294,351	0.03
Singapore		
Ascendas Real Estate Investment Trust	8,159,000	1.24
Ascott Residence Trust	978,000	0.06
Capitacommercial Trust	2,200,000	0.17
Capitamall Trust	12,150,500	1.63
Cityspring Infrastructure	580,000	0.04
DBS Cap Funding 5.75% 29 May 2049	31,200,000	2.79
DBS Bank 6% Non Cum PF	100,000	0.97
First Ship Lease Trust	2,200,000	0.13
Fraser's Centrepoint Trust	5,000,000	0.42
OCBC 5.1% 29 Dec 2049	20,000	0.19
OCBC Capital Corp 5.1% 29 Aug 2049	70,000	0.64
Starhill Global Reit	3,500,000	0.21
Total Singapore	87,829,511	8.49
Total Others	88,509,112	8.56
Portfolio of investments	986,901,797	95.36
Other net assets	48,064,315	4.64
Net assets attributable to unitholders	1,034,966,112	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 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

Others

China
India
Malaysia
Singapore

Total Others

Portfolio of investments

Other net assets

Net assets attributable to unitholders

Acorns of Asia Balanced Fund (continued)	
Percentage of total net assets attributable to unitholders at 30 Jun 2009 %	Percentage of total net assets attributable to unitholders at 31 Dec 2008 %
16.00	14.15
6.61	6.18
7.15	5.18
1.58	2.52
0.97	1.29
1.66	0.89
16.91	13.16
10.35	7.99
2.41	2.19
63.64	53.55
0.79	1.05
0.88	1.05
0.30	0.33
0.19	0.15
0.14	0.12
15.01	22.80
0.22	0.32
3.49	4.98
2.14	3.62
23.16	34.42
0.02	0.02
0.02	0.01
0.03	0.04
8.49	9.63
8.56	9.70
95.36	97.67
4.64	2.33
100.00	100.00

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

AIG INTERNATIONAL FUNDS

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

Portfolio Statements *(continued)*

As at 30 June 2009

	Acorns of Asia Balanced Fund <i>(continued)</i>		
	Fair value at 30 Jun 2009 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2009 %	Percentage of total net assets attributable to unitholders at 31 Dec 2008 %
By Industry (Secondary)			
Quoted Equities			
Agribusiness	25,669,795	2.49	1.19
Auto	53,174,809	5.14	1.92
Cement	6,783,843	0.66	-
Chemicals	13,397,493	1.29	2.77
Coal	33,709,652	3.26	2.52
Conglomerates	7,392,405	0.71	1.82
Construction Material	7,096,527	0.69	1.44
Consumer	15,372,797	1.49	-
Consumer Product	19,143,177	1.85	2.97
Electronics	134,411,138	12.99	10.29
Engineering & Construction	25,964,553	2.51	2.60
Finance	26,592,888	2.57	0.97
Food	-	-	1.30
Hotel	22,793,794	2.20	1.21
Industrial	2,141,333	0.21	-
Industrial Others	8,694,000	0.84	0.86
Infrastructure	10,545,213	1.02	1.58
Insurance	11,377,497	1.10	1.34
Leisure	12,269,257	1.18	-
Mach Heavy	8,430,134	0.81	-
Machinery	-	-	0.90
Manufacturing	9,342,780	0.90	1.21
Mining	812,101	0.08	0.44
Oil & Gas Services	57,444,367	5.54	3.71
Others	-	-	0.74
Paper	-	-	0.48
Pharmaceutical	-	-	0.71
Real Estate	44,677,031	4.33	2.60
Refining	3,683,671	0.36	0.55
Retail	12,497,066	1.21	1.46
Shipbuilding	21,146,601	2.05	0.79
Solar	8,015,131	0.77	-
Steel	30,282,255	2.92	0.67
Telecommunications	-	-	0.42
Textiles & Apparel	913,847	0.09	0.28
Trans Others	2,671,290	0.26	-
Transportation	18,410,638	1.78	2.90
Utilities	3,562,251	0.34	0.91
Total Equities	658,419,334	63.64	53.55

