

EQUITY MARKETS

Malcolm Gladwell in his book *blink* writes about the emergency unit of a hospital in Chicago which used to find it difficult to keep pace with the number of people who would rush to the hospital complaining of chest pain. Due to no immediate conclusive tests to determine if the patient was at risk of a heart attack, the doctors would take a conservative stand and admit many who may not actually be at risk of an immediate heart attack, thereby straining the resources of the hospital. To tackle this issue, the Chairman of the hospital's department of medicine used the research findings of a cardiologist Lee Goldman to put in place an algorithm which a doctor could use (<http://www.tumblr.com/tagged/goldman's-algorithm>) to determine if the patient needed to be admitted to the intensive care unit or otherwise. The beauty of the algorithm is that it considers only 3 or 4 "urgent risk factors" to find this out, whereas the physicians typically used to investigate many other things (diabetes, cholesterol, usage of drugs etc.), most of which were no doubt important from a longer term perspective but none from an immediate response point of view. It is therefore important to understand the objective and use the factors which determine it rather than try to understand all the information available. Post implementing this algorithm (many a doctor obviously did not like the fact that diagnosis had become "mechanical" and "automated"!), the hospital was able to use its scarce resources more efficiently and effectively.

In our line of work, where we invest your monies, we also need to focus on the more important aspects and filter out the accompanying noise. Just like the above example, we believe that we also need to understand the main drivers which will help deliver good returns consistently over the long term. In our view, the following three factors are important in achieving good long term performance: (i) good business franchise (ii) outstanding management and (iii) fair value. If we get these three right, we are nearly certain that the strategy will outperform the markets over the medium to long term. A business which meets the first two criteria will be able to withstand the harshest of economic climates and if you pay a price where this success is not fully built in, then you should get desirable results. At any point in time, we are receiving a lot of information (economy, interest rates, geo politics, global happenings etc.) but none of this may materially determine the longer term performance of your portfolio. The above three factors are most important and we, therefore, try to focus our time and resources in gaining a better understanding of these aspects.

In our last month's commentary on equity markets, we were mentioning the random nature of markets and in that context we highlighted the "past track record of Nifty giving positive returns in December". We wrote that this was not necessarily a pattern but just a random event and investors should not invest based on such patterns. Coincidentally, Nifty broke the track record this December.

The above views represent the opinion of the fund manager and are subject to change without notice.

AIG India Equity Fund

(An open-ended equity scheme)

PORTFOLIO

as on 30 December 2011

Name of the Instrument	Sector	% to NAV
EQUITY & EQUITY RELATED INSTRUMENTS		
Infosys Ltd.	Software	6.71
Hero MotoCorp Ltd.	Auto	5.98
HDFC Bank Ltd.	Banks	5.72
Jindal Steel & Power Ltd.	Ferrous Metals	5.10
Petronet LNG Ltd.	Gas	4.95
Hindustan Zinc Ltd.	Non - Ferrous Metals	4.81
Indraprastha Gas Ltd.	Gas	4.72
Coromandel International Ltd.	Fertilisers	4.53
Bosch Ltd.	Auto Ancillaries	4.03
Torrent Power Ltd.	Power	3.93
Total of Top 10 Equity Holdings		50.48
Larsen & Toubro Ltd.	Construction Project	3.58
Sun Pharmaceutical Industries Ltd.	Pharmaceuticals	3.27
Redington India Ltd.	Trading	3.21
Coal India Ltd.	Minerals/Mining	2.63
Gujarat Mineral Development Corporation Ltd.	Minerals/Mining	2.39
Eicher Motors Ltd.	Auto	2.35
Castrol India Ltd.	Petroleum Products	2.03
OTHER EQUITY HOLDINGS		23.20
TOTAL EQUITY HOLDINGS		93.14
DEBT / MONEY MARKET / CASH & CASH EQUIVALENT		6.86
GRAND TOTAL		100.00

FUND ACTIVITY

- We bought Jindal Steel & Power, L&T
- We sold Dr. Reddy's Laboratories

(The above is applicable only for stocks which comprise 2% or more of the portfolio as on closing date of the month)

TOP 5 SECTORS

as on 30 December 2011

Sector	% of NAV
Gas	9.89
Auto	9.37
Software	8.56
Banks	5.72
Construction Project	5.47

NAV (as on 30 December 2011) :

Reg - Div: ₹ 10.951

Reg - Gr: ₹ 10.951

Fund Corpus: ₹ 130.70 crore (as on 30 December 2011)

Fund Manager: Huzaifa Husain

AIG Infrastructure and Economic Reform Fund

(An open-ended equity scheme)



