

EQUITY MARKETS

Pre Diwali Discount Sale!!

Warren Buffett recently said he bought “stocks on sale” due to market volatility.

Stock markets, maybe, are akin to fashion trends. At any point in time, a particular fashionable stock/sector hogs the limelight. But then, just as trees do not grow to reach the skies, the party ends and then a new trend starts. When one trend ends and till a new one begins, one generally gets “stocks on sale”, the earlier fashionable ones being sold fast and furious and the not so fashionable ones also bearing the brunt of it to some extent. As a portfolio manager, it becomes important to realize when a trend is going “out of fashion” or, in other words, when valuations become unsustainable. A change of stance will entail a degree of underperformance because it takes time to realign the portfolio. But when the clock strikes midnight and the fairy tale ends, there is a mad rush to the door and it is virtually impossible to get out without a few bruises and scratches.

We, over most of last year, felt that the valuations had overshot themselves and hence were getting out of the “fashionable names” to the cheaper “out of fashion names”. We suffered because of that especially in the latter part of last year. But when the markets turned, we were already out of the party hall and therefore did not succumb to too many bruises. Now the question before us is “where is the next party going to be?”. Or have the “fashionable names of last year” become so cheap that it makes sense to buy them? The answer is a mix of both. We are observing ground data and feel that the consumption and export demand remain very robust. We are seeing some initial signs of life in the infrastructure sectors.

Recently released GDP data shows a pickup in investment demand which confirms our anecdotal evidence of rising capital expenditure plans of various companies. This is further corroborated by increase in electricity generation by 9% year to date (source: www.cea.nic.in, date: 31 July 2011), cement consumption trending up, nearly a quarter of road projects for the year being already awarded, urban infrastructure projects getting awarded, etc. So all in all, maybe the flower is just about to bloom in the infrastructure related sector but the prices of stocks (since they are still out of fashion!) are very cheap and hence it makes sense for us to keep adding to such names. Also among last year’s fashionable names, we are seeing some value emerge as the carnage has been pretty bad and not all the companies deserve it.

We hope our strategy of investing in strong companies at good prices by adopting conservative methodologies will result in a good performance for the funds over a medium term.

AIG India Equity Fund

(An open-ended equity scheme)

**AIG INDIA
EQUITY FUND**

PORTFOLIO

as on 30 August 2011

| Name of the Instrument | Sector | % to NAV |
|---|--------------------------|---------------|
| EQUITY & EQUITY RELATED INSTRUMENTS | | |
| Hero MotoCorp Ltd. | Auto | 6.38 |
| Infosys Ltd. | Software | 4.97 |
| HDFC Bank Ltd. | Banks | 4.78 |
| Petronet LNG Ltd. | Gas | 4.66 |
| Indraprastha Gas Ltd. | Gas | 4.54 |
| Dr. Reddy's Laboratories Ltd. | Pharmaceuticals | 4.33 |
| Hindustan Zinc Ltd. | Non - Ferrous Metals | 3.93 |
| Sun Pharmaceutical Industries Ltd. | Pharmaceuticals | 3.77 |
| Bosch Ltd. | Auto Ancillaries | 3.61 |
| Torrent Power Ltd. | Power | 3.56 |
| Total of Top 10 Equity Holdings | | 44.53 |
| Bajaj Auto Ltd. | Auto | 3.44 |
| Coromandel International Ltd. | Fertilisers | 3.43 |
| Jindal Steel & Power Ltd. | Ferrous Metals | 3.06 |
| Bharat Electronics Ltd. | Industrial Capital Goods | 3.04 |
| Redington India Ltd. | Trading | 2.66 |
| Glaxo Smithkline Pharmaceuticals Ltd. | Pharmaceuticals | 2.39 |
| Chambal Fertilizers & Chemicals Ltd. | Fertilisers | 2.29 |
| Gujarat Mineral Development Corporation Ltd. | Minerals/Mining | 2.23 |
| Castrol India Ltd. | Petroleum Products | 2.15 |
| Andhra Bank | Banks | 2.02 |
| Power Grid Corporation of India Ltd. | Power | 2.01 |
| OTHER EQUITY HOLDINGS | | 19.90 |
| TOTAL EQUITY HOLDINGS | | 93.16 |
| DEBT / MONEY MARKET / CASH & CASH EQUIVALENT | | 6.84 |
| GRAND TOTAL | | 100.00 |

