

# WELCOME TO OUR RETIREMENT PLANNING COMMUNITY

*Investment Digest redesigned to better meet your needs*

Last issue, we asked for your input on *Investment Digest*. Your response? You want the information faster, and easier to use and understand. What you see in this edition is the result. The new look is just our way of saying, "Investing can be warm, friendly and interesting to explore."

To set the tone for each edition, we'll be featuring a stylized reproduction of fine art on the cover. Our intention is to depict the joys of realizing your retirement dreams. This issue's cover features Claude Monet's "Beach at Trouville."

WHAT'S DIFFERENT IN THIS ISSUE ...

## Market Digest

★ We've given you more indexes to monitor as benchmarks for funds. If your fund uses an index or benchmark, the fund prospectus will identify it. Remember, however, indexes have no fees or charges.

## Fund Unit Values

★ We've discontinued the Separate Account Activity unit value graphs. Some of you indicated the information was not particularly useful, and with the current expanded number of fund options (up to 55 now), there is not enough space to publish all these charts. Fortunately, you can get unit values in your quarterly account statement and on our Web site ([www.valic.com](http://www.valic.com)).

## Portfolio Director Performance

★ Portfolio Director performance tables now include all of our new investment options for Portfolio Director Plus for a total of 55 funds, including two fixed-interest options. The tables still list all the Portfolio Director 1 and 2 funds within this total. The funds are listed by asset class, investment objective, and from high to low risk-return.

A variety of choices are offered in different plans. Check your plan to see which funds are available to you.



*"Investing can be warm, friendly and interesting to explore."*

If you are interested in a fund not listed in your plan, you may want to express your preference to your Retirement Planning Specialist or benefits coordinator.

See pages 6-7 for average annual returns.

Consult these charts for growth information and when comparing performance to benchmarks. Pages 8-9 show performance after deducting fees and charges that may or may not apply to your plan. If you would like more information on Portfolio Director, call your Retirement Planning Specialist at 1-800-44-VALIC (1-800-448-2542).

## Mutual Funds

★ The introduction of American General Fund Group retail mutual funds has given you new options for supplemental after-tax investing and IRAs. These funds should not be considered a replacement for your employer-sponsored retirement plan. For more information on mutual funds and IRAs, contact your Retirement Planning Specialist at 1-800-448-2542 or call 1-877-999-AGFG (1-877-999-2434).

## Fund Profile

★ We continue to profile various funds offered in VALIC retirement plans to better acquaint you with the factors you may wish to consider when choosing an investment.

## A Special Thanks

Thanks to those who responded to our call for input. And to all our readers, we hope you enjoy reading your new *Investment Digest* as much as we enjoy creating it.

If you have any questions or comments regarding the new look and information, please call Sandy Penny at 1-800-22-VALIC, extension 5298. ❖

## PERFORMANCE OF MAJOR MARKET

Average annual performance as of March 31, 1999 INDEX NAME:

	1 YEAR	5 YEARS	10 YEARS	SINCE INCEPTION	INCEPTION DATE
Merrill Lynch Corp Master	6.22%	8.36%	9.77%	9.21%	01/01/73
Lehman Brothers US Treasury	6.65	7.46	8.88	10.50	01/01/81
Standard & Poor's (S&P) 500	18.47	26.25	18.97	12.76	01/01/58
Morgan Stanley Capital (EAFE) Index	6.06	8.75	5.66	11.89	01/01/70
Salomon Brothers Non-U.S. Government	11.52	6.57	8.65	12.37	01/01/85
Standard & Poor's (S&P) Mid-Cap 400	0.44	18.20	17.43	17.43	01/01/82
NYC 30-Day CD Rate	4.56	4.58	4.91	n/a	n/a
Morgan Stanley Capital Index World	12.64	16.36	10.80	11.44	01/01/70
Russell 2000	-16.26	11.22	11.46	14.40	01/01/79
Lehman Brothers Long-Term US Treasury	7.03	9.76	10.87	n/a	n/a
Merrill Lynch High-Yield	1.94	9.44	10.97	n/a	n/a
Russell 1000 Growth	28.11	28.40	20.50	17.52	01/01/79
Russell 1000 Value	5.04	22.07	16.68	17.29	01/01/79
Russell 2000 Growth	-11.04	10.76	10.56	12.54	01/01/79
Russell 2000 Value	-22.03	11.14	11.93	15.95	01/01/79
Russell MidCap Growth	8.89	18.87	16.97	15.76	01/01/86
Russell MidCap Value	-7.44	17.46	14.89	14.81	01/01/86
Merrill Lynch Corp & Government Master	6.52	7.72	9.11	8.82	01/01/73
Salomon Brothers World	9.91	6.86	8.70	10.81	01/01/85
Lehman Brothers Aggregate Returns	6.48	7.79	9.08	9.51	01/01/76
Lehman Brothers Corp & Government	6.54	6.72	8.49	n/a	n/a
Lehman Brothers Seven through Long Municipal Bond Index	6.41	8.04	n/a	n/a	n/a
Salomon Brothers High-Yield	1.05	9.85	10.97	n/a	n/a
Salomon Brothers Primary Market Index	13.00	18.44	n/a	n/a	n/a