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 2009

Acorns of Asia Balanced Fund (continued)			
Fair value at 30 Jun 2009 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2009 %	Percentage of total net assets attributable to unitholders at 31 Dec 2008 %	
By Industry (Secondary) (continued)			
Quoted Debt Securities			
Airlines	2,325,888	0.22	0.32
Banks	93,807,609	9.08	12.38
Finance	22,177,748	2.14	3.62
Government	-	-	5.05
Hotel	-	-	0.39
Hotels & Hospitality	6,029,682	0.58	-
Industrial Others	18,068,823	1.74	1.93
Others	1,428,559	0.14	0.12
Real Estate	80,889,428	7.78	9.93
Sovereign	10,105,424	0.98	-
Utilities	5,140,190	0.50	0.68
Total Debt Securities	239,973,351	23.16	34.42
Others			
Banks	47,398,046	4.59	6.07
Hotels & Hospitality	665,040	0.06	-
Infrastructure	374,100	0.04	0.04
Real Estate	38,729,926	3.74	3.47
Shipping	1,342,000	0.13	0.12
Total Others	88,509,112	8.56	9.70
Portfolio of investments	986,901,797	95.36	97.67
Other net assets	48,064,315	4.64	2.33
Net assets attributable to unitholders	1,034,966,112	100.00	100.00

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

AIG INTERNATIONAL FUNDS

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

Portfolio Statements *(continued)*

As at 30 June 2009

Singapore Bond Fund		
Holdings as at 30 Jun 2009	Fair value at 30 Jun 2009 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2009 %
By Geography (Primary)		
Quoted Debt Securities		
Germany		
Deutsche Bank 3.25% 10 Oct 2012	8,000,000	7,991,378
Total Germany		1.52
		7,991,378
		1.52
Hong Kong		
CPA Finance 3.0575% 23 Feb 2010	2,400,000	2,418,332
Cathay Pacific 3.82% 09 Nov 2011	5,000,000	4,665,711
HK Land Treasury 3.01% 04 Oct 2010	9,000,000	9,062,613
HK Land Treasury 3.65% 05 Oct 2015	10,000,000	9,130,000
Total Hong Kong		25,276,656
		4.81
India		
Bank of Baroda 6.625% 25 May 2022	2,000,000	2,485,227
ICICI Bank Ltd 3.3% 03 May 2012	7,000,000	6,383,607
Total India		8,868,834
		1.68
Indonesia		
PT Bank Lippo 7.375% 22 Nov 2016	1,000,000	1,380,851
Total Indonesia		1,380,851
		0.26
		0.26
Korea		
Export-Import Bank Korea 6% 21 Jan 2010	4,000,000	4,151,205
Total Korea		4,151,205
		0.79
		0.79
Russia		
Transcapit 8.7% 07 Aug 2018	2,000,000	2,857,117
Total Russia		2,857,117
		0.54
		0.54

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

AIG INTERNATIONAL FUNDS

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

Portfolio Statements (continued)

