

CASE STUDY II

FAIRHOLME

Ignore the crowd.

CURRENT INVESTMENT OPPORTUNITY

We have identified a public company:

- ✓ Trades at less than one-half tangible book value
- ✓ Fortress balance sheet
- ✓ Shareholder equity-to-assets ratio of 15%
- ✓ Repurchasing common stock
- ✓ Leader in global property and casualty insurance
- ✓ Dominant U.S. life insurance and retirement services provider
- ✓ 86 million customer and client relationships worldwide

...Sound interesting?

...We certainly think so.



“Insurance is critical to the smooth functioning of the world economy. Businesses cannot operate without coverage against the unexpected and most capital transactions cannot be financed without insurance.”

Bruce R. Berkowitz
Outstanding Investor Digest
Year End 2001 Edition

Investment Thesis for AIG

Reasonable Expectations

10% Return on
Owner's Equity

=

20% Implied Annual
Return on Investment



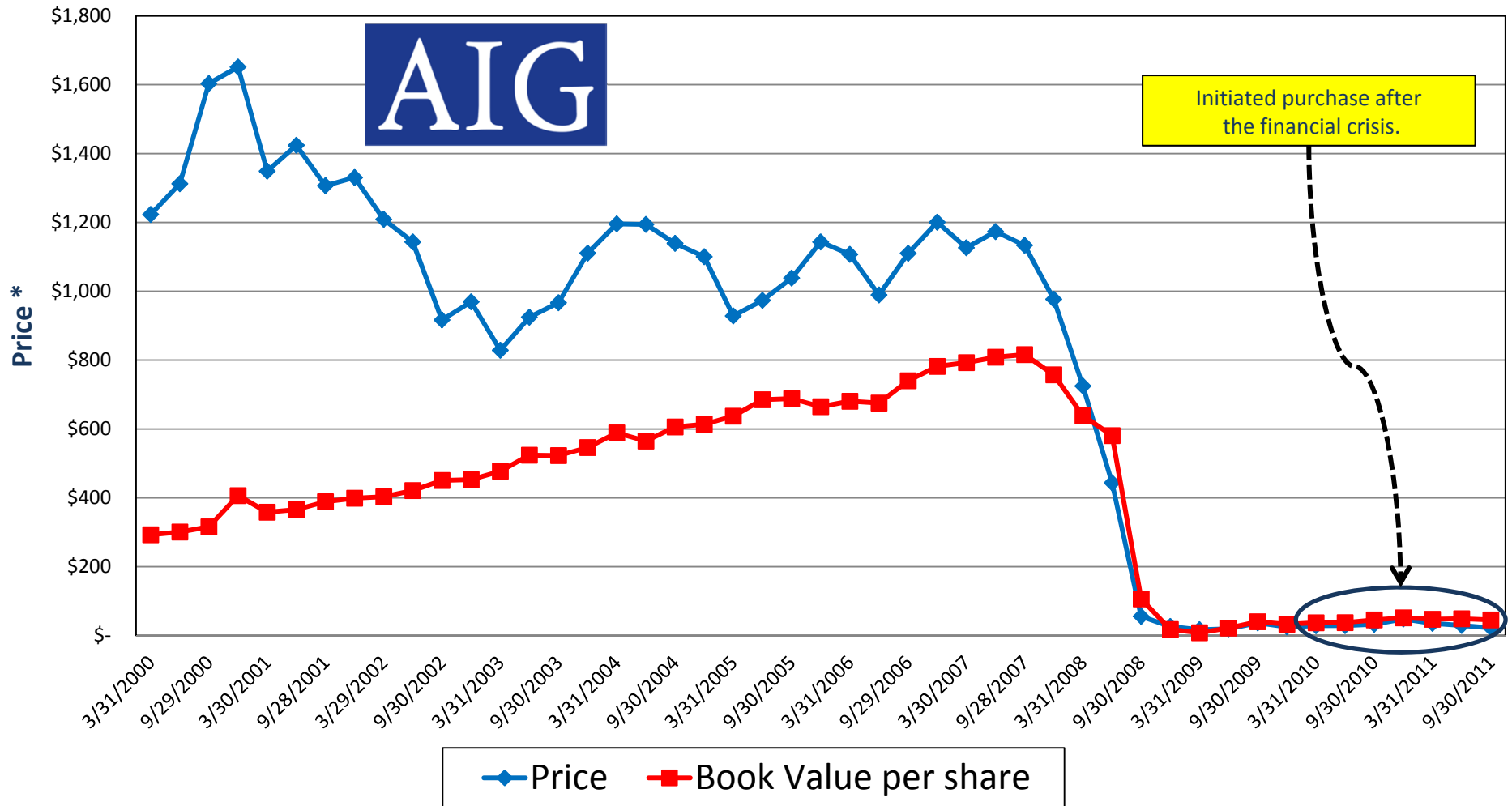
This is a reasonable return
even at heightened capital
ratios expected this cycle.



This is a reasonable return
when you buy stock at less
than half book value.