FUND ACTIVITY

- We bought Chambal Fertilizers
- We sold Bharti Airtel

(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 August 2011

| Sector | % of NAV |
|-----------------|----------|
| Auto | 11.61 |
| Pharmaceuticals | 11.03 |
| Gas | 10.48 |
| Banks | 7.66 |
| Software | 6.90 |

NAV (as on 30 August 2011): Reg - Div: ₹ 12.230 Reg - Gr: ₹ 12.230

Fund Corpus: ₹ 155.41 crore (as on 30 August 2011)

Fund Manager: Huzaifa Husain

AIG Infrastructure and Economic Reform Fund

(An open-ended equity scheme)



PORTFOLIO

as on 30 August 2011

| Name of the Instrument | Sector | % to NAV |
|------------------------|--------|----------|
|------------------------|--------|----------|

EQUITY & EQUITY RELATED INSTRUMENTS

| | | |
|--|--------------------------|------|
| Coromandel International Ltd. | Fertilisers | 6.49 |
| Indraprastha Gas Ltd. | Gas | 6.49 |
| Petronet LNG Ltd. | Gas | 6.43 |
| Power Grid Corporation of India Ltd. | Power | 6.02 |
| Bharti Airtel Ltd. | Telecom Services | 4.51 |
| Chambal Fertilizers & Chemicals Ltd. | Fertilisers | 4.48 |
| Jindal Steel & Power Ltd. | Ferrous Metals | 4.38 |
| Gujarat Mineral Development Corporation Ltd. | Minerals/Mining | 4.19 |
| Coal India Ltd. | Minerals/Mining | 4.09 |
| Bharat Electronics Ltd. | Industrial Capital Goods | 3.95 |

| | |
|--|--------------|
| Total of Top 10 Equity Holdings | 51.03 |
|--|--------------|

| | | |
|--|--------------------------|------|
| Bharat Heavy Electricals Ltd. | Industrial Capital Goods | 3.94 |
| Gujarat State Petronet Ltd. | Gas | 3.78 |
| NTPC Ltd. | Power | 3.41 |
| Torrent Power Ltd. | Power | 3.36 |
| Andhra Bank | Banks | 3.35 |
| Larsen & Toubro Ltd. | Construction Project | 2.90 |
| Mundra Port and Special Economic Zone Ltd. | Transportation | 2.82 |
| Cummins India Ltd. | Industrial Products | 2.77 |
| AIA Engineering Ltd. | Industrial Capital Goods | 2.72 |

| | |
|------------------------------|--------------|
| OTHER EQUITY HOLDINGS | 15.76 |
|------------------------------|--------------|

| | |
|------------------------------|--------------|
| TOTAL EQUITY HOLDINGS | 95.85 |
|------------------------------|--------------|

| | |
|---|-------------|
| DEBT / MONEY MARKET / CASH & CASH EQUIVALENT | 4.15 |
|---|-------------|

| | |
|--------------------|---------------|
| GRAND TOTAL | 100.00 |
|--------------------|---------------|

FUND ACTIVITY

- We bought Bharat Heavy Electricals, L&T
- We sold Tata Power, Bharti Airtel

(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 August 2011):

| | |
|--------------------|-------------------|
| Reg - Div: ₹ 9.046 | Reg - Gr: ₹ 9.046 |
| IP - Div: ₹ 9.261 | IP - Gr: ₹ 9.261 |

Fund Corpus: ₹ 116.55 crore (as on 30 August 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.