As at 30 June 2009

Singapore Bond Fund (continued)			
Holdings as at 30 Jun 2009	Fair value at 30 Jun 2009 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2009 %	
By Geography (Primary) (continued)			
Quoted Debt Securities (continued)			
Singapore			
Ascott Capital 3.085% 27 Apr 2010	8,000,000	8,012,075	1.52
Capitaland Commercial 4.4% 03 Mar 2011	1,750,000	1,771,954	0.34
Capitaland Commercial 3.98% 07 May 2010	1,000,000	1,002,388	0.19
Capitaland Treasury 4.08% 15 Mar 2011	5,000,000	5,023,803	0.95
Capitaland Treasury 4.35% 31 Oct 2019	15,000,000	12,680,548	2.41
DBS Bank 4.47% 15 Jul 2021	16,000,000	13,965,269	2.65
Fraser & Neave Ltd 3.38% 15 Apr 2011	12,000,000	11,976,454	2.28
Fraser & Neave Ltd 3.41% 12 Aug 2010	5,000,000	5,079,963	0.97
Fraser & Neave Ltd 6% 30 Apr 2019	12,000,000	12,033,929	2.29
Hotel Properties 3.42% 06 Jul 2010	5,000,000	5,041,923	0.96
HSBC Singapore 3.36% 22 Nov 2010	5,000,000	5,088,411	0.97
Mapletree Treasury 4.45% 07 Mar 2018	8,000,000	7,335,364	1.39
Mapletree Treasury 4.6% 20 Aug 2013	8,500,000	8,621,410	1.64
OCBC 3.78% 28 Nov 2017	20,000,000	18,412,351	3.50
Power Seraya Ltd 3.97% 30 Sep 2010	3,000,000	3,005,720	0.57
Public Utilities 3.095% 08 Oct 2014	6,000,000	6,168,228	1.17
Queensley Holdings Ltd 4.5% 05 Dec 2009	13,000,000	13,064,768	2.48
Sengkang Mall Ltd 4.88% 20 Nov 2012	2,400,000	2,386,036	0.45
Singapore Govt Securities 2.5% 01 Oct 2012	7,000,000	7,393,733	1.41
Singapore Govt Securities 3.625% 01 Jul 2014	12,000,000	13,473,898	2.56
Singapore Govt Securities 4% 01 Sep 2018	31,100,000	35,421,413	6.74
SP Power Assets 4.84% 22 Oct 2018	1,750,000	1,746,062	0.33
SPARC II Ltd 5% 07 Sep 2011	1,000,000	1,029,116	0.20
Suntec Real Estate 3.25% 30 Mar 2013	3,000,000	2,961,983	0.56
UOB Ltd 4.1% 03 Sep 2019	8,000,000	7,356,537	1.40
UOL Ltd 3.34% 15 May 2012	9,000,000	8,673,384	1.65
Wing Tai Holdings 4.98% 25 Apr 2011	7,500,000	7,395,310	1.41
Total Singapore	226,122,030	42.99	

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 2009

Singapore Bond Fund (continued)			
Holdings as at 30 Jun 2009	Fair value at 30 Jun 2009 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2009 %	
By Geography (Primary) (continued)			
Quoted Debt Securities (continued)			
United Kingdom			
Standard Chartered 5.25% 10 Apr 2023	39,000,000	37,746,177	7.18
Standard Chartered 6.409% 31 Dec 2049	2,900,000	2,823,833	0.54
Standard Chartered 7.014% 30 Dec 2049	5,000,000	5,094,537	0.97
Total United Kingdom		45,664,547	8.69
United States			
Citigroup Inc 4.05% 29 Jun 2016	10,000,000	8,128,110	1.54
Household Fin Corp 4.07% 24 Feb 2014	4,500,000	4,085,774	0.78
Lehman Brothers Holdings 0% 26 Sep 2014	1,000,000	101,279	0.02
Lehman Brothers Treasury 0% 08 Aug 2016	10,000,000	700,000	0.13
Morgan Stanley 3.585% 23 Oct 2012	6,250,000	6,034,868	1.15
Morgan Stanley 4% 23 Oct 2017	18,750,000	16,041,601	3.05
Total United States		35,091,632	6.67
Total Debt Securities		357,404,250	67.95