Investing in our Circle of Competence

- ✓ Experienced with insurance companies
- ✓ Favorable earnings power
- ✓ Fixable problems
- ✓ Available at attractive prices



* Date of reverse split: 07/01/2009

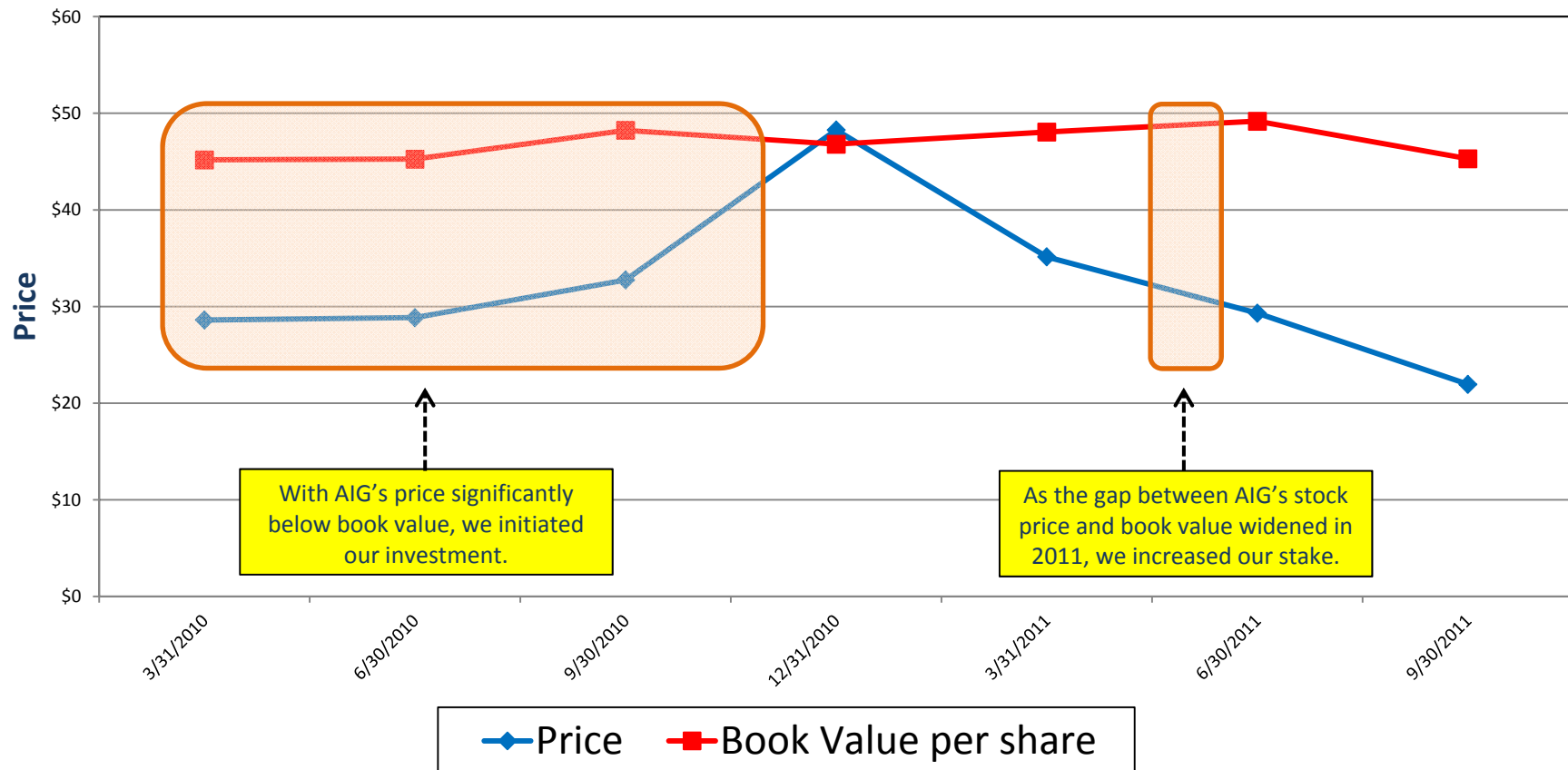
**“The seeds of great performance are usually sown
in times of intense fear after a disaster.”**

– Bruce R. Berkowitz, *Letter to Clients*, October 2011



“When a recovering icon trades at half of our understanding of intrinsic value for a reason that has nothing to do with its prospects, we swing big.”

– Bruce R. Berkowitz, *Letter to Clients*, June 30, 2011



AIG is Back

#1 Global Property and Casualty Insurer, Serving Customers in more than 130 Countries

EUROMONEY INSURANCE SURVEY
BEST INSURER OVERALL - GLOBAL

REGION

- ✓ #1 Western Europe
- ✓ #1 Latin America
- ✓ #2 North America
- ✓ #2 Asia
- ✓ #2 Central & Eastern Europe

CATEGORY

- ✓ #1 General P & C
- ✓ #1 D & O Liability
- ✓ #1 Marine and Fire
- ✓ #1 Medical and Life
- ✓ #2 Catastrophe

“AIG’s crisis is over...all the fundamentals of running this company are moving in the right direction. We can look forward and focus on operating results. It’s all about how to create the best shareholder value going forward.”

—Robert H. Benmosche, President and Chief Executive Officer, AIG, August 5, 2011

Key Franchises Unscathed by Crisis, Revenues Growing



World leader in global property and casualty insurance.