PORTFOLIO

as on 30 December 2011

Name of the Instrument	Sector	% to NAV
EQUITY & EQUITY RELATED INSTRUMENTS		
Coromandel International Ltd.	Fertilisers	8.36
Petronet LNG Ltd.	Gas	8.24
Indraprastha Gas Ltd.	Gas	7.34
Jindal Steel & Power Ltd.	Ferrous Metals	5.53
Torrent Power Ltd.	Power	5.17
Larsen & Toubro Ltd.	Construction Project	4.71
Power Grid Corporation of India Ltd.	Power	4.69
Coal India Ltd.	Minerals/Mining	4.61
Gujarat Mineral Development Corporation Ltd.	Minerals/Mining	4.30
Bharat Heavy Electricals Ltd.	Industrial Capital Goods	4.25
Total of Top 10 Equity Holdings		57.21
Gujarat State Petronet Ltd.	Gas	4.12
Thermax Ltd.	Industrial Capital Goods	3.73
IRB Infrastructure Developers Ltd.	Construction	3.29
Sadbhav Engineering Ltd.	Construction Project	3.14
Cummins India Ltd.	Industrial Products	3.13
AIA Engineering Ltd.	Industrial Capital Goods	3.10
Rural Electrification Corporation Ltd.	Finance	3.06
ACC Ltd.	Cement	2.82
Shree Cements Ltd.	Cement	2.15
Bharat Electronics Ltd.	Industrial Capital Goods	2.05
OTHER EQUITY HOLDINGS		7.81
TOTAL EQUITY HOLDINGS		95.60
DEBT / MONEY MARKET / CASH & CASH EQUIVALENT		4.40
GRAND TOTAL		100.00

FUND ACTIVITY

- We bought Jindal Steel & Power
- We sold Chambal Fertilizers & Chemicals

(The above is applicable only for stocks which comprise 2% or more of the portfolio as on closing date of the month)

NAV (as on 30 December 2011) :

Reg - Div: ₹ 7.526	Reg - Gr: ₹ 7.526
IP - Div: ₹ 7.725	IP - Gr: ₹ 7.725

Fund Corpus: ₹ 85.44 crore (as on 30 December 2011)

Fund Manager: Huzaifa Husain

AIG India Equity Fund:

Scheme Classification: An open-ended equity scheme. **Investment objective:** The primary objective of the scheme is to generate long-term capital appreciation from a diversified portfolio of predominantly equity and equity-related securities including equity derivatives. **Asset Allocation Pattern:** Equities and equity related securities: 80%-100%; Debt and money market securities / instruments / funds: 0% - 20%. **Load Structure:** Entry Load : N. A. Exit Load: 1% of the Applicable NAV if redeemed within 1 year from the date of allotment.

AIG Infrastructure and Economic Reform Fund:

Scheme Classification: An open ended equity scheme. **Investment objective:** The investment objective of the Scheme is to generate long-term capital appreciation from a diversified portfolio of predominantly (at least 65%) equity and equity-related securities of companies involved in economic development of India as a result of potential investments in infrastructure and unfolding economic reforms. However there can be no assurance that the investment objective of the scheme will be realized as actual market movements may be at variance with anticipated trends. **Asset Allocation Pattern:** Equity and equity related securities: 80% to 100%; Debt & money market securities/instruments/funds: 0% to 20%. The fund would remain fully invested upto 95% in equity and equity related securities and will have only 5% in short term debt and money market instruments to meet short term liquidity requirements of the scheme. **Load Structure:** Entry Load : N. A. Exit Load: 1% of the Applicable NAV if redeemed within 1 year from the date of allotment.

Common Information for the above mentioned schemes: No exit load shall be charged on Bonus units allotted and on units allotted on Reinvestment of Dividend.

Terms of issue: Units of the Scheme(s) are being offered at NAV based prices. Scheme Information Document, Key Information Memorandum and Application Forms / Transaction Slips are available at the ISCs / distributors. NAVs will be calculated and disclosed on all Business days.

Risk Factors: Mutual Funds, like securities investments, are subject to market risks and there is no guarantee against loss in the Schemes or that the Schemes' objectives will be achieved. As with any investment in securities, the NAV of the Units issued under the Schemes can go up or down depending on various factors and forces affecting the securities market. Investments in the Schemes will be affected by trading volumes, settlement periods, volatility, price fluctuations, inability to sell securities, disinvestment of holdings of any unlisted stocks prior to target date of disinvestment, credit risk, currency risk, country risk, interest rate risk and default risk including possible loss of principal. As the price / value / interest rates of the securities in which the schemes invests fluctuate, the value of your investment in the schemes may go up or down. Past performance of the Sponsor / AMC / Mutual Fund does not guarantee future performance of the schemes.