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. The investment return and principal value of an investment will fluctuate so that an investor's units, when redeemed, may be worth more or less than the original cost. Past performance of indexes does not guarantee future performance of any investment.

### 1ST QUARTER

### U.S. Market Summaries

#### EQUITIES (STOCK) MARKETS

##### UPS

- ↑ Dow closes above 10,000
- ↑ Corporate sector healthy; strong economy
- ↑ Strong consumer spending
- ↑ Lowest unemployment levels since 1970
- ↑ Strongest economic growth since 1984

##### DOWNNS

- ↓ Export boom slows
- ↓ Underperformers include utilities, home construction, drug-based retailers, heavy construction, tobacco
- ↓ Value, mid- and small-cap stocks underperform large caps

4.98%

S&P 500 Index

#### FIXED-INCOME (BOND) MARKETS

##### UPS

- ↑ Low current inflation and inflation expectations
- ↑ Corporate and mortgage-backed securities outperformed Treasuries
- ↑ Municipal bond new issue supply was light, enabling them to outperform taxable bonds

##### DOWNNS

- ↓ Strong economic growth; low unemployment
- ↓ Federal Reserve no longer expected to continue lowering short-term interest rates
- ↓ Continued reversal of the flight-to-quality

-0.67%

Merrill Lynch Corporate Master Index

### 1ST QUARTER

### Foreign Market Summaries

#### EQUITIES (STOCK) MARKETS

##### UPS

- ↑ Japan rallies on government and corporate policy changes
- ↑ France rallies on banking and luxury goods consolidation
- ↑ Oil stocks do well as OPEC cuts production

##### DOWNNS

- ↓ Germany weak as new gov't./industry disagree on tax policy
- ↓ Switzerland weak as multinational firms have poor growth
- ↓ East European stocks drop on delayed bank privatizations & Balkan conflict

1.39%

Morgan Stanley Capital International (EAFE) Index

#### FIXED-INCOME (BOND) MARKETS

##### UPS

- ↑ Japanese bonds recover some of last year's losses
- ↑ Commodity price increases favor Australian and Canadian bonds & currencies
- ↑ Swedish bonds rally as the odds of joining the European Union rise

##### DOWNNS

- ↓ Currencies weak against the Dollar
- ↓ Yen weak on fears investors cannot absorb increased money supply
- ↓ Government bonds generally underperform corporate bonds

-4.86%

Salomon Brothers Non-U.S. Government Bond Index

# Portfolio Director Fixed and Variable Annuity Performance

Performance as of March 31, 1999

A variety of funds are available in different plans. Please review your plan for a list of available funds or call your Retirement Planning Specialist at 1-800-44-VALIC. Funds are listed in asset class, objective and in descending order of associated risk.