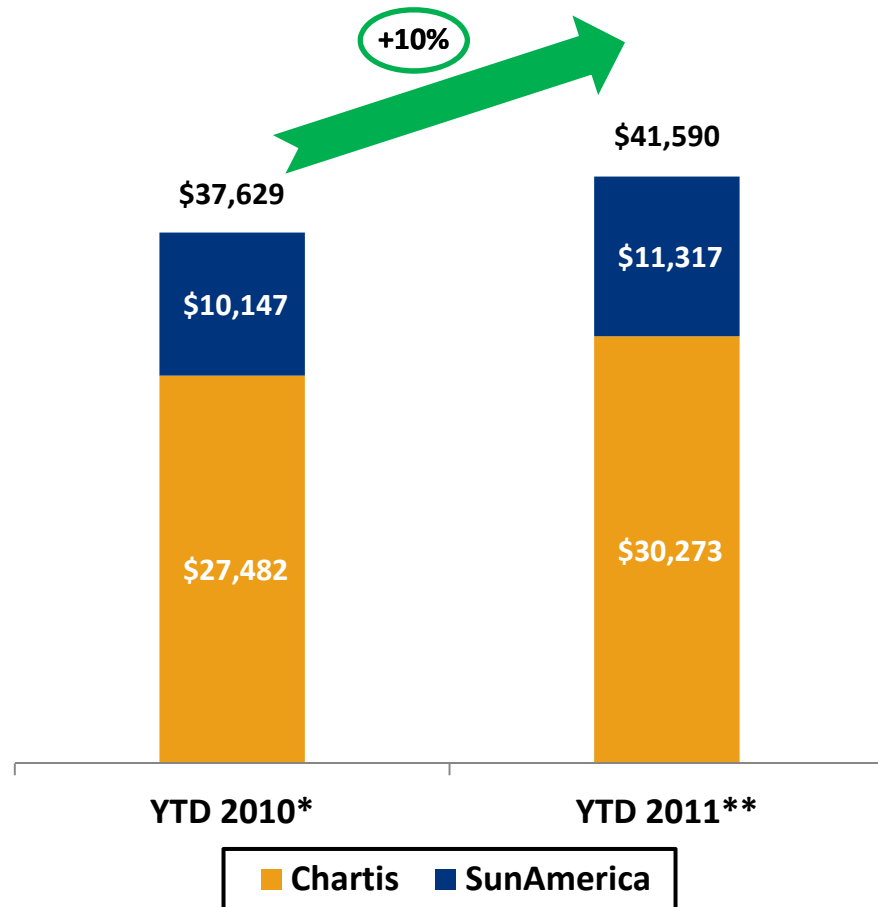
- 45,000 employees
- 70 million worldwide clients
- #1 Global Insurer (Euromoney)



U.S. life insurance and retirement services leader.

- 13,000 employees
- 16 million customers
- Recognized leader in U.S. market

Revenues by Reportable Segments
(in millions)



* Revenues by reportable segments through 09/30/2010

** Revenues by reportable segments through 09/30/2011

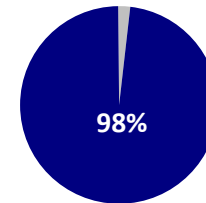


Industry Leader With Loyal Customer Base

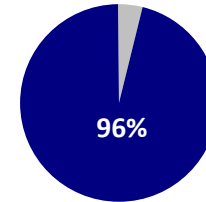
2011 ACCOLADES

- ✓ BUYER'S CHOICE AWARD FOR EXPERTISE, *BUSINESS INSURANCE*
- ✓ INNOVATION AWARD, *BUSINESS INSURANCE*
- ✓ MOST TRUSTED BRAND IN KOREA, *CHOSUN ILBO*
- ✓ BEST QUALITY SERVICE TRAVEL INSURANCE COMPANY (CHINA), *WORLD TRAVEL FAIR*
- ✓ STANDOUT COMPANY AWARD (BRAZIL), *REVISTA SEGURADOR BRASIL*
- ✓ BEST PRODUCT INNOVATION AWARD (GENERAL INSURANCE), *CELENT*
- ✓ COMPANY OF THE YEAR (HEALTH INSURANCE), *CELENT*
- ✓ BEST PRACTICES IN TECHNOLOGY (GLOBAL MARINE AND ENERGY), *CELENT*

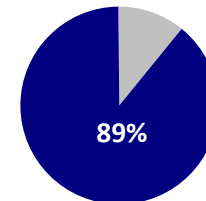
FORTUNE
500



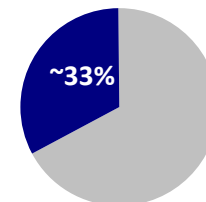
FORTUNE
1000



FT
global
500



Forbes
400
THE RICHEST
PEOPLE IN AMERICA



~ 93%* Retention on these Segments

* At September 30, 2011, based on a 12-month rolling average.



Tracing its history back to 1850, SunAmerica has over a 160-year track record of leadership in the U.S. life and retirement services market.

