

Financial Community Update: AEFA Investment Management

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February 5, 2003*



**Financial
Advisors**



**AMERICAN
EXPRESS**



American Express
ONE[™]
Financial Account



Historical Perspective – 9/01

- Senior leadership commitment
- World Class Asset Management project underway
- Uneven talent mix
- Poor performance in key portfolios



Strategy

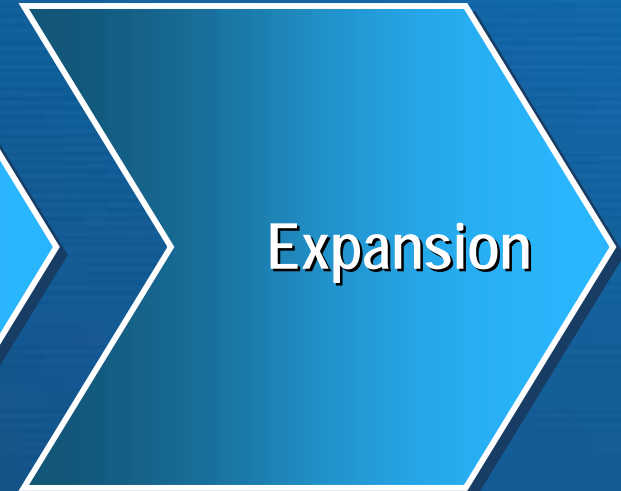
Stage One



Stage Two



Stage Three





American Express Investment Philosophy

Established Geographic Diversity

Commitment to Research
Excellence

Disciplined Investment
Approach

Experienced



Talent – San Diego

Fund	Manager(s)	Portfolio Manager as of:	Percentile Rank
AXP® New Dimensions	Gordon Fines	January 1, 1991	6
AXP® Growth Dimensions	Gordon Fines	January 1, 2002	26
AXP® Equity Select	Duncan Evered	February 1, 2000	5



Top Quartile



2nd Quartile



3rd Quartile



Bottom Quartile

Based on one-year performance as of 12/31/02. Source: Lipper*

Note: Percentile rankings based on A-share to A-share comparison, net of fees, including no-load funds, excluding pure index funds. AXP® New Dimension-large cap growth 225 funds; AXP® Growth Dimensions-large cap growth 225 funds; AXP® Equity Select-mid cap growth 183 funds



Talent – Boston

Fund	Manager(s)	Portfolio Manager as of:	Percentile Rank
AXP® Growth	Nick Thakore	April 1, 2002	16
AXP® Large Cap Equity	Doug Chase	March 28, 2002 (Inception)	Less than 1 year
AXP® Large Cap Value	Bob Ewing	June 27, 2002 (Inception)	Less than 1 year



Top Quartile



2nd Quartile



3rd Quartile



Bottom Quartile

Based on one-year performance as of 12/31/02. Source: Lipper*

Note: Percentile rankings based on A-share to A-share comparison, net of fees, including no-load funds, excluding pure index funds.

AXP® Growth-mid cap growth 183 funds.



Talent – Boston Research

Talent attracts talent

– 12 highly regarded analysts

Fund	Manager(s)	Portfolio Manager as of:	Percentile Rank
AXP® Global Technology	Nina Hughes Telis Bertsekas	June 1, 2002	46



Top Quartile



2nd Quartile



3rd Quartile



Bottom Quartile

Based on one-year performance as of 12/31/02. Source: Lipper*

Note: Percentile rankings based on A-share to A-share comparison, net of fees, including no-load funds, excluding pure index funds.

AXP® Global Technology-science and technology 148 funds.



Talent – Cambridge

Dynamic Ideas, LLC

- Respected quantitative analysis shop
- January 2003: Managing U.S. equity portion of AXP Managed Allocation Fund
- New fund filed with SEC – AXP Quantitative Large Cap Equity Fund – estimated launch 1st Quarter '03



Owned Assets

- High quality portfolio: Average credit rating of A
- Emphasis on diversification, liquidity and high credit quality
- Portfolio performance strong in 2002 given low risk profile
- Portfolio transitioned from credit risk to cash flow risk