## Objective - Asset Class

### AVERAGE ANNUAL RETURN

FUND NAME:	1 YEAR	3 YEARS	5 YEARS	10 YEARS	SINCE INCEPTION	INCEPTION DATE
<b>International Growth (Stocks)</b>						
Putnam Global Growth Fund (28) <sup>1</sup>	13.90%	17.04%	14.33%	11.88%	n/a%	09/01/1967
AG International Growth Fund (33)	n/a	n/a	n/a	n/a	3.89 *	08/31/1998
Templeton International Fund (20) <sup>1,4</sup>	-5.86	12.78	11.45	n/a	12.35	05/01/1992
AG International Value Fund (34)	n/a	n/a	n/a	n/a	25.63 *	08/31/1998
Templeton Foreign Fund (32) <sup>1,4</sup>	-9.68	5.60	6.16	9.52	n/a	10/05/1982
AGSPC International Equities Fund (11)	4.63	7.28	7.65	n/a	4.14	10/02/1989
<b>Aggressive Growth (Domestic Small-Cap Stocks)</b>						
Dreyfus Variable Investment Fund - Small Cap Portfolio (18) <sup>1</sup>	-14.71	6.13	10.93	n/a	34.22	08/31/1990
T. Rowe Price Small Cap Stock Fund (51) <sup>1</sup>	-19.85	8.14	12.29	10.08	n/a	06/01/1950
AG Small Cap Growth Fund (35)	n/a	n/a	n/a	n/a	33.78 *	08/31/1998
AG Small Cap Value Fund (36)	n/a	n/a	n/a	n/a	0.61 *	08/31/1998
Evergreen Small Cap Value Fund (55) <sup>1</sup>	-20.68	7.29	n/a	n/a	12.26	01/03/1995
AGSPC Small Cap Index Fund (14)	-16.89	6.77	9.87	n/a	10.31	05/01/1992
<b>Growth (Domestic Mid-Cap Stocks)</b>						
Putnam OTC & Emerging Growth Fund (27) <sup>1</sup>	1.14	7.57	16.93	16.03	n/a	11/01/1982
AGSPC Growth Fund (15)	0.79	15.29	n/a	n/a	19.88	04/29/1994
AG Mid Cap Growth Fund (37)	n/a	n/a	n/a	n/a	29.13 *	08/31/1998
AG Mid Cap Value Fund (38)	n/a	n/a	n/a	n/a	31.65 *	08/31/1998
Evergreen Growth and Income Fund (56) <sup>1</sup>	-8.13	14.19	n/a	n/a	18.88	01/03/1995
AGSPC MidCap Index Fund (4)	-0.55	16.78	16.71	n/a	14.84	10/01/1991
<b>Growth (Domestic Large-Cap Stocks)</b>						
AGSPC Science & Technology Fund (17)	38.03	20.74	n/a	n/a	29.76	04/29/1994
American Century Ultra Fund (31) <sup>1</sup>	26.67	25.49	21.61	21.86	n/a	11/02/1981
Putnam New Opportunities Fund (26) <sup>1</sup>	13.69	17.19	21.95	n/a	26.88	08/31/1990
Founders Growth Fund (30) <sup>1</sup>	20.04	22.99	22.28	19.18	n/a	01/05/1962
AG Large Cap Growth Fund (39)	n/a	n/a	n/a	n/a	33.11 *	08/31/1998
<b>Growth &amp; Income</b>						
AG Large Cap Value Fund (40)	n/a	n/a	n/a	n/a	23.22 *	08/31/1998
AGSPC Social Awareness Fund (12)	16.43	26.76	24.63	n/a	15.54	10/02/1989
AG Socially Responsible Fund (41)	n/a	n/a	n/a	n/a	33.26 *	08/31/1998
AGSPC Growth & Income Fund (16)	14.48	19.61	n/a	n/a	19.36	04/29/1994
Neuberger Berman Guardian Trust (29) <sup>1</sup>	-7.78	11.24	13.82	n/a	13.00	08/03/1993
Evergreen Value Fund (57) <sup>1</sup>	0.07	15.34	17.01	13.16	n/a	04/12/1985
Scudder Growth and Income Fund (21) <sup>1</sup>	-7.24	15.37	17.21	14.10	n/a	11/13/1984
Vanguard Windsor II Fund (24) <sup>1</sup>	4.00	20.71	21.36	15.07	n/a	06/24/1985
AGSPC Stock Index Fund (10)	17.21	26.60	24.71	17.15	n/a	04/20/1987

## Objective - Asset Class

## AVERAGE ANNUAL RETURN

FUND NAME:	1 YEAR	3 YEARS	5 YEARS	10 YEARS	SINCE INCEPTION	INCEPTION DATE
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## Balanced Growth (Asset Allocation)

Templeton Asset Allocation Fund (19) <sup>4</sup>	-3.55%	11.38%	11.61%	10.75%	n/a%	08/24/1988
AG Growth Lifestyle Fund (48)	n/a	n/a	n/a	n/a	19.73 *	08/31/1998
Vanguard LifeStrategy Growth Fund (52) <sup>1</sup>	10.22	17.68	n/a	n/a	18.43	09/30/1994
AGSPC Asset Allocation Fund (5)	10.75	16.18	14.89	10.33	n/a	09/06/1983
AG Balanced Fund (42)	n/a	n/a	n/a	n/a	22.46 *	08/31/1998
AG Moderate Growth Lifestyle Fund (49)	n/a	n/a	n/a	n/a	17.63 *	08/31/1998
Vanguard LifeStrategy Moderate Growth Fund (53) <sup>1</sup>	9.58	15.40	n/a	n/a	16.14	09/30/1994
Vanguard Wellington Fund (25) <sup>1</sup>	2.71	14.37	15.71	12.20	n/a	07/01/1929
AG Conservative Growth Lifestyle Fund (50)	n/a	n/a	n/a	n/a	14.80 *	08/31/1998
Vanguard LifeStrategy Conservative Growth Fund (54) <sup>1</sup>	7.87	12.57	n/a	n/a	13.48	09/30/1994