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 2009

Singapore Bond Fund (continued)			
Holdings as at 30 Jun 2009	Fair value at 30 Jun 2009 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2009 %	
By Geography (Primary) (continued)			
Others			
China			
Capitaretail China Trust	1,120,000	1,198,400	0.23
Total China		1,198,400	0.23
India			
Ascendas India Trust	450,000	308,250	0.06
Total India		308,250	0.06
Malaysia			
Amanah Raya Reit	1,200,000	353,221	0.07
Total Malaysia		353,221	0.07
Singapore			
Ascendas Real Estate Investment Trust	7,342,000	11,526,940	2.19
Ascott Residence Trust	978,000	665,040	0.13
Capitacommercial Trust	1,100,000	902,000	0.17
Capitamall Trust	13,100,500	18,209,695	3.46
CDL Hospitality Trust	1,150,000	954,500	0.18
Cityspring Infrastructure Trust	650,000	419,250	0.08
DBS Cap Funding 5.75% 29 May 2049	38,000,000	35,129,595	6.68
DBS Bank 6% Non Cum PF	106,850	10,738,425	2.04
First Ship Lease Trust	6,600,000	4,026,000	0.77
Frasers Centrepoint Trust	5,633,000	4,872,545	0.93
Frasers Commercial Trust Reit	1,162,000	284,690	0.05
OCBC 5.1% 29 Dec 2049	40,000	3,832,800	0.73
OCBC Capital Corp 5.1% 29 Aug 2049	210,000	19,765,200	3.76
Starhill Global Reit	5,500,000	3,492,500	0.66
Total Singapore		114,819,180	21.83
Total Others		116,679,051	22.19
Portfolio of investments		474,083,301	90.14
Other net assets		51,837,265	9.86
Net assets attributable to unitholders		525,920,566	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 2009

By Geography (Summary)

Quoted Debt Securities

Germany
Hong Kong
India
Indonesia
Korea
Russia
Singapore
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

Singapore Bond Fund (continued)	
Percentage of total net assets attributable to unitholders at 30 Jun 2009 %	Percentage of total net assets attributable to unitholders at 31 Dec 2008 %
1.52	1.57
4.81	4.72
1.68	1.46
0.26	0.16
0.79	-
0.54	0.37
42.99	42.88
8.69	9.46
6.67	11.17
67.95	71.79
0.23	0.13
0.06	0.04
0.07	0.07
21.83	19.69
22.19	19.93
90.14	91.72
9.86	8.28
100.00	100.00

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

AIG INTERNATIONAL FUNDS

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

Portfolio Statements *(continued)*

As at 30 June 2009

Singapore Bond Fund (continued)		
Fair value at 30 Jun 2009 S\$	Percentage of total net assets attributable to unitholders at 30 Jun 2009 %	Percentage of total net assets attributable to unitholders at 31 Dec 2008 %
<u>By Industry (Secondary)</u>		
<u>Quoted Debt Securities</u>		
Airlines	7,084,043	1.35
Banks	122,036,609	23.20
Finance	26,963,522	5.13
Government	-	-
Government Agency	-	-
Hotel	-	-
Hotels & Hospitality	13,053,998	2.48
Industrial Others	29,090,346	5.54
Others	2,857,117	0.54
Real Estate	89,109,561	16.93
Sovereign	56,289,044	10.71
Utilities	10,920,010	2.07
Total Debt Securities	357,404,250	67.95
<u>Others</u>		
Banks	69,466,020	13.21
Hotel	-	-
Hotels & Hospitality	1,619,540	0.31
Infrastructure	419,250	0.08
Real Estate	41,148,241	7.82
Shipping	4,026,000	0.77
Total Others	116,679,051	22.19
Portfolio of investments	474,083,301	90.14
Other net assets	51,837,265	9.86
Net assets attributable to unitholders	525,920,566	100.00

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

AIG INTERNATIONAL FUNDS

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

Notes to the Financial Statements

For the six-month period ended 30 June 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 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 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 in the Republic of Singapore)

Notes to the Financial Statements *(continued)*

For the six-month period ended 30 June 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 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.