<p>American General Life Companies</p>	<ul style="list-style-type: none"> ✓ LEADING PROVIDER OF TERM AND UNIVERSAL LIFE PRODUCTS ✓ LONG-STANDING LEADER IN THE STRUCTURED SETTLEMENT ANNUITY MARKET
<p>VALIC</p>	<ul style="list-style-type: none"> ✓ LONG-STANDING LEADER IN 403(B) DEFINED CONTRIBUTION MARKET
<p>WESTERN NATIONAL Life Insurance Company</p>	<ul style="list-style-type: none"> ✓ TOP BANK CHANNEL FIXED ANNUITY PROVIDER FOR 15 CONSECUTIVE YEARS
<p> SunAmerica Retirement Markets</p>	<ul style="list-style-type: none"> ✓ LEADER IN INDIVIDUAL VARIABLE ANNUITIES

Trust But Verify

Our Research has been Enhanced by Unprecedented Disclosure



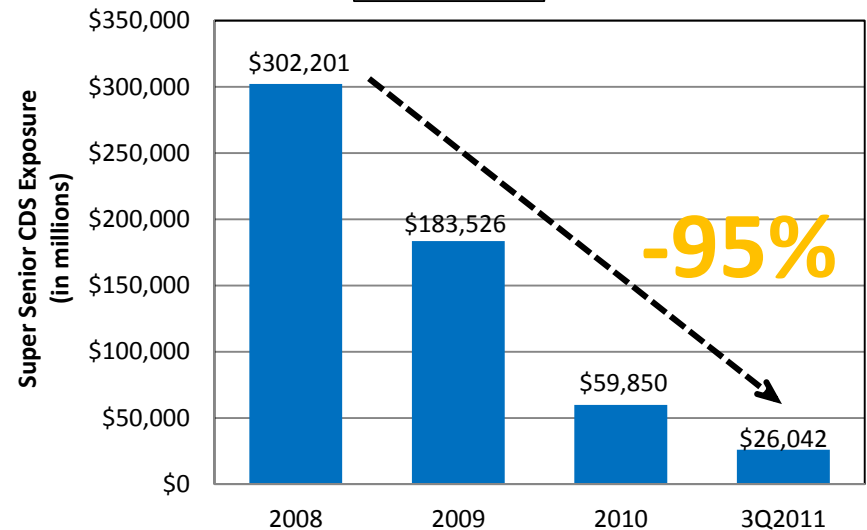
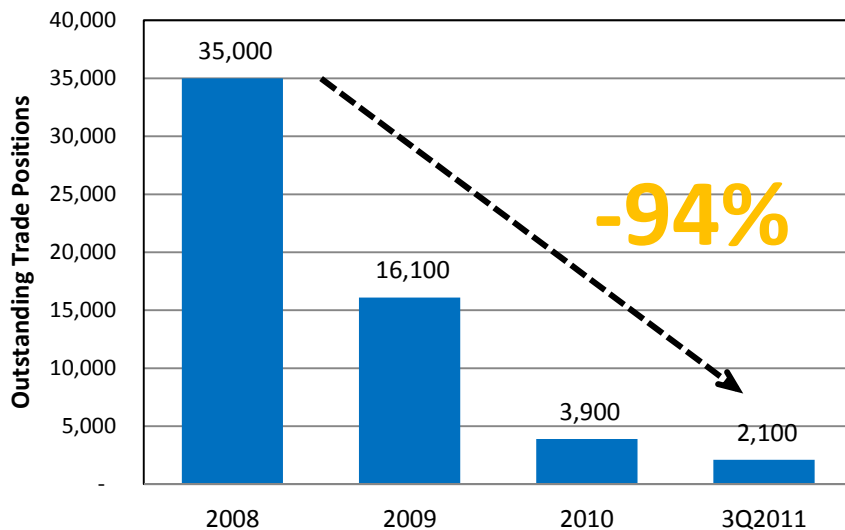
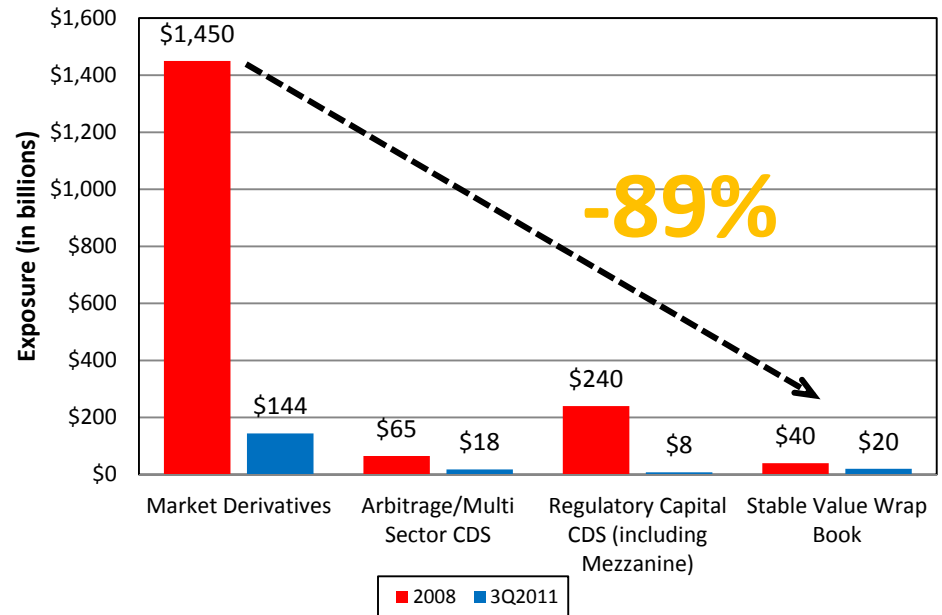
“We are committed to adding even further disclosure...to make it easier for people to reach their own conclusions [about AIG]. We [have also] accelerated the pace of third-party scrutiny by outside actuaries so that it’s not a slower cycle.”