## Income (Bonds)

AGSPC International Government Bond Fund (13)	9.88	3.10	5.19	n/a	6.83	10/01/1991
AG High Yield Bond Fund (60)	n/a	n/a	n/a	n/a	6.64 *	08/31/1998
Vanguard Long-Term Corporate Fund (22) <sup>1</sup>	3.80	7.14	7.36	8.98	n/a	07/09/1973
AGSPC Capital Conservation Fund (7)	4.91	6.04	6.12	6.83	n/a	01/16/1986
AG Strategic Bond Fund (59)	n/a	n/a	n/a	n/a	6.20 *	08/31/1998
AG Core Bond Fund (58)	n/a	n/a	n/a	n/a	2.63 *	08/31/1998
AG Domestic Bond Fund (43)	n/a	n/a	n/a	n/a	2.71 *	08/31/1998
Vanguard Long-Term Treasury Fund (23) <sup>1</sup>	5.85	7.84	7.86	8.93	n/a	05/19/1986
AGSPC Government Securities Fund (8)	4.80	5.84	5.73	6.87	n/a	01/16/1986

## Stability (Cash Equivalents)

AGSPC Money Market Fund (6) <sup>2</sup>	3.93	4.02	3.98	4.13	n/a	01/16/1986
AG Money Market Fund (44) <sup>2</sup>	n/a	n/a	n/a	n/a	2.22 *	08/31/1998
VALIC Fixed Account Plus	5.75	5.96	5.96	7.26	8.66	04/01/1982
VALIC Short Term Fixed Account	4.50	4.63	4.70	5.55	6.89	02/01/1982

Returns reflect the overall change in accumulation unit values from the beginning of each period to the end of that period after deduction of fund expenses. Figures do not reflect deduction of account maintenance fees, surrender charges or premium taxes, if applicable.

Fixed-account returns are calculated assuming a lump-sum deposit on the first day of each period, and interest credited to the account according to VALIC's fixed-interest crediting policy.

Equivalent rates were used although the contract was not available during the periods shown.

The performance data quoted represent past performance. Past performance does not guarantee future results. 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.

<sup>1</sup> Returns for these funds were calculated on a pro forma basis from the inception date of the underlying funds. Current applicable contract charges have been assessed in determining pro forma returns although these funds were not available for sale through this contract during the period shown.

International fund unit values and returns will fluctuate with market conditions, currencies, and economic and political climates where investments are made.

Standard interest rate applicable to Policy Forms UIT-194 and UITG-194.

<sup>2</sup> An investment in the money market fund is neither insured nor guaranteed by the U.S. government. There is no assurance that the funds will be able to maintain a stable net asset value of \$1 per share.

A Separate Account charge is deducted from all variable-annuity investments. 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 0.60% to 1.25%, depending on the variable option and contract.

There are no account maintenance fees for investments in the fixed-account options. There may be a low quarterly account maintenance fee of only \$3.75 for investments in the variable-account option, depending on the contract.

<sup>3</sup> Performance shown for the Neuberger Berman Guardian Trust before 8/3/93 is for its predecessor fund. The inception date for the Fund is 6/1/50.

Annuity contracts typically include limitations, surrender charges, exclusions and expense charges. For more complete information about VALIC and Portfolio Director, including charges and expenses, please request a prospectus (PD1 - VA 9558-1; PD2 - VA 9945-1; PD Plus - VA 10860-1) by calling 1-800-44-VALIC (1-800-448-2542). Please read the prospectus carefully before investing or sending money. Portfolio Director is distributed by The Variable Annuity Marketing Company (VAMCO).

<sup>4</sup> VALIC's Separate Account A invests in Class 1 shares of the Templeton International Fund and the Templeton Asset Allocation Fund and Class A shares of the Templeton Foreign Fund, which are distributed by Franklin Templeton Distributors, Inc., and sold only through variable insurance products.