Performance Goals

- Achieve consistent, repeatable superior performance

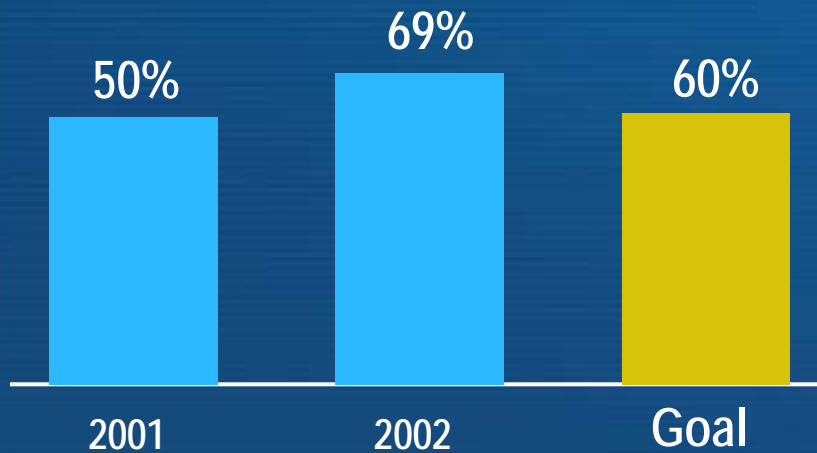
Equal/Asset Weighted

- 60-70% above median for Lipper Peer Groups
- No more than 10-15% in bottom quartile

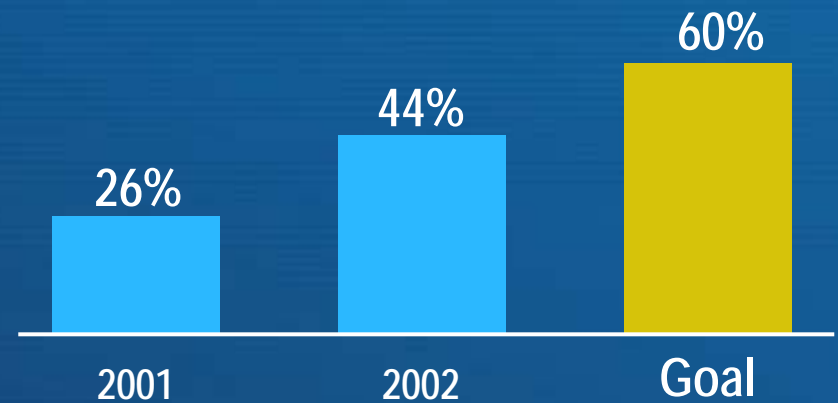


Equity Mutual Fund Results

Asset Weighted % Above Median



Equal Weighted % Above Median



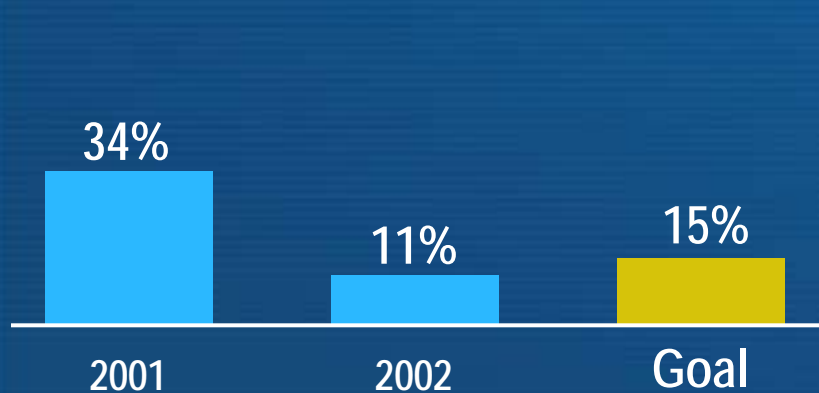
Based on one-year performance as of 12/31. Source: Lipper*

Note: Performance based on A-share to A-share comparison, including no-load funds, excluding index and sub-advised funds.