AIG India Equity Fund and AIG Infrastructure and Economic Reform Fund are the names of the Schemes and do not, in any manner, indicate the quality of the Schemes, their future prospects or returns. The sponsor is not responsible or liable for any loss resulting from the operation of the schemes beyond the initial contribution of ₹ 1 lakh made by it towards setting up the Fund. The present schemes do not give any guaranteed or assured return. In addition the schemes do not guarantee or assure any dividend and also does not guarantee or assure that they will make any dividend distribution, though they have every intention to make the same in the dividend option of the plans. All dividend distributions are subject to the investment performance of the Schemes. The Schemes and individual Plan(s) with a separate portfolio, if any, under the respective Scheme(s) shall have a minimum of 20 investors and no single investor shall account for more than 25% of the corpus of the Scheme(s)/Plan(s). In case of non-fulfillment with either of the above two conditions, specified SEBI Guidelines in this regard would be complied with. **Please read the Scheme Information Document and Statement of Additional Information carefully before investing.**

Statutory Details: AIG Global Investment Group Mutual Fund ('the Fund') has been established as a trust under the Indian Trusts Act, 1882, sponsored by AIG Capital Corporation (liability restricted to ₹ 1 lakh), AIG Trustee Company (India) Private Limited, a company incorporated under the Companies Act, 1956, with a limited liability is the Trustee to the Fund. AIG Global Asset Management Company (India) Private Limited, a company incorporated under the Companies Act, 1956, with a limited liability is the Investment Manager to the Fund.

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AIG World Gold Fund

(An open ended Fund of Funds scheme)



PORTFOLIO as on 30 December 2011

Name of the Instrument	% to NAV
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Investments in Foreign Securities

Falcon Gold Equity Fund Class "I Asia"	96.46
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Total	96.46
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DEBT / MONEY MARKET / CASH & CASH EQUIVALENT	3.54
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GRAND TOTAL	100.00
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NAV (as on 30 November 2011) :

Div: ₹ 13.537 Gr: ₹ 15.008

Fund Corpus: ₹ 203.82 crore (as on 30 December 2011)

Fund Manager: Vikrant Mehta

FALCON GOLD EQUITY FUND (underlying fund of AIG World Gold Fund)

Portfolio Allocation - Regional as on 30 December 2011

Name of the Instrument	% to NAV
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Australia	6.40
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Canada	68.89
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South Africa	3.25
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U.S.	8.51
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Others	9.87
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Cash/Eq	3.08
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Total	100.00
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Top 10 Holdings

as on 30 December 2011

Name of the Instrument	% to NAV
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Goldcorp Inc	7.7
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Randgold Resources Ltd. - ADR	6.7
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Newmont Mining Corp	5.7
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Iamgold Corp	5.3
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Kinross Gold Corp	4.6
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Yamana Gold Inc	4.6
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New Gold Inc	4.4
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Newcrest Mining Ltd.	4.0
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Silver Wheaton Corp	3.7
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Agnico-eagle Mines Ltd.	3.6
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Total	50.3
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“Falcon Gold Equity Fund wins the Lipper Fund Award again in 2011.”



Falcon Gold Equity Fund, the underlying fund of AIG World Gold Fund, has been awarded **Best Fund for the third consecutive year** at the Lipper Fund Awards 2011 in the category Equity Sector - Gold and Precious Metals for the 5 year performance period. The fund has also been awarded Best Fund in the same category for the 3 year performance period at the Lipper Fund Awards in 2009 and 2010. Please refer below for awards methodology. **Past performance is no guarantee of future results.**

Awards Methodology: The Lipper Fund Awards program highlights funds that have excelled in delivering consistently strong risk-adjusted performance relative to peers. Lipper designates award-winning funds in most individual classifications for the three, five and ten-year periods. In addition, the Lipper Fund Awards program spotlights fund families with high average scores for all funds within a particular asset class or overall. The Lipper Awards 2011 highlights funds registered for sale in the respective country as of December 31, 2010 with at least 36 months of performance history as of the said date. For complete details on the Award methodology, visit www.lipperweb.com.

AIG Short Term Fund

(An open ended income scheme)

AIG
SHORT
TERM
FUND

MARKET REVIEW

- Index of Industrial Production (IIP) for October 2011 declined 5.1% y-o-y.
- Policy rates remained unchanged in the December 2011 mid-quarter policy review.
- Dovish RBI guidance and open market operations (OMOs) positively outweighed fears of additional market borrowings by the Government.

Source: RBI, Bloomberg, www.mospi.nic.in; Date: as on 30 December 2011.

FUND ACTIVITY & OUTLOOK

- Added 1 year CDs and bonds of around 2 year duration.
- Took selective trading positions in Government bonds.

Easing expectations built into current interest rates. Markets to await cues from RBI in the Third Quarter Monetary Policy review in January 2012.