AIG Investments is a group of international companies that provide investment advice and market asset management products and services to clients around the world. AIG Investments is a registered mark of American International Group, Inc. (AIG). Services and products are provided by one or more affiliates of AIG.

AIG World Gold Fund

(An open ended Fund of Funds scheme)



PORTFOLIO

as on 30 August 2011

Name of the Instrument % to NAV

Investments in Foreign Securities

Falcon Gold Equity Fund Class "I Asia" 87.80

Total **87.80**

DEBT / MONEY MARKET / CASH & CASH EQUIVALENT **12.20**

GRAND TOTAL **100.00**

NAV (as on 30 August 2011):

Div: ₹ 14.932 | Gr: ₹ 16.555

Fund Corpus: ₹ 235.66 crore (as on 30 August 2011)

Fund Manager: Vikrant Mehta

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

Portfolio Allocation - Regional

as on 30 August 2011

Name of the Instrument % to NAV

Australia 6.8

Canada 71.1

South Africa 2.6

U.S. 6.7

Others 9.7

Cash/Eq 3.1

Total **100.00**

Top 10 Holdings

as on 30 August 2011

Name of the Instrument % to NAV

Goldcorp 8.60

Kinross 6.23

Randgold 5.82

Iamgold 5.29

Agnico-Eagle 5.10

Newmont 4.82

New Gold 4.68

Newcrest 4.08

Silver Wheaton 3.96

Eldorado 3.92

Total **52.51**

“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

- Global events influenced movement in bond yields to a large extent.
- Q1 FY 2011-12 GDP grew 7.7% in line with expectations.
- July 2011 WPI headline inflation moderated marginally to 9.2% as against 9.4% in June 2011.

Source: RBI, Bloomberg, www.mospi.nic.in; Date: 30 August 2011.

FUND ACTIVITY & OUTLOOK

- Average maturity of the portfolio was increased from 8 days to 170 days.
- Invested in CDs and Bonds post the 50 bps repo rate hike in July 2011 monetary policy review.
- Net purchases in CDs maturing in 4 to 7 months; Bonds with duration of around 0.75 - 1.30 years.

Global events to weigh on policy action. Inflation data for August 2011 to be keenly watched.

PORTFOLIO

as on 30 August 2011

| Name of the Instrument | Type | Rating | % to NAV |
|--|------|--------|---------------|
| Axis Bank Ltd. | CD | P1+ | 25.94 |
| Punjab National Bank | CD | A1+ | 25.42 |
| UCO Bank | CD | P1+ | 13.79 |
| Bank of India | CD | A1+ | 12.72 |
| Housing Development Finance Corporation Ltd. | Bond | AAA | 10.61 |
| LIC Housing Finance Ltd. | Bond | AAA | 10.45 |
| Total | | | 98.94 |
| CASH & CASH EQUIVALENT | | | 1.06 |
| Total | | | 1.06 |
| Grand Total | | | 100.00 |

CD - Certificate of Deposit

NAV

as on 30 August 2011

| | | |
|-----------------------|------------------------------|-----------------------------|
| Ret - Gr: ₹ 1266.4172 | Ret - Mthly Div: ₹ 1001.7420 | Ret - Wkly Div: ₹ 1001.1115 |
| IP - Gr: ₹ 1226.9023 | IP - Mthly Div: ₹ 1001.7832 | IP - Wkly Div: ₹ 1001.1197 |

Weighted Average Maturity: 170 days (as on 30 August 2011)

Fund Corpus: ₹ 93.82 crore (as on 30 August 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 (AIG AMC), 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.

AIG World Gold Fund and AIG Short Term 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.

AIG Investments is a group of international companies that provide investment advice and market asset management products and services to clients around the world. AIG Investments is a registered mark of American International Group, Inc. (AIG). Services and products are provided by one or more affiliates of AIG.