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 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 in the Republic of Singapore)

Notes to the Financial Statements *(continued)*

For the six-month period ended 30 June 2009

3. Tax (continued)

(b) Tax of the Fund (continued)

	Acorns of Asia Balanced Fund		Singapore Bond Fund	
	30 Jun 2009 S\$	30 Jun 2008 S\$	30 Jun 2009 S\$	30 Jun 2008 S\$
Singapore income tax	240,772	220,556	259,815	226,167
Overseas income tax	730,904	1,292,340	4,187	207
Total income tax	971,676	1,512,896	264,002	226,374

4. Receivables

	Acorns of Asia Balanced Fund		Singapore Bond Fund	
	30 Jun 2009 S\$	31 Dec 2008 S\$	30 Jun 2009 S\$	31 Dec 2008 S\$
Amounts receivable for creation of units	925,660	363,981	76,230	454,874
Sales awaiting settlement	1,758,958	-	-	-
Accrued interest receivables	461	443	1,104	1,772
Other receivables	2,401,573	164,283	649,000	-
	5,086,652	528,707	726,334	456,647

5. Payables

	Acorns of Asia Balanced Fund		Singapore Bond Fund	
	30 Jun 2009 S\$	31 Dec 2008 S\$	30 Jun 2009 S\$	31 Dec 2008 S\$
Payables to unitholders for cancellation of units	1,353,904	1,338,773	428,399	513,857
Purchase awaiting settlement	2,039,818	-	-	-
Accrued expenses	1,401,638	1,124,057	481,384	486,241
	4,795,360	2,462,830	909,783	1,000,098

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 2009

6. Financial derivatives, at fair value

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

	Contractual or underlying principal amount	Fair value gains	Fair value losses
	S\$	S\$	S\$
30 Jun 2009			
Acorns of Asia Balanced Fund [see (b) below]	7,103,869	57,446	-
Singapore Bond Fund [see (b) below]	11,873,818	96,018	-
31 Dec 2008			
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 in the Republic of Singapore)

Notes to the Financial Statements *(continued)*

For the six-month period ended 30 June 2009

7. Net assets attributable to unitholders

	Acorns of Asia Balanced Fund		Singapore Bond Fund	
	30 Jun 2009 S\$	31 Dec 2008 S\$	30 Jun 2009 S\$	31 Dec 2008 S\$
At the beginning of financial year	787,360,075	1,520,265,835	512,009,592	581,991,215
Operations				
Change in net assets attributable to unitholders resulting from operations	212,566,082	(694,259,628)	19,398,326	(54,547,382)
Unitholders' contributions/(withdrawals)				
Creation of units	63,912,486	440,539,790	25,570,851	433,890,031
Cancellation of units	(28,872,531)	(479,185,922)	(31,058,203)	(449,324,272)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	35,039,955	(38,646,132)	(5,487,352)	(15,434,241)
Total increase/(decrease) in net assets attributable to unitholders	247,606,037	(732,905,760)	13,910,974	(69,981,623)
At the end of financial year	1,034,966,112	787,360,075	525,920,566	512,009,592
Units in issue (see note 8)	579,406,851	559,626,665	413,647,030	418,191,188
Net asset attributable to unitholders per unit	1.786	1.407	1.271	1.224

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 2009 S\$	31 Dec 2008 S\$	30 Jun 2009 S\$	31 Dec 2008 S\$
Net assets attributable to unitholders per unit for issuing/redeeming units	1.791	1.412	1.272	1.225
Effect of adopting bid prices as fair value	(0.005)	(0.005)	(0.001)	(0.001)
Net assets attributable to unitholders per unit per the financial statements	1.786	1.407	1.271	1.224

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 2009

8. Units in issue

	Acorns of Asia Balanced Fund		Singapore Bond Fund	
	30 Jun 2009	31 Dec 2008	30 Jun 2009	31 Dec 2008
Units at beginning of year	559,626,665	596,955,499	418,191,189	433,389,198
Units created	37,970,794	199,976,579	20,874,305	326,540,057
Units cancelled	(18,190,608)	(237,305,413)	(25,418,464)	(341,738,066)
Units at end of year	579,406,851	559,626,665	413,647,030	418,191,189

9. Related party disclosures

- (a) As at 30 June 2009, the Manager and Trustee of AIG International Funds are AIG Global Investment Corporation (Singapore) Limited, a subsidiary of American International Group, Inc.; 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.
- (b) As at 30 June 2009 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 2009 S\$	31 Dec 2008 S\$	30 Jun 2009 S\$	31 Dec 2008 S\$
Income derived/ (expenses incurred) for the financial year				
- Current account	12,526	30,544	-	905
- Bank charges	(480)	(1,738)	(369)	(2,913)

- (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 2009 S\$	31 Dec 2008 S\$	30 Jun 2009 S\$	31 Dec 2008 S\$
Balance at end of the financial year				
- Current account	22,113,041	6,911,028	385,065	946,209

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 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-funds' 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 buy and sell decision) and should be exited.

