

3Q

2008

Capital Conservation Fund (AIG Investment) (7)

FUND OBJECTIVE

The investment seeks the highest possible total return consistent with preservation of capital. The fund normally invests at least 75% of assets in investment-grade, intermediate- and long-term corporate bonds, as well as securities issued or guaranteed by the U.S. government, mortgage-backed securities, asset-backed securities, collateralized mortgage obligations, and high quality money market securities. It may invest up to 20% of assets in lower quality domestic or US dollar-denominated fixed income securities. The fund may invest up to 10% of net assets in credit default swaps, 15% in loan assignments and 10% in unseasoned issuers.

INVESTMENT MANAGEMENT

Adviser: VALIC

The Variable Annuity Life Insurance Company (VALIC), a member of American International Group, Inc. (AIG) and the AIG Retirement family of companies, is an industry leader in developing and administering annuity-based retirement plans. As investment adviser, VALIC, through its subadvisers, oversees the day-to-day operations of the investment options and supervises the purchase and sale of investments. VALIC has high financial-strength ratings from the major, independent industry analysts. The ratings apply to the claims-paying ability of The Variable Annuity Life Insurance Company, not to the safety or the performance of the variable options.

Subadviser: AIGGIC is an indirect, wholly owned subsidiary of AIG and is a part of AIG Investments. AIG Investments comprises a group of international investment companies (including AIGGIC), which provide investment advice and market asset management products and services to clients around the world. As of September 30, 2007, AIG Investments managed approximately \$744 billion, of which approximately \$616 billion relates to AIG affiliates and \$128 billion relates to client assets. These figures do not include assets sub-advised for third party managers.

RETURNS

as of 09/30/08

	Standard Average Annual Return <i>Assuming account maintenance fees and/or withdrawal charges</i>	Non-Standard Average Annual Return <i>Not assuming account maintenance fees and withdrawal charges</i>
YTD	(8.21)%	(3.87)%
1-Year	(7.37)%	(2.98)%
2-Year	(2.50)%	(0.20)%
3-Year	(0.82)%	0.75%
5-Year	0.20%	1.16%
10-Year or Since Inclusion ¹	3.11%	-
Inclusion Date ¹	01/16/86	-
10-Year or Since Inception ²	3.11%	3.15%
Inception Date ²	01/16/86	01/16/86

¹The inclusion data found in this chart are based upon the date the funds were included in the Separate Account.

²The inception data are based upon the inception date of the underlying fund.

Performance data quoted represent past performance. Current performance may be higher or lower than the performance stated due to recent volatility. Past performance does not guarantee future results. For performance current to the most recent month-end, please visit www.aigretirement.com. The investment return and principal value of an investment will fluctuate so that an investor's units, when withdrawn, may be worth more or less than the original cost.

Must be preceded or accompanied by a Portfolio Director Fixed and Variable Annuity prospectus.

RISK



FUND FACTS

as of 09/30/08

Investment Category	Fixed Income
Investment Style	Investment Grade
Inception Date	01/16/86
Benchmark	Lehman Brothers Aggregate Bond

The Lehman Brothers Aggregate Bond Index includes 5,000 taxable government, investment-grade corporate and mortgage-backed securities.

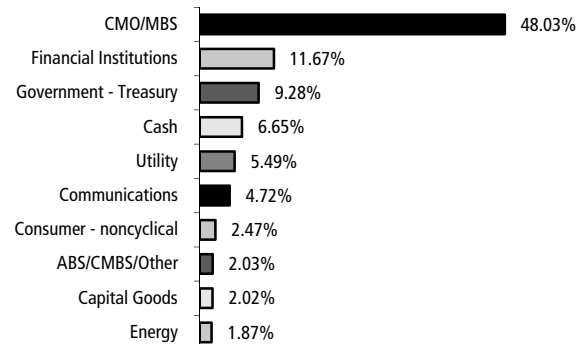
CREDIT QUALITY

as of 09/30/08

Government - Treasury	9.28%
Government - Agency	39.73%
AAA	10.38%
AA	3.62%
A	13.13%
BBB	14.00%
BB	0.81%
B	0.05%
CCC	0.11%
Below C	0.02%
Non-Rated	2.22%
Cash	6.65%