—Peter D. Hancock, *Chief Executive Officer, Chartis*, December 7, 2011

AIG Moving Forward

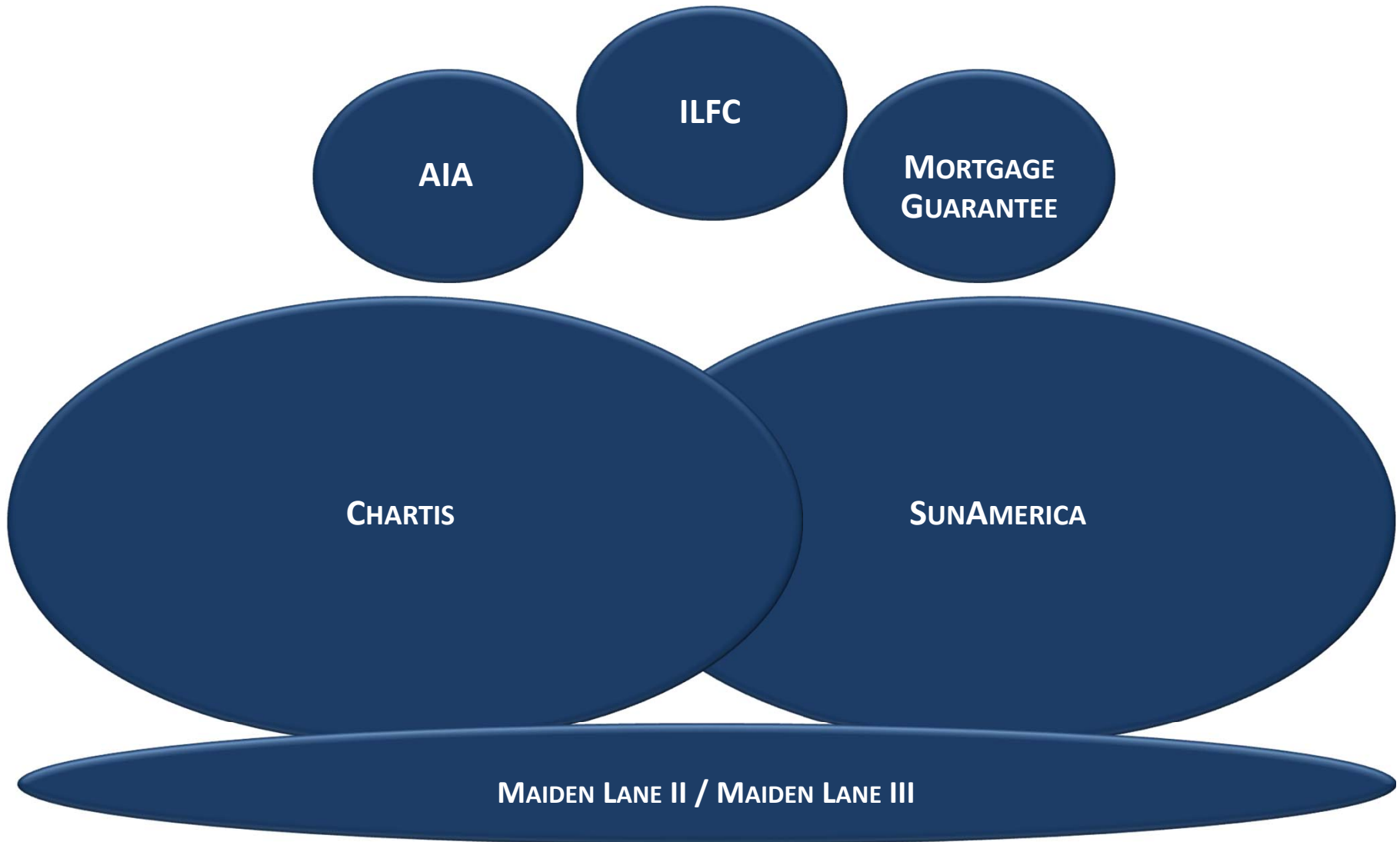
Aggressively Winding Down and De-Risking the AIGFP Derivatives Portfolio*

- ✓ 89% Reduction in Derivatives Exposures
- ✓ 94% Reduction of Trade Positions
- ✓ 95% Reduction of CDS portfolio