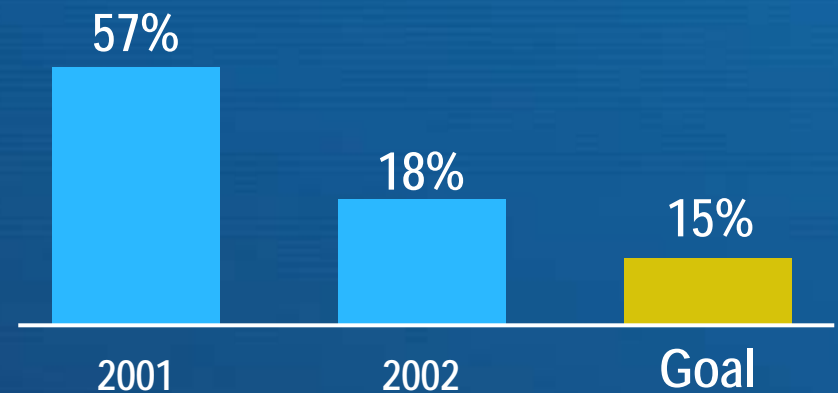


Equity Mutual Fund Results

Asset Weighted % Fourth Quartile



Equal Weighted % Fourth Quartile



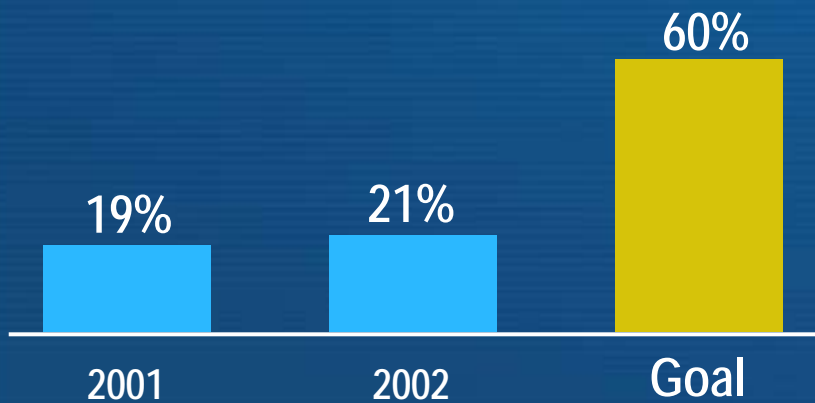
Based on one-year performance as of 12/31. Source: Lipper*.

Note: Performance based on A-share to A-share comparison, including no-load funds, excluding index and sub-advised funds.

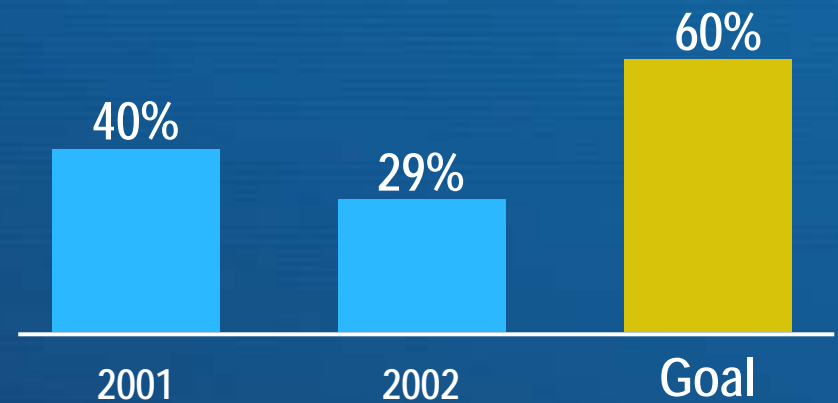


Fixed Income Mutual Fund Results

Asset Weighted %
Above Median



Equal Weighted %
Above Median



Based on one-year performance as of 12/31. Source: Lipper*

Note: Performance based on A-share to A-share comparison, including no-load funds, excluding index and sub-advised funds.



Investing for Growth

- Invested in asset management business during difficult market
- Investing in technology and infrastructure in 2003
- Gaining external recognition



Performance Outlook for 2003

- One year performance mark for equity managers
- San Diego, Cambridge, and central research fully operational
- Sector-specific leadership teams in Fixed Income
- Technology and support capabilities upgraded



Footnotes

* Lipper is an independent agency that ranks mutual fund performance by asset class and investment style. Rankings measure the performance of individual funds against other funds that invest in similar securities. American Express' internally-managed equity and fixed-income portfolio performance is measured in the following categories: large cap growth, large cap core, large cap value, mid cap growth, mid cap value, multi-cap growth, small cap core, balanced, flexible portfolio, equity income, gold oriented, science and technology, utility, emerging markets, European region, global, international and global flexible portfolio, corporate debt (A rated), corporate debt, corporate debt (BBB rated), global income, high current yield, short US government, US mortgage, general US government, California municipal dept, general municipal debt, insured municipal debt, Massachusetts municipal debt, Michigan municipal debt, Minnesota municipal debt, New York municipal debt, Ohio municipal debt, intermediate municipal dept.

Performance of Ranked Funds from Previous Slides:

<u>Fund Name</u>	<u>1 year</u>	<u>5 year</u>	<u>10 year</u>
AXP® Growth Fund	-28.46%	-7.41%	4.90%
AXP® Global Technology Fund	-42.08%	-6.54%	NA ¹
AXP® Equity Select Fund	-18.73%	1.30%	8.83%
AXP® New Dimensions Fund	-26.02%	-0.77%	8.39%
AXP® Growth Dimensions Fund	-29.94%	NA ²	NA ²

Annualized Total Returns, Class A

¹ -4.45% since inception

² -32.53% since inception

Past performance is no guarantee of future results. Investment return and value will fluctuate, so that shares, when redeemed, may be worth more or less than the original cost.

For more information about American Express Funds, including fees and expenses, call (800) AXP-FUND, access americanexpress.com or speak to an advisor to obtain a prospectus. Please read it carefully before you invest.

