

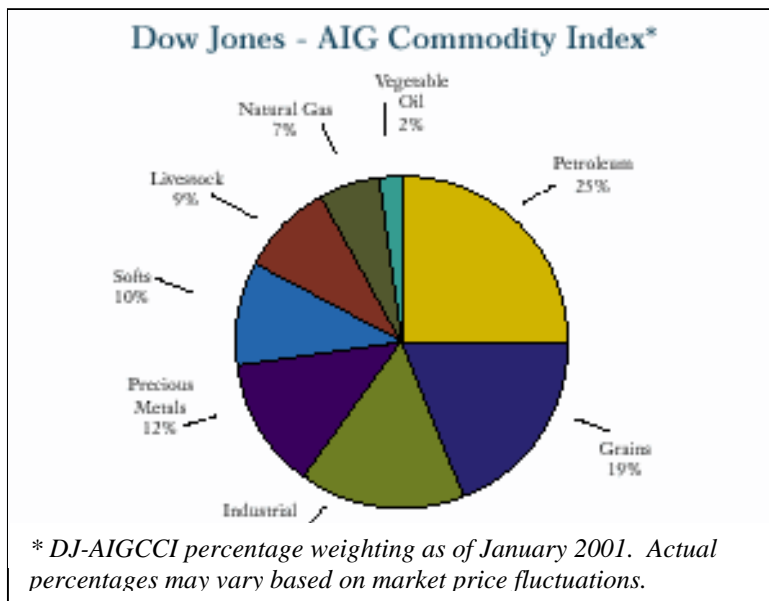
The Dow Jones - AIG Commodity Index^K

AIG International Inc. ("AIGI") and Dow Jones Indexes, having identified a need on the part of institutional investors for a balanced commodities benchmark, launched the Dow Jones-AIG Commodity Index (DJ-AIGCI^K). Four main themes underlie the construction of the DJ-AIGCI:

- ✱ Economic Significance
- ✱ Diversification
- ✱ Continuity
- ✱ Liquidity

I. Economic Significance:

A commodity index should fairly represent the importance of a diversified group of commodities to the world economy. To that end, the DJ-AIGCI relies primarily on liquidity data, along with dollar-adjusted production data in determining the relative quantities of included commodities.

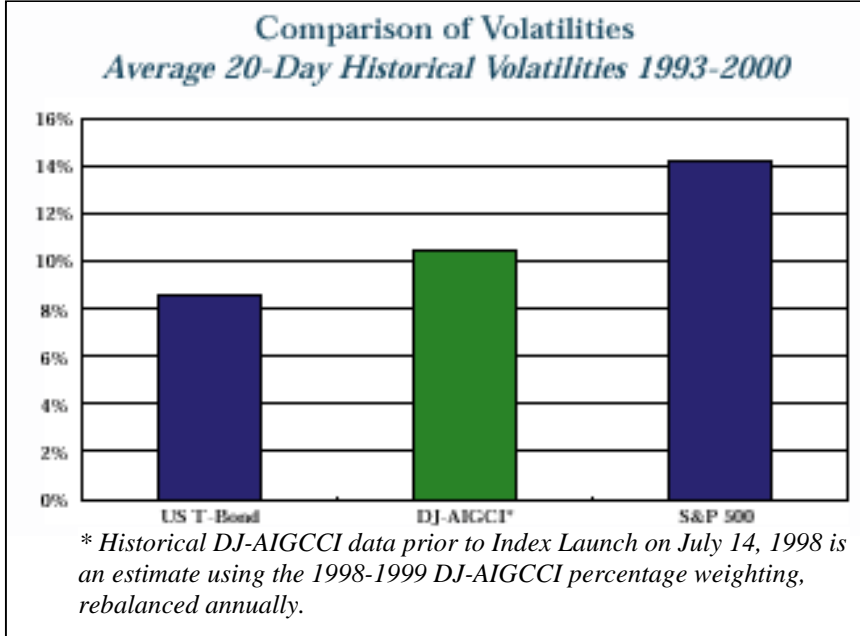


Liquidity, or the relative amount of trading activity centered on a particular commodity, is an important indicator of the value placed on that commodity by financial and physical market participants. Liquidity provides a window on the *commercial* significance of a commodity. The DJ-AIGCI relies on data that is both exogenous to the futures markets (production) and endogenous to those markets (liquidity) in determining relative weightings.

