

Fixed-Interest Options

Issued by The Variable Annuity Life Insurance Company (VALIC)

Guaranteed, fixed-return growth for risk-averse investors



Asset quality fact sheet (as of 06/30/2019)

The Fixed-Interest Options available as individual or group annuities or paired with our mutual fund platforms:

- Feature a competitive interest rate
- Provide a guaranteed rate of return to help protect participants from the volatility common in an uninsured bond fund
- Are guaranteed by the claims-paying ability of The Variable Annuity Life Insurance Company. Only the fixed account protection features, income payments, and guarantees are backed by the claims-paying ability of the issuing insurance company

The Variable Annuity Life Insurance Company has received strong financial strength ratings from independent ratings agencies, reflecting its financial stability and its ability to meet its obligations to its policyholders and others. The subsequent ratings have been consistently high over time reflecting (among other factors) the \$3.4 billion surplus maintained in the general account in excess of the approximately \$44.6 billion in general account policyholder liability reserves.

To help ensure the safety of participant assets in the general account, our actuarial team tests multiple and varied economic scenarios to identify potential mismatches between assets and liabilities. These results are used to guide investment selections for the general account.

The management strategy for the general account is intended to produce a reasonably stable and predictable return throughout the economic cycle,

without undue risk or volatility. The portfolio consists principally of investment-grade corporate debt securities and highly rated mortgage-backed and asset-backed securities. In addition, a small allocation — normally 10% or less — is made to other, more volatile but potentially higher-yielding investments.



Investment guidelines for the General Account

- Investment objective: Optimize yield adjusting for credit risk, liquidity and liability characteristics
- Investment style: Broadly diversified portfolio of U.S.-dollar-denominated fixed-income securities with a small allocation to alternative investments
- Eligible investments: U.S. government securities, corporate bonds, mortgage-backed securities, asset-backed securities, private placement, mortgage loans, foreign bonds, private equity, hedge funds and interest rate derivatives

The allocation to equities is intended to provide an economic hedge against the potential risks associated with inflation and rising interest rates, as well as the potential for greater long-term growth. Within our fixed-income credit portfolios, we conduct rigorous and thorough independent credit analyses, and follow policies of extensive diversification and active management. Portfolios of mortgage-backed securities and related asset classes are actively managed to mitigate prepayment risk.

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Top Ten Holdings by Issuer as of 06/30/2019	
JPMorgan Chase & Co.	0.47%
Morgan Stanley	0.40%
Bank of America Corporation	0.38%
Verizon Communications Inc.	0.38%
Comcast Corporation	0.38%
Amazon.com, Inc.	0.33%
CIGNA Corporation	0.32%
Enterprise Holdings, Inc.	0.31%
AT&T Inc.	0.29%
Ventas, Inc.	0.28%

General Account Bond Holdings as of 06/30/2019	
Total Fund Assets (billion) #	\$46.00
Average Duration (bonds and mortgages, effective duration)	6 years
Average Life (bonds and mortgages)	8.5 years
Sector/Quality Breakdown (bonds)* – %	
Gov't	-%
Agency	-%
AAA	15%
AA	20%
A	19%
BBB	34%
<BBB	12%
Average Credit Rating	A-

VALIC Financial Strength Ratings** (affirmed 06/30/2019)	
Standard & Poor's	A+ ¹
Moody's Investors Service	A2 ¹
A.M. Best Company	A ¹
Fitch	A+ ²

¹ Stable outlook

² Stable outlook

Fixed Account and Bond Portfolio Investments (as of 06/30/2019)	
Total fixed account assets	
Bonds	79%
Mortgages	14%
Policy loans (secured by contract values)	1%
Cash and short-term investments	4%
Equity-related	1%
Miscellaneous	<1%
Total bond portfolio	
U.S. government bonds	1%
U.S. municipal bonds	5%
Non-U.S. government bonds	3%
U.S. government CMBS and RMBS agency bonds	7%
Non-agency ABS/ CDO/CMBS/RMBS	28%
Corporate bonds	56%

* Ratings of long-term bond holdings in the VALIC General Account (GAAP book value basis) reflect the middle or lower credit rating as assigned by two or more major rating agencies, if rated. The bond portfolio's Average Credit Rating is an internal measurement calculated primarily using ratings assigned by the major ratings agencies at a security level. Securities not rated by the agencies are assigned ratings based on internal risk evaluations. Each security's rating is then changed into a numerical value, asset weighted and calculated to be shown at the portfolio level in an agency format. These calculations may vary across the industry and should not be the only factor used in analyzing the VALIC General Account.

* Standard & Poor's A+ (Strong) Companies rated A have strong financial security characteristics, but are somewhat more likely to be affected by adverse business conditions than are higher-rated insurers. Moody's A2 (Good) Companies rated A offer good financial security; however, elements may be present that suggest a susceptibility to impairment sometime in the future. A.M. Best A (Excellent) Companies rated A have an excellent ability to meet their ongoing insurance obligations. Fitch A+ (Strong) Companies rated A have low expectations of ceased or interrupted payments with a strong capacity to meet policyholder and contract obligations. This capacity may, nonetheless, be more vulnerable to changes in circumstances or economic conditions than is the case for higher ratings.

Ratings are affirmed as of 05/17/2019 and subject to change. Because the dates are only updated when there's a change in the ratings, the affirmed date reflects the most recent ratings we have received. Standard & Poor's ratings are a measure of claims-paying ability and range from AAA (Extremely Strong) to R (Regulatory Action), while Moody's ratings measure financial security and range from Aaa (Exceptional) to C (Extremely Poor). A.M. Best's ratings measure claims-paying ability and range from A++ (Superior) to F (in Liquidation). Fitch ratings are a measure of insurer financial strength, ranging from AAA (Exceptionally Strong) to C (Distressed).

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This document applies to the following:

Policy Forms UIT-194 Series, GFUA-398, GFUA-315, GFA-504, IFA-406, SRA-1004, FLEX 5-805X, FLEX 7-805X, A201-05, IFA-608, MBIFA Series, SPIA-405, GUP-64/74, IFA-572, GFA-572, UIT-981/UITG-981, UIT-585, IMM-86, UIT-211-IC, and other policy forms no longer actively sold by The Variable Annuity Life Insurance Company.

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Securities and investment advisory services offered through VALIC Financial Advisors, Inc. (VFA), member FINRA, SIPC and an SEC-registered investment adviser.

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