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INFORMATION RELATING TO FORWARD LOOKING STATEMENTS

This presentation includes forward-looking statements, which are subject to risks and uncertainties. The words "believe," "expect," "anticipate," "optimistic," "intend," "plan," "aim," "will," "should," "could," "likely," and similar expressions are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The company undertakes no obligation to update or revise any forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to: the company's ability to successfully implement a business model that allows for significant earnings growth based on revenue growth that is lower than historical levels, including the ability to improve its operating expense to revenue ratio both in the short-term and over time, which will depend in part on the effectiveness of re-engineering and other cost control initiatives, as well as factors impacting the company's revenues; the company's ability to grow its business and meet or exceed its return on equity target by reinvesting approximately 35% of annually-generated capital, and returning approximately 65% of such capital to shareholders, over time, which will depend on the company's ability to manage its capital needs and the effect of business mix, acquisitions and rating agency requirements; the ability to increase investment spending, which will depend in part on the equity markets and other factors affecting revenues, and the ability to capitalize on such investments to improve business metrics; fluctuation in the equity markets, which can affect the amount and types of investment products sold by AEFA, the market value of its managed assets, management and distribution fees received based on those assets and the amount of amortization of DAC; potential deterioration in AEFA's high-yield and other investments, which could result in further losses in AEFA's investment portfolio; the ability of AEFA to sell certain high-yield investments at expected values and within anticipated timeframes and to maintain its high-yield portfolio at certain levels in the future; developments relating to AEFA's platform structure for financial advisors, including the ability to increase advisor productivity, increase the growth of productive new advisors and create efficiencies in the infrastructure; AEFA's ability to roll out new and attractive products in a timely manner and effectively manage the economics in selling a growing volume of non-proprietary products; investment performance in AEFA's businesses; the success, timeliness and financial impact, including costs, cost savings and other benefits, of re-engineering initiatives being implemented or considered by the company, including cost management, structural and strategic measures such as vendor, process, facilities and operations consolidation, outsourcing (including, among others, technologies operations), relocating certain functions to lower cost overseas locations, moving internal and external functions to the Internet to save costs, the scale-back of corporate lending in certain regions, and planned staff reductions relating to certain of such re-engineering actions; the ability to control and manage operating, infrastructure, advertising and promotion and other expenses as business expands or changes, including balancing the need for longer-term investment spending; the impact on the company's businesses and uncertainty created by the September 11th terrorist attacks, and the potential negative effect on the company's businesses and infrastructure, including information technology systems, of any such attacks or disaster in the future; the impact on the company's businesses resulting from a war with Iraq; the company's ability to recover under its insurance policies for losses resulting from the September 11th terrorist attacks; consumer and business spending on the company's travel related services products, particularly credit and charge cards and growth in card lending balances, which depend in part on the ability to issue new and enhanced card products and increase revenues from such products, attract new Cardholders, capture a greater share of existing Cardholders' spending, sustain premium discount rates, increase merchant coverage, retain Cardmembers after low introductory lending rates have expired, and expand the global network services business; the ability to execute the company's global corporate services strategy, including greater penetration of middle market companies, increasing capture of non-T&E spending through greater use of the company's purchasing card and other means, and further globalizing business capabilities; the ability to manage and expand Cardmember benefits, including Membership Rewards(R), in a cost effective manner; the triggering of obligations to make payments to certain co-brand partners, merchants, vendors and customers under contractual arrangements with such parties under certain circumstances; successfully expanding the company's on-line and off-line distribution channels and cross-selling financial, travel, card and other products and services to its customer base, both in the U.S. and abroad; effectively leveraging the company's assets, such as its brand, customers and international presence, in the Internet environment; investing in and competing at the leading edge of technology across all businesses; a downturn in the company's businesses and/or negative changes in the company's and its subsidiaries' credit ratings, which could result in contingent payments under contracts, decreased liquidity and higher borrowing costs;

increasing competition in all of the company's major businesses; fluctuations in interest rates, which impact the company's borrowing costs, return on lending products and spreads in the investment and insurance businesses; credit trends and the rate of bankruptcies, which can affect spending on card products, debt payments by individual and corporate customers and businesses that accept the company's card products and returns on the company's investment portfolios; foreign currency exchange rates; political or economic instability in certain regions or countries, which could affect lending activities, among other businesses; legal and regulatory developments, such as in the areas of consumer privacy and data protection; acquisitions; the adoption of recently issued accounting rules related to the consolidation of special purpose entities, including those involving collateralized debt obligations, structured loan trusts, mutual funds, hedge funds and limited partnerships that the company manages and/or invests in, which could affect both the company's balance sheet and results of operations; and outcomes in litigation. A further description of these and other risks and uncertainties can be found in the company's Annual Report on Form 10-K for the year ended December 31, 2001, and its other reports filed with the SEC.