Production data, although a useful measure of economic importance, may underestimate the economic significance of storable commodities (e.g., gold) at the expense of relatively non-storable commodities (e.g., live cattle). Production data alone also may underestimate the investment value that financial market participants place on certain commodities.

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Gold clearly illustrates the potential shortcomings of exclusive reliance on production data and the greater balance provided by reliance on liquidity data. Since time immemorial, gold has played a unique role in the world economy, which is not effectively captured by current production data. For example, although only 2,400 metric tons of gold were produced in 1998, approximately 34,000 metric tons were held as official government reserves. Of the



approximately 125,000 tons of gold mined since the dawn of recorded history, approximately 85%, 106,000 metric tons, is still held by central banks and non-governmental entities in bullion, coin, and jewelry form.

Based on this data, a production-based ranking of commodities would contain a small amount of gold (2.5%), and large amounts of non-storable commodities, such as live cattle (11%). A

doubling of the price of gold may be a more significant global economic event than a 25% increase in cattle prices, yet the two events would have a similar impact on a production-weighted index. Primary reliance on liquidity data as a weighting measure reduces this type of potential distortion.

II. Diversification

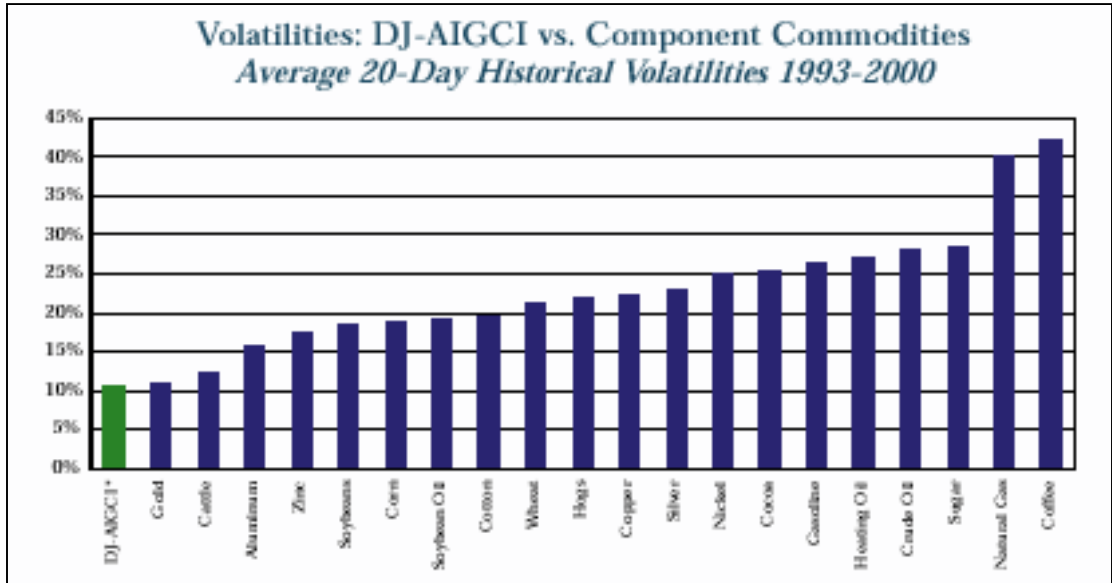
The DJ-AIGCI is designed to provide diversified exposure to commodities as an asset class. Disproportionate weighting of any particular commodity or sector may increase volatility and negate the concept of a broad-based commodity index. Instead of diversified commodity exposure, the investor may be unduly subjected to micro-economic shocks in one commodity or sector. To ensure that no single commodity or commodity sector dominates the Index, the DJ-AIGCI relies on several diversification rules. Among these rules are the following:

- No related group of commodities (e.g., energy, precious metals, livestock and grains) may constitute more than 33% of the Index.
- No single commodity may constitute less than 2% of the Index.

The diversification rules are applied annually, when the DJ-AIGCI is reweighted and rebalanced on a price-percentage basis.