PORTFOLIO

as on 30 December 2011

Name of the Instrument	Type	Rating	% to NAV
Allahabad Bank	CD	ICRA A1+	19.71
State Bank of Patiala	CD	ICRA A1+	19.29
Canara Bank	CD	CRISIL A1+	18.40
Central Bank of India	CD	CARE A1+	18.36
ICICI Bank Ltd.	CD	ICRA A1+	8.06
LIC Housing Finance Ltd.	Bond	CRISIL AAA	7.97
LIC Housing Finance Ltd.	Bond	CRISIL AAA	4.05
Vijaya Bank Ltd.	CD	CARE A1+	2.42
State Bank of Bikaner and Jaipur	CD	CRISIL A1+	0.79
Total			99.05
CASH & CASH EQUIVALENT			0.95
Grand Total			100.00

CD - Certificate of Deposit

NAV

as on 30 December 2011

Ret - Gr: ₹ 1303.7354	Ret - Mthly Div: ₹ 1002.1662	Ret - Wkly Div: ₹ 1002.1662
IP - Gr: ₹ 1264.3232	IP - Mthly Div: ₹ 1002.1991	IP - Wkly Div: ₹ 1002.1991

Weighted Average Maturity: 235 days (as on 30 December 2011)

Fund Corpus: ₹ 123.96 crore (as on 30 December 2011)

Fund Manager: Vikrant Mehta

The above views represent the opinion of the fund manager and are subject to change without notice. Parts of the views may be based on information received from sources we consider reliable. Neither AIG Global Asset Management Company (India) Private Limited, nor any person connected with it accepts any liability arising from the use of this information. Recipients of the information contained herein should exercise due care and caution and read the Scheme Information Documents (including if necessary, obtaining the advice of tax / legal / accounting / financial / other professionals) and Statement of Additional Information prior to taking of any decision, acting or omitting to act, on the basis of the information contained herein.

AIG World Gold Fund:

Scheme Classification: An open ended Fund of Funds Scheme. **Investment objective:** The primary investment objective of the Scheme is to provide long term capital appreciation by investing predominantly in units of Falcon Gold Equity Fund[#]. The Scheme may, at the discretion of the Investment Manager, also invest in the units of other similar overseas mutual fund schemes. **Asset Allocation Pattern:** Units of Falcon Gold Equity Fund[#] & /or other similar overseas mutual fund scheme(s): 80% - 100%; Debt and money market securities and / or units of debt / liquid schemes of Domestic Mutual Funds: 0% - 20%. **#** in the units of Falcon Gold Equity Fund, a mutual fund subject to Swiss law in the "securities funds" category as defined by the Investment Funds Act dated March 18, 1994. **Load Structure:** Entry Load : N. A. Exit Load: 1% of the Applicable NAV if redeemed within 1 year from the date of allotment. Being a Fund of Funds Scheme, it may be noted that the investors are bearing the recurring expenses of the scheme in addition to those of the underlying schemes. The Scheme invests predominantly in Falcon Gold Equity Fund. For scheme specific risks, including risks related to investments in Falcon Gold Equity Fund, and other similar overseas mutual funds(s), please refer the Scheme Information Document.

AIG Short Term Fund:

Scheme Classification: An open ended income scheme. **Investment objective:** The primary investment objective of the Scheme is to seek to generate income from a portfolio constituted of short to medium term debt and money market securities. **Asset Allocation Pattern:** Debt* and money market securities with average maturity less than or equal to 370 days or have put options within a period not exceeding 370 days - 40% to 100%; Debt* Instruments including Government Securities, Corporate Debt and other debt Instruments with average maturity greater than 370 days - 0 % to 60 %. *Debt securities may include securitized debts upto 75% of the net assets. **Load Structure:** Entry load: NA; Exit load: 0.25% if redeemed within 90 days.

Common Information for the above mentioned schemes: No exit load shall be charged on Bonus units allotted and on units allotted on Reinvestment of Dividend.

Terms of issue: Units of the Scheme(s) are being offered at NAV based prices. Scheme Information Document, Key Information Memorandum and Application Forms / Transaction Slips are available at the ISCs / distributors. NAVs will be calculated and disclosed on all Business days.

Risk Factors: Mutual Funds, like securities investments, are subject to market risks and there is no guarantee against loss in the Schemes or that the Schemes' objectives will be achieved. As with any investment in securities, the NAV of the Units issued under the Schemes can go up or down depending on various factors and forces affecting the securities market. Investments in the Schemes will be affected by trading volumes, settlement periods, volatility, price fluctuations, inability to sell securities, disinvestment of holdings of any unlisted stocks prior to target date of disinvestment, credit risk, currency risk, country risk, interest rate risk and default risk including possible loss of principal. As the price / value / interest rates of the securities in which the schemes invests fluctuate, the value of your investment in the schemes may go up or down. Past performance of the Sponsor / AMC / Mutual Fund does not guarantee future performance of the schemes.

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