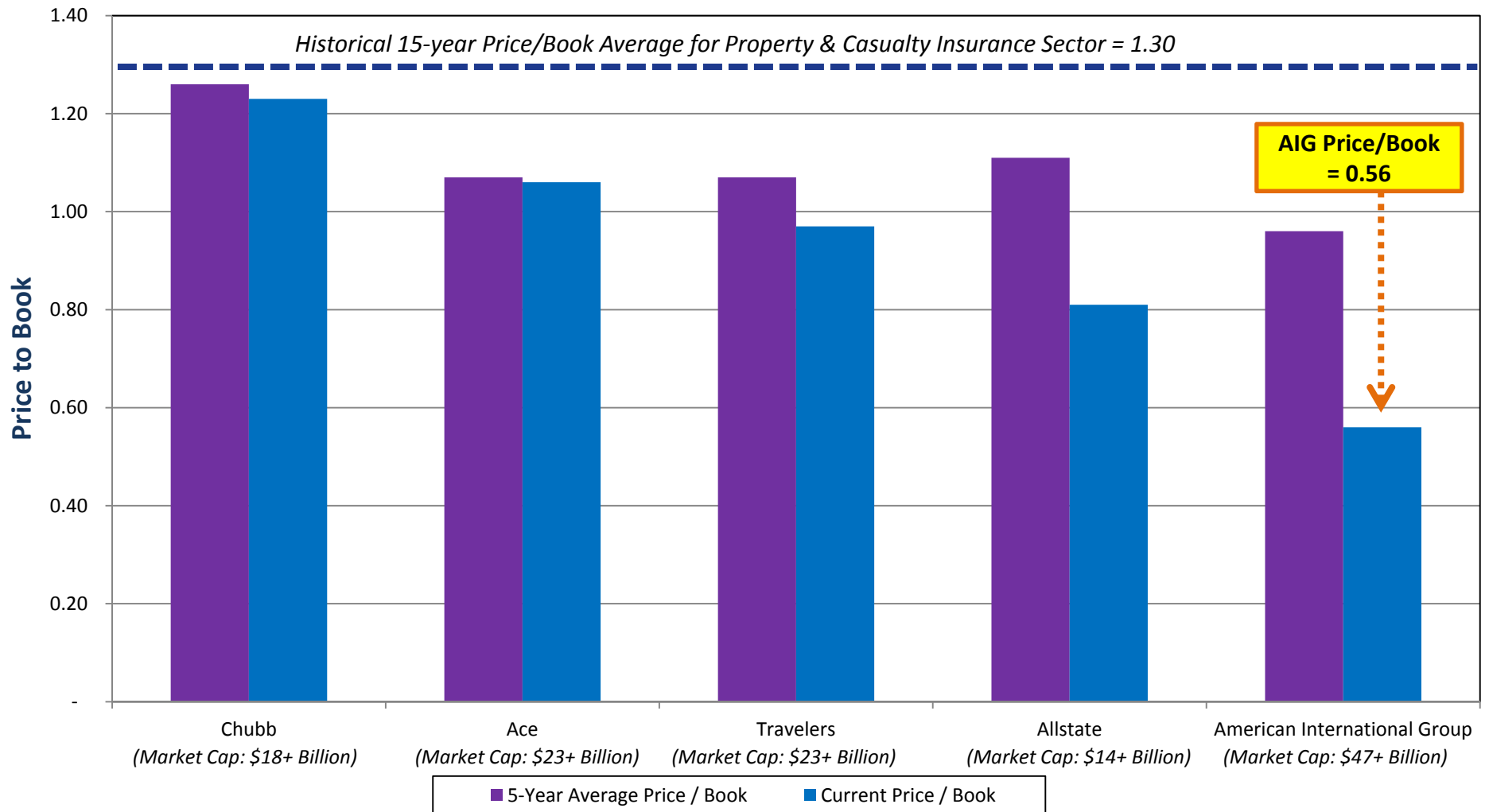


Powerful Franchises and Valuable Assets

As AIG sheds additional non-core assets and further reduces risk exposures, the value of its powerful franchises and assets will emerge.