TOP SECTOR ALLOCATIONS

as of 09/30/08



PORTFOLIO COMPOSITION

as of 09/30/08

Fixed Income	93.00%
Cash Equiv.	7.00%

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DISCLOSURES

The data in Column 1 are based upon the date the fund was included in the Separate Account. Returns for periods prior to the date the funds became available in the Separate Account are hypothetical and are derived from the performance of the underlying fund, adjusted to reflect fees, expenses, and surrender charges if applicable, of Portfolio Director as if the fund had been in the Separate Account during the stated period. If applicable, returns reflect deduction of all fees and charges, including surrender charges (a maximum of 5%) and account maintenance fees, but not premium taxes or IncomeLock fees. Partial or full surrenders may be subject to a charge of the lesser of either 5% of the sum of the contributions received during the prior 60 months or 5% of the amount withdrawn. A Separate Account charge is deducted from all variable investment options. The charge is calculated each day and is based on the average daily net asset value of each option at the Separate Account level. The charge is annualized at 0.35% to 1.25%, depending on the variable option and contract. There may be a quarterly account maintenance fee of only \$3.75 for investments in the variable options, depending on the contract. There are no account maintenance fees for investments in the fixed options.

Returns in Column 2 reflect overall change in accumulation unit value from the beginning to the end of the periods shown, after deduction of fund expenses. Figures do not reflect deduction of account maintenance fees, surrender charges, IncomeLock fees or premium taxes. Returns for periods prior to the date the funds became available in the Separate Account are hypothetical and are calculated as if the fund had been in the Separate account during the stated period.

For funds with less than a full year of performance, the returns are cumulative.

Taxes on contributions to your Portfolio Director annuity contract can be deferred, subject to applicable contribution limits and related rules. That tax deferral is a result of issuing the contract, which satisfies specific important tax law requirements, including plan requirements, under your employer's retirement plan. It does not result from the mere fact that the contract is an annuity. Therefore, you do not receive additional tax-deferred treatment of earnings beyond the treatment provided by the tax-qualified retirement plan itself.

Standard and Poor's (S&P) 500 Index includes a representative sample of leading companies in leading industries that reflect the U.S. stock market.

Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

Annuities are long-term investments. Income taxes are payable upon withdrawal. Federal withdrawal restrictions and tax penalties may apply to early withdrawals.

Annuity contracts typically include limitations, surrender charges, exclusions and expense charges.

Generally, higher potential returns involve greater risk and short-term volatility. For example:

- Small-cap, mid-cap, sector and emerging funds can experience significant price fluctuation due to business risks and adverse political developments.
- International (global) and foreign funds can experience price fluctuation due to changing market conditions, currency values, and economic and political climates.
- High-yield bond funds, which invest in bonds that have lower ratings, typically experience price fluctuation and a greater risk of loss of principal and income than when investing directly in U.S. government securities such as U.S. Treasury bonds and bills, which are guaranteed by the government for repayment of principal and interest if held to maturity.
- Mortgage-related funds' underlying mortgages are more likely to be prepaid during periods of declining interest rates, which could hurt the fund's share price or yield, and may be prepaid more slowly during periods of rapidly rising interest rates, which may lengthen the fund's expected maturity.
- Investors should carefully assess the risks associated with an investment in the fund. Fund shares are not insured and are not backed by the U.S. government, and their value and yield will vary with market conditions.

Largest Holdings and Top Sector Allocations illustrate composition as of the stated period and may not be representative of the fund's current or future investments.

Indexes have no identifiable objectives, are not managed funds and cannot be purchased. They do not provide an indicator of how individual investments performed in the past or how they will perform in the future. Performance of indexes does not reflect the deduction of any fees and charges, and past performance of indexes does not guarantee future performance of any investment. The Salomon Brothers High-Yield Index captures the performance of below investment-grade corporate bonds issued in the U.S.

AIG Retirement is the marketing name for the group of companies comprising AIG Retirement Advisors, Inc.; AIG Retirement Company; and The Variable Annuity Life Insurance Company (VALIC); each of which is a subsidiary of American International Group, Inc.

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