\* These funds have been in existence for less than one year. The reported performance figure is a cumulative total since inception, not average annual return.

# Portfolio Director Fixed and Variable Annuity Performance

Performance as of March 31, 1999

A variety of funds are available in different plans. Please review your plan for a list of available funds or call your Retirement Planning Specialist at 1-800-44-VALIC. Funds are listed in asset class, objective and in descending order of associated risk.

## Objective - Asset Class

### AVERAGE ANNUAL RETURN - ASSUMING WITHDRAWAL

FUND NAME:	1 YEAR	3 YEARS	5 YEARS	10 YEARS	SINCE INCEPTION	INCEPTION DATE
<b>International Growth (Stocks)</b>						
Putnam Global Growth Fund (28) <sup>1</sup>	8.84%	15.74%	13.68%	11.82%	n/a%	09/01/1967
AG International Growth Fund (33)	n/a	n/a	n/a	n/a	-0.83 *	08/31/1998
Templeton International Fund (20) <sup>1,3</sup>	-10.14	11.39	10.73	n/a	12.29	05/01/1992
AG International Value Fund (34)	n/a	n/a	n/a	n/a	20.58 *	08/31/1998
Templeton Foreign Fund (32) <sup>1,3</sup>	-13.79	4.02	5.30	9.46	n/a	10/05/1982
AGSPC International Equities Fund (11)	-0.13	5.75	6.83	n/a	4.08	10/02/1989
<b>Aggressive Growth (Domestic Small-Cap Stocks)</b>						
Dreyfus Variable Investment Fund - Small Cap Portfolio (18) <sup>1</sup>	-18.60	4.57	10.20	n/a	34.19	08/31/1990
T. Rowe Price Small-Cap Stock Fund (51) <sup>1</sup>	-23.49	6.63	11.59	10.02	n/a	06/01/1950
AG Small Cap Growth Fund (35)	n/a	n/a	n/a	n/a	28.73 *	08/31/1998
AG Small Cap Value Fund (36)	n/a	n/a	n/a	n/a	-3.96 *	08/31/1998
Evergreen Small Cap Value Fund (55) <sup>1</sup>	-24.29	5.76	n/a	n/a	11.38	01/03/1995
AGSPC Small Cap Index Fund (14)	-20.68	5.23	9.11	n/a	10.25	05/01/1992
<b>Growth (Domestic Mid-Cap Stocks)</b>						
Putnam OTC & Emerging Growth Fund (27) <sup>1</sup>	-3.47	6.05	16.33	15.97	n/a	11/01/1982
AGSPC Growth Fund (15)	-3.80	13.96	n/a	n/a	19.30	04/29/1994
AG Mid Cap Growth Fund (37)	n/a	n/a	n/a	n/a	24.08 *	08/31/1998
AG Mid Cap Value Fund (38)	n/a	n/a	n/a	n/a	26.59 *	08/31/1998
Evergreen Growth and Income Fund (56) <sup>1</sup>	-12.31	12.83	n/a	n/a	18.13	01/03/1995
AGSPC Mid Cap Index Fund (4)	-5.08	15.48	16.10%	n/a	14.78	10/01/1991
<b>Growth (Domestic Large-Cap Stocks)</b>						
AGSPC Science & Technology Fund (17)	32.95	19.52	n/a	n/a	29.32	04/29/1994
American Century Ultra Fund (31) <sup>1</sup>	21.60	24.35	21.09	21.81	n/a	11/02/1981
Putnam New Opportunities Fund (26) <sup>1</sup>	8.63	15.90	21.43	n/a	26.83	08/31/1990
Founders Growth Fund (30) <sup>1</sup>	14.97	21.81	21.76	19.12	n/a	01/05/1962
AG Large Cap Growth Fund (39)	n/a	n/a	n/a	n/a	28.06 *	08/31/1998
<b>Growth &amp; Income</b>						
AG Large Cap Value Fund (40)	n/a	n/a	n/a	n/a	18.17 *	08/31/1998
AGSPC Social Awareness Fund (12)	11.36	25.64	24.15	n/a	15.47	10/02/1989
AG Socially Responsible Fund (41)	n/a	n/a	n/a	n/a	28.21 *	08/31/1998
AGSPC Growth & Income Fund (16)	9.42	18.37	n/a	n/a	18.78	04/29/1994
Neuberger Berman Guardian Trust (29) <sup>1</sup>	-11.98	9.82	13.16	n/a	12.94	08/03/1993
Evergreen Value Fund (57) <sup>1</sup>	-4.48	14.01	16.41	13.10	n/a	04/12/1985
Scudder Growth and Income Fund (21) <sup>1</sup>	-11.46	14.04	16.61	14.04	n/a	11/13/1984
Vanguard Windsor II Fund (24) <sup>1</sup>	-0.73	19.49	20.83	15.01	n/a	06/24/1985
AGSPC Stock Index Fund (10)	12.15	25.48	24.23	17.09	n/a	04/20/1987