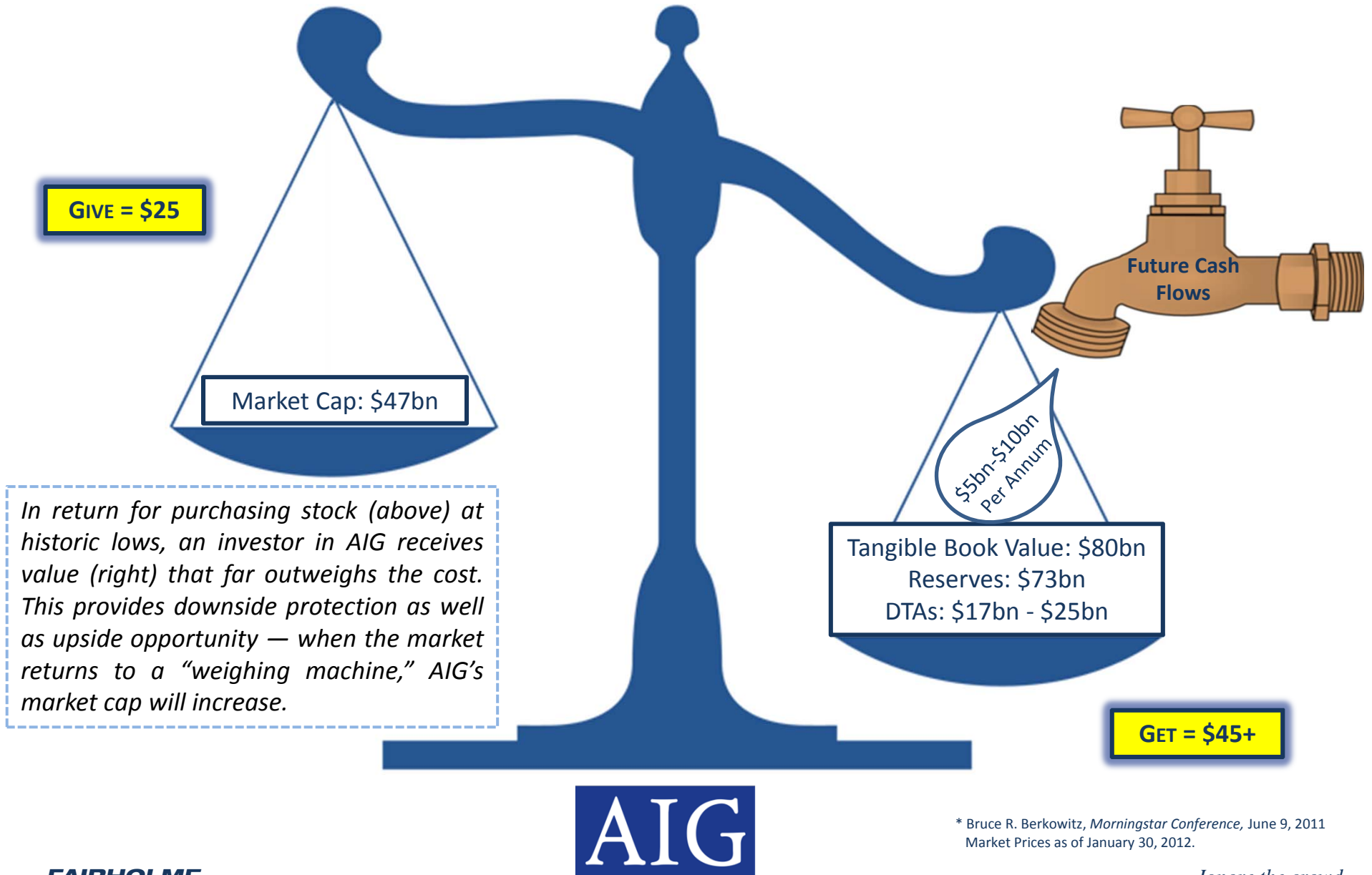
Compared to its Peers, AIG is Exceptionally Cheap



Market Capitalizations as of January 30, 2012.

Margin of Safety: \$25 Buys You \$45+...

*"Investing is all about what you give versus what you get." **



* Bruce R. Berkowitz, Morningstar Conference, June 9, 2011
Market Prices as of January 30, 2012.

AIG's Long-Term Goals

Positioning for Success



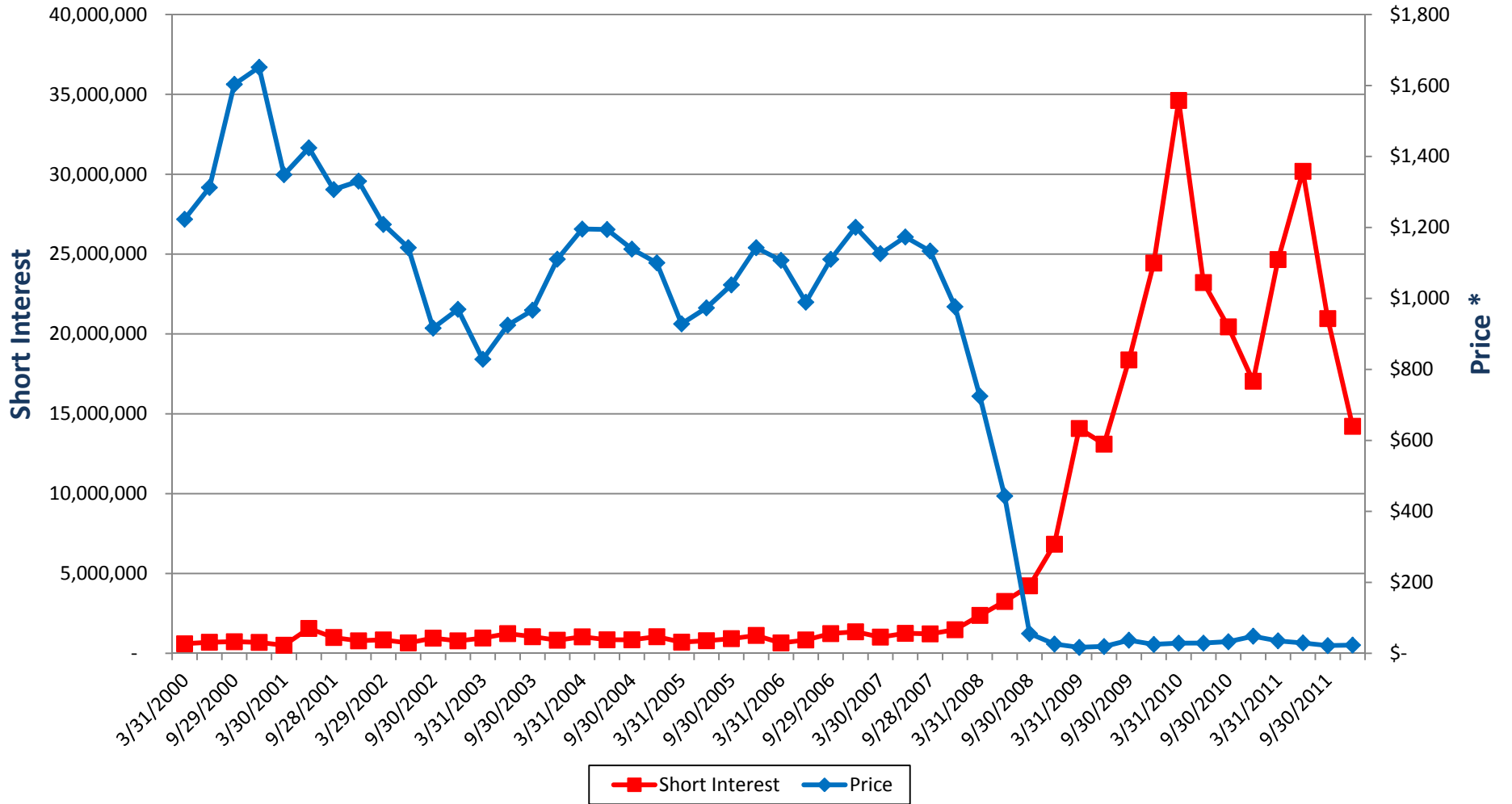
- INCREASE RETURN ON EQUITY (ROE) TO 10%
- GROW EARNINGS PER SHARE
- INCREASE PRE-TAX OPERATING INCOME
- UTILIZE DEFERRED TAX ASSETS (DTA)
- REDUCE GENERAL & ADMINISTRATIVE EXPENSES
- DEPLOY EXCESS CAPITAL FOR:
 - POTENTIAL SHARE REPURCHASES
 - DIVIDEND PAYMENTS
 - ACQUISITIONS
 - ORGANIC BUSINESS OPPORTUNITIES