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 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-fund's 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 30 June 2009, the historical 1-year beta for Acorns of Asia Balanced sub-fund (for equities portion with the REITs) is estimated to be 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 on the sub-fund's net asset attributable to unitholders as at 30 June 2009 and 31 December 2008. The analysis is based on the assumption that the estimated 1-year beta of 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	
		30 Jun 2009 (S\$m)	31 Dec 2008 (S\$m)
Acorns of Asia Balanced Fund	MSCI AC FE ex Japan DTR Net	42.67	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 in the Republic of Singapore)

Notes to the Financial Statements *(continued)*

For the six-month period ended 30 June 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.

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 2009

10. Financial risk management (continued)

(a) Market risk (continued)

(ii) *Interest rate risk* (continued)

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

Acorns of Asia Balanced Fund:

	Variable rates S\$	Fixed Rates S\$	Non-interest bearing S\$	Total S\$
As at 30 Jun 2009				
Assets				
Investments	-	239,973,351	746,928,446	986,901,797
Receivables	-	-	5,086,652	5,086,652
Cash and bank balances	22,113,041	-	-	22,113,041
Fixed deposits with financial institutions	-	25,602,536	-	25,602,536
Financial derivatives, at fair value	-	-	57,446	57,446
Total Assets	22,113,041	265,575,887	752,072,544	1,039,761,472
Liabilities				
Payables	-	-	4,795,360	4,795,360
Net assets attributable to unitholders	-	-	1,034,966,112	1,034,966,112
Total liabilities	-	-	1,039,761,472	1,039,761,472
As at 31 Dec 2008				
Assets				
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
Total Assets	6,911,028	283,636,393	499,275,484	789,822,905
Liabilities				
Payables	-	-	2,462,830	2,462,830
Net assets attributable to unitholders	-	-	787,360,075	787,360,075
Total liabilities	-	-	789,822,905	789,822,905

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 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\$
As at 30 Jun 2009				
Assets				
Investments	-	357,404,250	116,679,051	474,083,301
Receivables	-	-	726,334	726,334
Cash and bank balances	385,065	-	-	385,065
Fixed deposits with financial institutions	-	51,539,631	-	51,539,631
Financial derivatives, at fair value	-	-	96,018	96,018
Total Assets	385,065	408,943,881	117,501,403	526,830,349
Liabilities				
Payables	-	-	909,783	909,783
Net assets attributable to unitholders	-	-	525,920,566	525,920,566
Total liabilities	-	-	526,830,349	526,830,349
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
Total Assets	946,209	408,409,461	103,654,020	513,009,690
Liabilities				
Payables	-	-	1,000,098	1,000,098
Net assets attributable to unitholders	-	-	512,009,592	512,009,592
Total liabilities	-	-	513,009,690	513,009,690

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 2009

10. Financial risk management (continued)

(a) Market risk (continued)

(ii) *Interest rate risk* (continued)

Fund	Impact of 50 bps (2008: 50bps) decrease in interest rates on net assets attributable to unit holders	
	30 Jun 2009 (S\$m)	31 Dec 2008 (S\$m)
Acorns of Asia Balanced sub-fund	6.26	7.39
Singapore Bond sub-fund	9.43	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 30 June 2009:

Currency	Gross	Hedges	Net
	S\$	S\$	S\$
HKD	233,691,309	-	233,691,309
IDR	74,427,046	-	74,427,046
KRW	175,998,498	-	175,998,498
MYR	16,543,166	-	16,543,166
PHP	10,021,250	-	10,021,250
RMB	36,934	-	36,934
THB	25,001,107	-	25,001,107
TWD	127,952,929	-	127,952,929
USD	8,873,619	(7,103,602)	1,770,017
	672,545,858	(7,103,602)	665,442,256