## Objective - Asset Class

## AVERAGE ANNUAL RETURN - ASSUMING WITHDRAWAL

FUND NAME:	1 YEAR	3 YEARS	5 YEARS	10 YEARS	SINCE INCEPTION	INCEPTION DATE
<b>Balanced Growth (Asset Allocation)</b>						
Templeton Asset Allocation Fund (19) <sup>1,3</sup>	-7.94 %	9.96%	10.90%	10.69%	n/a %	08/24/1988
AG Growth Lifestyle Fund (48)	n/a	n/a	n/a	n/a	14.69 *	08/31/1998
Vanguard LifeStrategy Growth Fund (52) <sup>1</sup>	5.21	16.40	n/a	n/a	17.75	09/30/1994
AGSPC Asset Allocation Fund (5)	5.71	14.87	14.25	10.27	n/a	09/06/1983
AG Balanced Fund (42)	n/a	n/a	n/a	n/a	17.42 *	08/31/1998
AG Moderate Growth Lifestyle Fund (49)	n/a	n/a	n/a	n/a	12.58 *	08/31/1998
Vanguard LifeStrategy Moderate Growth Fund (53) <sup>1</sup>	4.60	14.07	n/a	n/a	15.41	09/30/1994
Vanguard Wellington Fund (25) <sup>1</sup>	-1.96	13.02	15.08	12.14	n/a	07/01/1929
AG Conservative Growth Lifestyle Fund (50)	n/a	n/a	n/a	n/a	9.75 *	08/31/1998
Vanguard LifeStrategy Conservative Growth Fund (54) <sup>1</sup>	2.96	11.17	n/a	n/a	12.70	09/30/1994
<b>Income (Bonds)</b>						
AGSPC International Government Bond Fund (13)	4.88	1.48	4.30	n/a	6.77	10/01/1991
AG High Yield Bond Fund (60)	n/a	n/a	n/a	n/a	1.80 *	08/31/1998
Vanguard Long-Term Corporate Fund (22) <sup>1</sup>	-0.93	5.61	6.53	8.92	n/a	07/09/1973
AGSPC Capital Conservation Fund (7)	0.14	4.48	5.26	6.77	n/a	01/16/1986
AG Strategic Bond Fund (59)	n/a	n/a	n/a	n/a	1.38 *	08/31/1998
AG Core Bond Fund (58)	n/a	n/a	n/a	n/a	-2.03 *	08/31/1998
AG Domestic Bond Fund (43)	n/a	n/a	n/a	n/a	-1.95 *	08/31/1998
Vanguard Long-Term Treasury Fund (23)	1.04	6.33	7.05	8.87	n/a	05/19/1986
AGSPC Government Securities Fund (8)	0.03	4.28	4.86	6.81	n/a	01/16/1986
<b>Stability (Cash Equivalents)</b>						
AGSPC Money Market Fund (6) <sup>2</sup>	-0.80	2.40	3.05	4.07	n/a	01/16/1986
AG Money Market Fund (44) <sup>2</sup>	n/a	n/a	n/a	n/a	-2.42 *	08/31/1998
VALIC Fixed Account Plus	0.99	4.45	5.16	7.26	8.66	04/01/1982
VALIC Short-Term Fixed Account	0.00	3.08	3.85	5.55	6.89	02/01/1982

<sup>1</sup> Returns for these funds were calculated on a pro forma basis from the inception date of the underlying funds. Current applicable contract charges have been assessed in determining pro forma returns although these funds were not available for sale through this contract during the period shown.

International fund unit values and returns will fluctuate with market conditions, currencies, and economic and political climates where investments are made.

Standard interest rate applicable to Policy Forms UIT-194 and UITG-194.

<sup>2</sup> An investment in the Money Market Fund is neither insured nor guaranteed by the U.S. government. There is no assurance that the fund will be able to maintain a stable net asset value of \$1 per share.

\*These funds have been in existence for less than one year. The reported performance figure is a cumulative total since inception, not average annual return.