III. Continuity

Exchange-traded commodity markets are evolving rapidly. Today's largest commodity futures sector, the energy markets, barely existed twenty years ago. Natural gas futures only began trading in 1990. This evolution creates a potential obstacle for the creation of a stable commodity benchmark. Unlike, for example, broad-based equity indexes, which often include hundreds or thousands of component stocks, the available universe of commodity futures is more limited. Indexes that rely on rigid and mechanically applied rules of inclusion may change drastically over time. The predictability of future index behavior decreases if the composition of an index changes materially from year to year.



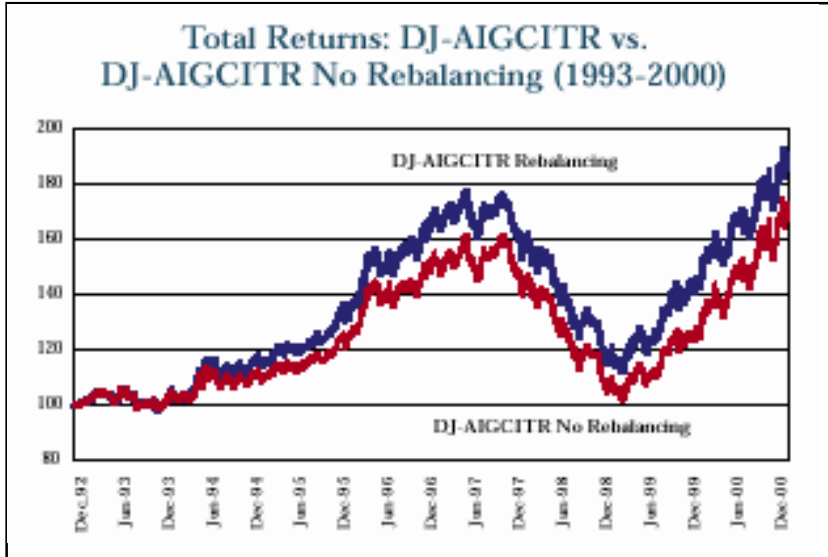
At the same time, a commodity index must evolve to accommodate changes in the markets over time. The DJ-AIGCI attempts to resolve these differences through annual reweighting and rebalancing, 5 year averaging of both liquidity and production data along with the diversification rules described above, which should help the DJ-AIGCI respond smoothly to future market developments.

IV. Liquidity

The DJ-AIGCI is designed to be a highly liquid index, a factor important to many institutional investors. The explicit inclusion of liquidity as a weighting factor should help the DJ-AIGCI to accommodate substantial investment flows. The liquidity of an index not only affects transaction costs associated with current investments, but also bears upon the reliability of historical performance data. That is, to the extent that market inefficiencies may result from substantial flows of investment capital entering markets for the first time, these inefficiencies, and corresponding distortions in index performance, should be minimized by weighting distributions that more closely mirror actual liquidity in the markets.

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The DJ-AIGCI is reweighted and re-balanced each year in January on a price-percentage basis. The annual weightings for the DJ-AIGCI are determined each year in June by AIGI under the supervision of an



Oversight Committee, consisting of leading academics, financial market participants, and employees of AIGI and Dow Jones.

Rebalancing and reweighting means that, in general, the index may reallocate out of commodities that have appreciated in value and into commodities that have underperformed. To the extent that commodity markets exhibit mean-reverting characteristics over time, this approach may result in higher returns.

Summary

The field of commodity investment is only now being subjected to the types of management and valuation techniques long in practice in the financial markets. The DJ-AIGCI has been designed to serve the needs of institutional investors seeking a rational way to obtain exposure to this asset class.

The DJ-AIGCI is designed to provide:

- ✱ Weightings that reflect economic significance
- ✱ Diversification
- ✱ Low volatility
- ✱ Annual reweighting and rebalancing
- ✱ Liquidity

The information set forth above is believed to be reliable; however, AIG International Inc, (“AIGI”) and Dow Jones make no representation as to its accuracy or completeness. All data prior to the Index launch on July 14, 1998, is an historical estimation using available data. For a more complete description of the DJ_AIGCCI, reference is made to the DJ-AIGCCI Handbook. Nothing contained herein should be construed as a solicitation to enter into any transaction. AIGI does not act as a fiduciary or financial investment or commodities trading advisor for its Counterparties, each of which is responsible for its own investment and trading decisions. Past performance is not indicative of future results.