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 2009

10. Financial risk management (continued)

(a) Market risk (continued)

(iii) *Currency risk* (continued)

Acorns of Asia Balanced Fund as at 31 December 2008:

Currency	Gross	Hedges	Net
	S\$	S\$	S\$
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)
	426,956,981	(13,084,625)	413,872,356

Singapore Bond Fund as at 30 June 2009:

Currency	Gross	Hedges	Net
	S\$	S\$	S\$
MYR	353,221	-	353,221
USD	14,752,997	(11,873,371)	2,879,626
	15,106,218	(11,873,371)	3,232,847

Singapore Bond Fund as at 31 December 2008:

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

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Notes to the Financial Statements *(continued)*

For the six-month period ended 30 June 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	Impact of 1% (2008: 1%) increase in foreign currency exchange rates against Singapore Dollar on net asset attributable to unit holders		
	Currency	30-Jun-09	31-Dec-08
Acorns of Asia Balanced Fund	HKD	2,336,913	1,599,551
	IDR	744,270	408,704
	KRW	1,759,985	1,035,143
	MYR	165,432	203,309
	PHP	100,213	102,615
	RMB	369	-
	THB	250,011	172,491
	TWD	1,279,529	684,845
	USD	17,700	(67,934)
Singapore Bond Fund	MYR	3,532	3,578
	USD	28,796	(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.

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Notes to the Financial Statements *(continued)*

For the six-month period ended 30 June 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.

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

S&P or Moody's Rating of debt securities credit ratings as at 30 June 2009							
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
Acorns of Asia Balanced sub-fund							
- SGD millions	10.10	2.03	103.83	16.49	3.22	104.30	239.97
- % of portfolio	0.97	0.19	10.03	1.59	0.31	10.07	23.16
Singapore Bond sub-fund							
- SGD millions	56.29	6.83	123.91	35.35	3.87	131.15	357.40
- % of portfolio	10.70	1.30	23.56	6.72	0.73	24.94	67.95

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Notes to the Financial Statements *(continued)*

For the six-month period ended 30 June 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.

	Amount (S\$m)	Credit rating as at 30 June 2009	Credit rating as at 31 December 2008
Acorns of Asia Balanced sub-fund			
- Citigroup	29.5	A	A
- ABN Amro	18.2	A+	A+
Singapore Bond sub-fund			
- Citigroup	0.4	A	A
- OCBC	26.3	A	A+
- ABN Amro	25.2	A+	A+

As at 30 June 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 30 June 2009.

(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.

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Notes to the Financial Statements *(continued)*

For the six-month period ended 30 June 2009

10. Financial risk management (continued)

(c) Liquidity risk (continued)

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

	Cash and short-term fixed deposits (S\$m)	Singapore Government Securities (S\$m)	Corporate bonds maturing within 12 months (S\$m)
Acorns of Asia Balanced sub-fund			
- 30 June 2009	47.7	10.11	24.12
- 31 December 2008	19.4	39.76	34.41
Singapore Bond sub-fund			
- 30 June 2009	51.9	56.29	13.06
- 31 December 2008	41.8	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 Fund's capital is represented by the net assets attributable to unitholders. The Fund strives to invest the subscriptions of redeemable participating units in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholder redemptions.

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Notes to the Financial Statements *(continued)*

For the six-month period ended 30 June 2009

11. Financial ratios

	Acorns of Asia Balanced Fund		Singapore Bond Fund	
	30 Jun 2009	30 Jun 2008	30 Jun 2009	30 Jun 2008
	%	%	%	%
Expense ratio ¹	1.73	1.65	1.17	1.10
Portfolio turnover ratio ²	42.01	33.71	19.31	15.44

¹ Expense ratio as at 30 June 2009 is calculated in accordance with IMAS Guidelines on disclosure of expense ratios issued on 25 May 2005.

