

# Dow Jones-AIG Commodity Index<sup>SM</sup>

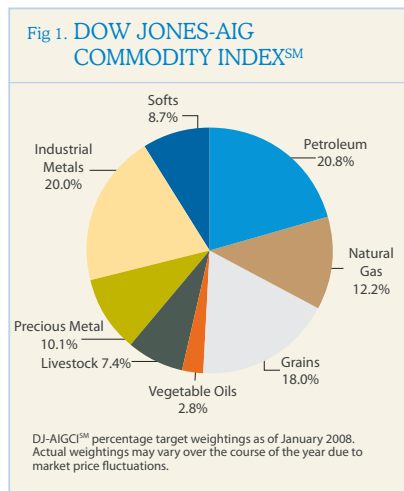
- COMPARABLE HISTORICAL RETURNS TO STOCKS, BUT WITH LOWER VOLATILITY
- NEGATIVELY CORRELATED WITH HISTORICAL RETURNS OF STOCKS AND BONDS
- POSITIVELY CORRELATED WITH INFLATION

## Commodities as an asset class have historically demonstrated unique characteristics that make them appealing to investors.

The Dow Jones-AIG Commodity Index<sup>SM</sup> (DJ-AIGCI<sup>SM</sup>) is a broadly diversified index that allows investors to track commodity futures through a single, simple measure.

The DJ-AIGCI is composed of futures contracts on physical commodities. It is published on Bloomberg and Reuters and appears daily in *The Wall Street Journal*.

The index is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in seven sectors. No one commodity can comprise less than 2% or more than 15% of the index, and no sector can represent more than 33% of the index (as of the annual reweightings of the components).

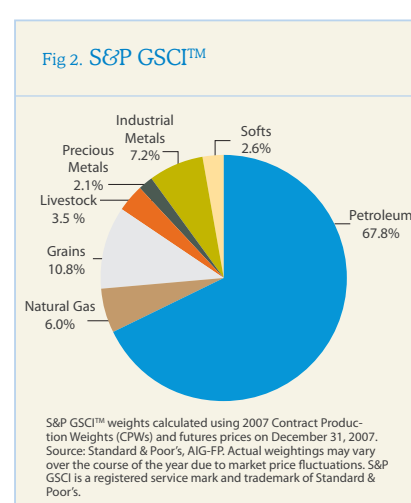


As shown in Figure 1, the index is not overly concentrated in any single sector. Compare this with the S&P GSCI<sup>TM</sup> (Figure 2), which had a petroleum sector weighting of nearly 68% as of January 2, 2008.

The weightings for each commodity included in the DJ-AIGCI are calculated in accordance with rules that ensure that the relative proportion of each of the underlying individual commodities reflects its global economic significance and market liquidity. Annual rebalancing and reweighting ensure that diversity is maintained over time.

The construction and design of the DJ-AIGCI (e.g., weights of underlying commodities based on market liquidity and global production data) are intended to provide investors with a measure that is highly liquid and scalable. True liquidity is derived from the liquidity of the futures contracts of the underlying components of the index. The commodity futures market is generally well equipped to provide the liquidity demanded by institutional investors. The commodities reflected in the index represent over \$1.9 trillion of annual world production with an annual futures trading volume exceeding \$15 trillion.

Commodity futures are claims on actual goods whose prices, by definition, rise with inflation. Not surprisingly then, an index based



on commodity futures can be expected to provide a hedge during periods of rising inflation.

Figure 3 compares the performance of commodity futures, stocks and bonds. As shown, commodity futures have historically performed quite differently from both stocks and bonds and have, in various periods, provided higher returns.

The historical volatility of the DJ-AIGCI generally falls between the volatilities of stock and bond indexes.

Over the 10-year period ending December 31, 2007, the correlation between the quarterly returns of the DJ-AIGCITR and the returns of the S&P 500 total return index was -0.18, and the correlation of the DJ-AIGCITR with the Lehman Aggregate Bond Index was -0.12. These weak correlations imply that an allocation to the DJ-AIGCI in

a diversified equity and bond portfolio can improve the risk and return characteristics of the portfolio.

## The Dow Jones-AIG Commodity Index is designed to provide:

- Weightings that reflect economic significance
- Diversification
- Low volatility compared to individual commodity futures
- Annual reweighting and rebalancing
- Liquidity

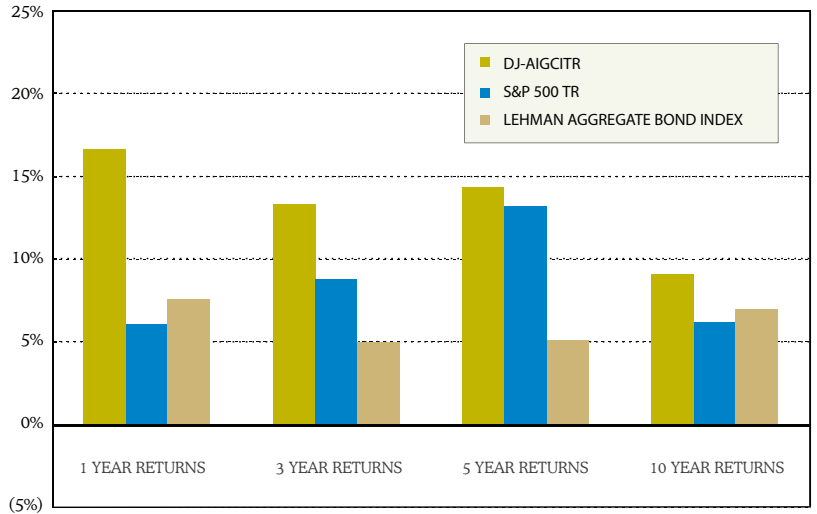


Fig. 3 Annualized total returns of commodities, stocks and bonds, as represented by major market indexes. Data as of December 31, 2007.

For more information on the Dow Jones-AIG Commodity Index<sup>SM</sup>, please contact: AIG Financial Products Corp at 203-563-1960 or Dow Jones Indexes at 609-520-7249. Learn more at [www.djindexes.com](http://www.djindexes.com).

"All information as of December 31, 2007

The Dow Jones-AIG Commodity Index was launched July 14, 1998. This document contains index performance data based on backtesting, i.e., calculations of how the index might have performed prior to launch if it had existed using the same index methodology employed by Dow Jones today. Backtested performance information is purely hypothetical and is provided in this document solely for informational purposes. Backtested performance does not represent actual performance and should not be interpreted as an indication of actual performance.

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