Annuity contracts typically include limitations, surrender charges, exclusions and expense charges. For more complete information about VALIC and Portfolio Director, including charges and expenses, please request a prospectus (PD1 - VA 9558-1; PD2 - VA 9945-1; PD Plus - VA 10860-1) by calling 1-800-44-VALIC (1-800-448-2542). Please read the prospectus carefully before investing or sending money. Portfolio Director is distributed by The Variable Annuity Marketing Company (VAMCO).

Returns for all ending periods and since inception conform to Securities and Exchange Commission (SEC) regulations for reporting average annual total return. They reflect deduction of all fees and charges, including, if applicable, surrender charges (a maximum of 5%) and account maintenance fees, but not premium taxes. 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 the amount withdrawn.

<sup>3</sup> VALIC's Separate Account A invests in Class 1 shares of the Templeton International Fund and the Templeton Asset Allocation Fund and Class A shares of the Templeton Foreign Fund, which are distributed by Franklin Templeton Distributors, Inc., and sold only through variable insurance products.

# American General Fund Group Mutual Funds

Performance as of March 31, 1999

Inception date of all AG Fund Group Mutual Funds is 10/31/1998.

## Cumulative Return

AMERICAN GENERAL FUND NAME:	NONSTANDARD PERFORMANCE <sup>1</sup>		STANDARD PERFORMANCE <sup>2</sup>	
	CLASS A SINCE INCEPTION	CLASS B SINCE INCEPTION	CLASS A SINCE INCEPTION	CLASS B SINCE INCEPTION
<b>International Growth (Stocks)</b>				
International Growth*	1.23%	0.80%	-4.59%	-4.24%
International Value*	16.61	16.10	9.91	10.30
<b>Aggressive Growth (Domestic Small-Cap Stocks)</b>				
Small Cap Growth	15.90	15.30	9.24	9.54
Small Cap Index	3.52	3.03	-2.43	-2.12
Small Cap Value	-9.69	-10.21	-14.88	-14.70
<b>Growth (Domestic Mid-Cap Stocks)</b>				
Mid Cap Growth	9.01	8.40	2.74	2.98
Mid Cap Index	8.57	8.20	2.32	2.79
Mid Cap Value	13.85	13.20	7.30	7.54
<b>Growth (Domestic Large-Cap Stocks)</b>				
Large Cap Growth	25.40	24.70	18.19	18.47
<b>Growth &amp; Income</b>				
Stock Index	16.39	15.80	9.70	10.01
Large Cap Value	6.79	6.24	0.65	0.93
Socially Responsible	15.50	15.09	8.86	9.33
<b>Balanced Growth (Asset Allocation)</b>				
Growth Lifestyle	9.04	8.93	2.77	3.48
Moderate Growth Lifestyle	8.12	8.30	1.90	2.89
Balanced	12.42	12.19	5.96	6.58
Conservative Growth Lifestyle	6.97	6.95	0.81	1.60
<b>Income (Bonds)</b>				
High Yield Bond	4.54	4.02	-0.38	-1.18
Strategic Bond	1.84	1.49	-3.00	-3.58
Core Bond	0.22	-0.03	-4.54	-5.03
Domestic Bond	-0.39	-0.64	-5.12	-5.61
Municipal Bond	0.09	-0.25	-4.66	-5.24
<b>Stability (Money Market Securities &amp; Cash Equivalents)</b>				
Money Market **	1.80	1.52	n/a	-3.55
Municipal Money Market **	0.80	0.49	n/a	-4.54

<sup>1</sup> These figures do not include sales ("load") charges (class A shares) or redemption fees (class B shares).

<sup>2</sup> Class A figures include the current maximum initial sales charge, which is 5.75% on Equity funds and 4.75% on Bond funds. Class B figures include the applicable contingent deferred sales charge, which is 5% for the first year, declining to 1% in the fifth year, and eliminated thereafter.

Figures are cumulative total return figures and have not been annualized. Returns assume reinvestment of all dividends and capital gains at net asset value.

The performance data quoted represent past performance. Past performance does not guarantee future results. Mutual fund shares will fluctuate, and there is no assurance that the objective of any fund will be achieved. Mutual fund shares are redeemable at the then current net asset value, which may be more or less than their original cost.

Although the performance data illustrated is limited to the inception date of the fund, mutual funds are generally considered long-term investments. Fund performance since 3/31/98 may have been adversely affected by market volatility.

\* International fund unit values and returns will fluctuate with market conditions, currencies, and economic and political climates where investments are made.