“Simply put, this company is too valuable to ignore. And we have a clear vision for [AIG] to be the most valuable insurance company, not the biggest. This is a franchise that has a real extraordinary uniqueness to it.”

—Peter D. Hancock, *Chief Executive Officer, Chartis*, December 7, 2011

“Many shall be restored that now are fallen..”

– Horace, *Ars Poetica*



* Date of reverse split: 07/01/2009

Staying the Course

Courage of Conviction

“This is not an easy time for value investors. As we practice the strategy, value investing has been underperforming and prices for our companies are depressed and do not reflect intrinsic value or business fundamentals...Each of our holdings generates excess free cash. All are at bargain prices. Yet, our investment experience has taught us that we cannot control prices. Cheap can get cheaper, even if there is nothing fundamentally wrong. However, market history says that high quality, well-managed companies don’t stay cheap for long.”

Bruce R. Berkowitz
Letter to Clients
February 2000

This presentation uses American International Group as a case study to illustrate Fairholme Capital Management's investment strategy for the Fairholme Fund. In the pages that follow, we show Fairholme Fund shareholders why we "Ignore the crowd" with regard to our portfolio positions that are currently out of favor in the market.

However, nothing in this presentation should be taken as a recommendation to anyone to buy, hold, or sell certain securities or any other investment mentioned herein. Our opinion of a company's prospects should not be considered a guarantee of future events. **Investors are reminded that there can be no assurance that past performance will continue, and that a mutual fund's current and future portfolio holdings always are subject to risk.** As with all mutual funds, investing in the Fairholme Fund involves risk including potential loss of principal. Opinions expressed are those of the author and/or Fairholme Capital Management, L.L.C. and should not be considered a forecast of future events, a guarantee of future results, nor investment advice.

The Fairholme Fund's holdings and sector weightings are subject to change. As of November 30, 2011, American International Group securities comprised 26.2% of the Fairholme Fund's total net assets. The Fairholme Fund's portfolio holdings are generally disclosed as required by law or regulation on a quarterly basis through reports to shareholders or filings with the SEC within 60 days after quarter end. A complete list of the Fairholme Fund's top ten holdings is available on our website at www.fairholmefunds.com.

The Fairholme Fund is non-diversified, which means that it invests in a smaller number of securities when compared to more diversified funds. Therefore, the Fairholme Fund is exposed to greater individual security volatility than diversified funds. The Fairholme Fund can invest in foreign securities which may involve greater volatility and political, economic, and currency risks and differences in accounting methods. The Fairholme Fund may also invest in "special situations" to achieve its objectives. These strategies may involve greater risks than other fund strategies. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Lower-rated and non-rated securities present greater loss to principal than higher-rated securities.

The Fairholme Fund's investment objectives, risks, charges, and expenses should be considered carefully before investing. The prospectus contains this and other important information about the Fairholme Fund, and may be obtained by calling shareholder services at (866) 202-2263 or by visiting our website at www.fairholmefunds.com. Read it carefully before investing.

Fairholme Distributors, LLC (01/12)