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

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

AIG INTERNATIONAL FUNDS

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

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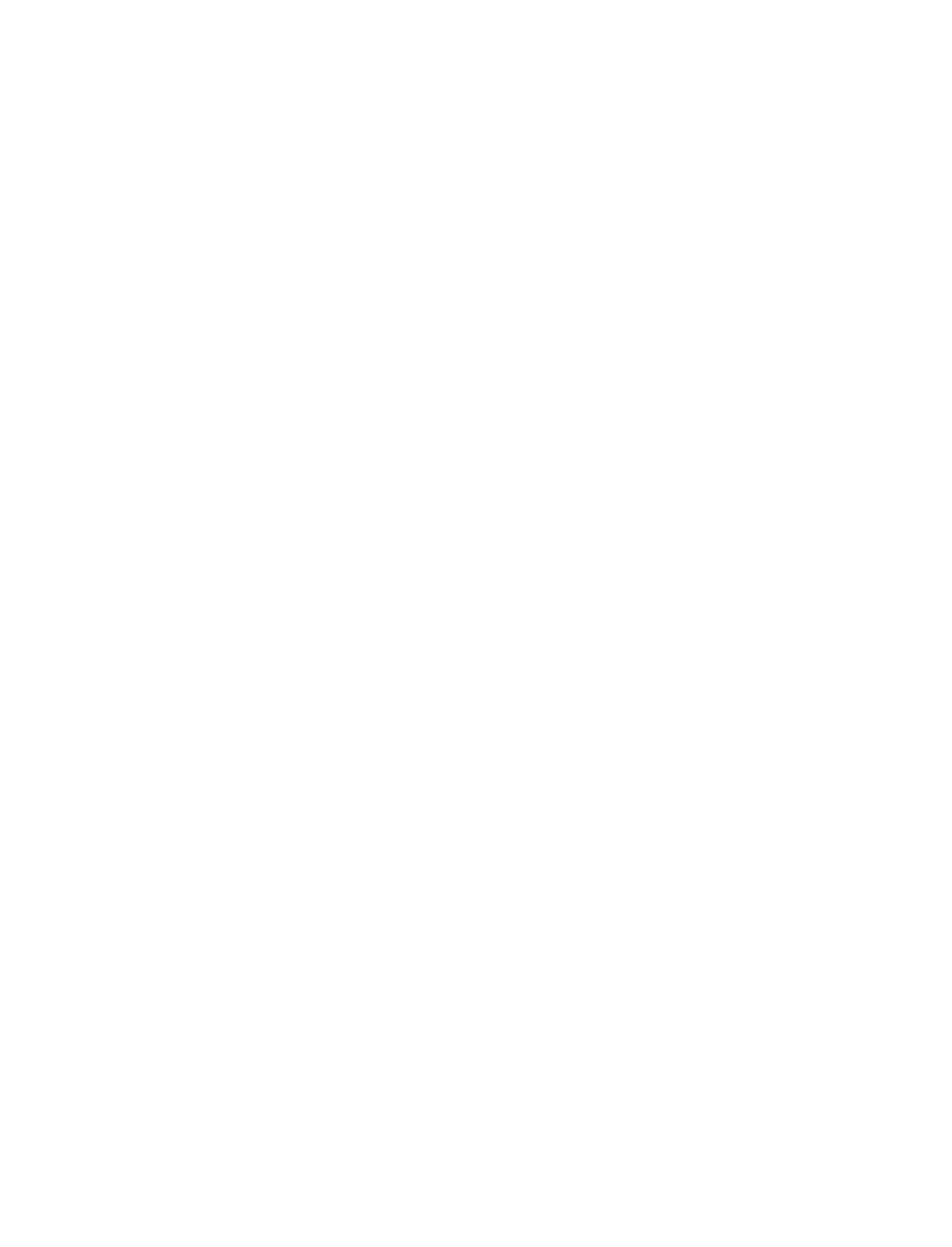
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