\*\*An investment in the money market funds are neither insured nor guaranteed by the U.S. government. There is no assurance that the funds will be able to maintain a stable net asset value of \$1 per share.

For more complete information about American General Fund Group mutual funds, including charges and expenses, please call 1-877-999-AGFG (1-877-999-2434) for a prospectus. Please read the prospectus carefully before investing or sending money. American General Fund Group mutual funds are distributed by VALIC Investment Services Company.



# MUNICIPAL BOND FUND

Inception Date: 10/31/98

## Fund objective:

Seeks the highest possible total return consistent with conservation of capital through investments in fixed-income securities that are exempt from regular federal income taxation.

## Fund management

Marybeth Whyte has managed the AG Fund Group Municipal Bond Fund since November 1, 1998. Ms. Whyte has 14 years of experience managing municipal bond portfolios. Prior to her current position, she was with Salomon Brothers Asset Management where she was head of the Municipal Bond Portfolio Management Group. Ms. Whyte graduated from the State University of New York at Oneonta with a B.A. degree and has an M.B.A. degree in finance from Bernard M. Baruch College.

## Q: What are municipal bonds?

**A.** Municipal bonds are fixed-income securities issued by state and local governments, or their subdivisions. Proceeds of these securities are used for either general purposes or specific projects such as building roads or schools. In general, the income from municipal bonds is exempt from regular federal taxation.

## Q: Where do municipal bonds fit in my overall investment portfolio?

**A.** Asset allocation analysis usually suggests that a portfolio include a combination of stocks and bonds. While stocks may provide long-term capital growth and, in some cases, dividend income, stocks also offer considerable price risk. Bond investments are used to balance some of that risk by offering steady income for a given period of time. For non-tax-advantaged accounts, municipal bonds can offer an advantage over similarly rated taxable bonds.

## Q: What are the tax advantages of municipal bonds?

**A.** Because the income from municipal bonds is exempt from regular federal taxes, these securities may offer a tax advantage over Treasury or corporate bonds for which the income is subject to taxes.

## Q: How do I compare municipal-bond and taxable-bond incomes?

**A.** The higher your marginal tax bracket, the greater the advantage of owning municipal bonds. To compare

municipal bond income to other taxable investments, look at the income you receive on an after-tax basis (see table). For most taxpayers, it is very difficult to find a longer-maturity, similarly rated, taxable security that would produce higher after-tax income than an equivalent municipal bond.

How much do I need to earn to net \$1,000 after federal tax?			
Fed. Tax	39.6%	36.0%	31.0%
Municipal	\$1,000	\$1,000	\$1,000
Treasury	\$1,656	\$1,563	\$1,449
Taxes Paid	-656	-563	-449
After-Tax =	\$1,000	\$1,000	\$1,000

This is for illustrative purposes only and is not a guarantee.

## Q: Why should I invest in a municipal bond fund?

**A.** Investors gain diversification benefits, monthly income, rather than semiannual income, automatic income reinvestment and better liquidity. Investors also avoid the worry of credit downgrades that impact the value of individual bonds and redemptions, or "calls," which can occur when interest rates drop. In a lower interest rate environment, the investor is unable to reinvest the proceeds and match the income of the bonds that were called in early.

## Q: How is the fund invested?

**A.** The fund's holdings are well diversified among issuers from many states and sectors (for example, housing, transportation, and education).

Individual bonds are rated by Standard & Poor's as investment grade (BBB or higher). Currently, the fund's holdings have a high average credit quality rating of AA. We are focusing on bonds with individual maturities in the 10-20 year range.

AG Fund Group emphasizes credit research that enables us to find value in some of the less-followed municipal sectors such as healthcare and student loans. These and similar bonds form a core group of relatively high-yielding investments. A portion of the fund is also actively managed to take advantage of market trends. Historically, we have found that this combination strategy has produced attractive yields and performance. However, past performance does not guarantee future returns.

## Q: What economic indicators do you watch?

**A.** We pay close attention to factors that impact the domestic inflation rate, like the pace of economic growth, the creation of new jobs, the unemployment rate, and various inflation measures such as the Consumer Price Index (CPI).

Also significant is the balance between the supply of newly issued bonds and the demand from the key investor groups, including mutual funds, individuals, insurance companies and corporations. Imbalances can occur from a lack of new issues at a time when there is strong demand, often in January and July, or from an abundance of new issues often at the end of each quarter. For individual bonds, we consider the terms of the bond, coupon, maturity and call features, along with the issuers' fiscal health. ♦

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