Allianz Global Investors
Annual Press Briefing

London, February 28th, 2011

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Global Investors

Allianz Global Investors Business Update

Joachim Faber

Chief Executive Officer, Allianz Global Investors
London, February 28th, 2011

Over the last 10 years, AllianzGI created a global active asset management company which centers its business model around client needs

On average, **80% of 3P assets out-performing**

CAGR 23%

Passed **EUR 2bn operating profit** mark in 2010

Almost **EUR 500bn cumulated net inflows**

CAGR 8%

2nd largest asset manager with **AuM at EUR 1.5tn**

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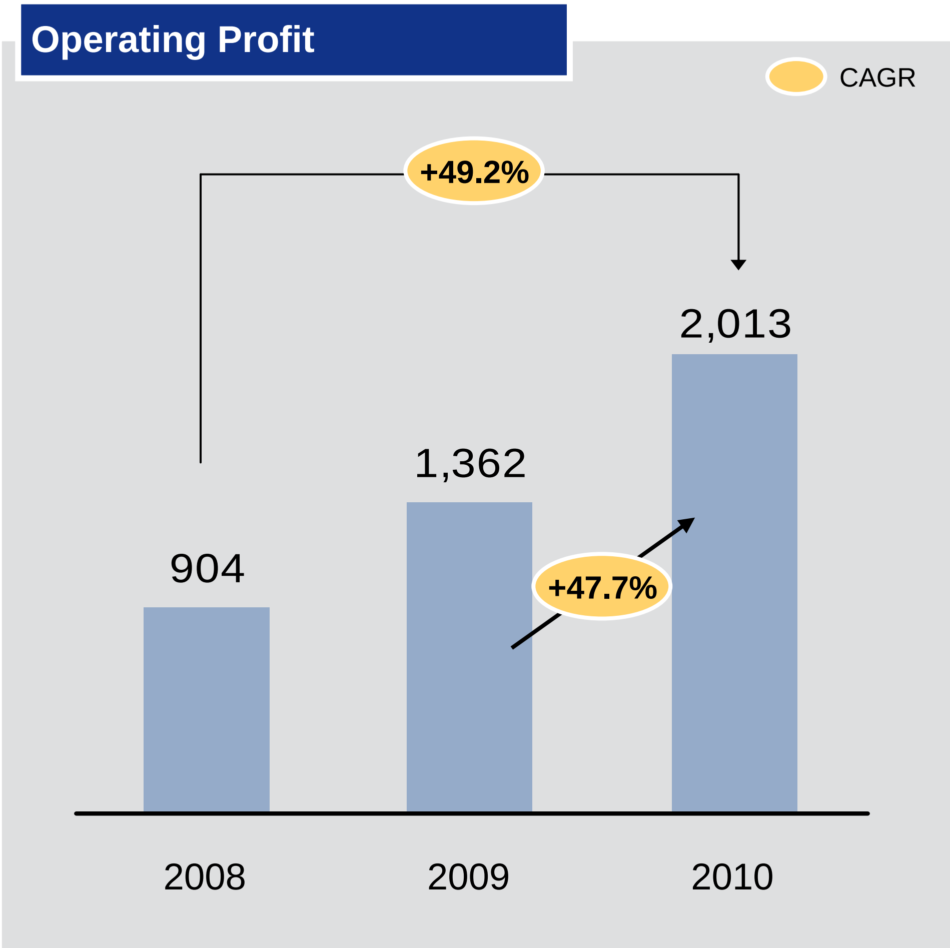
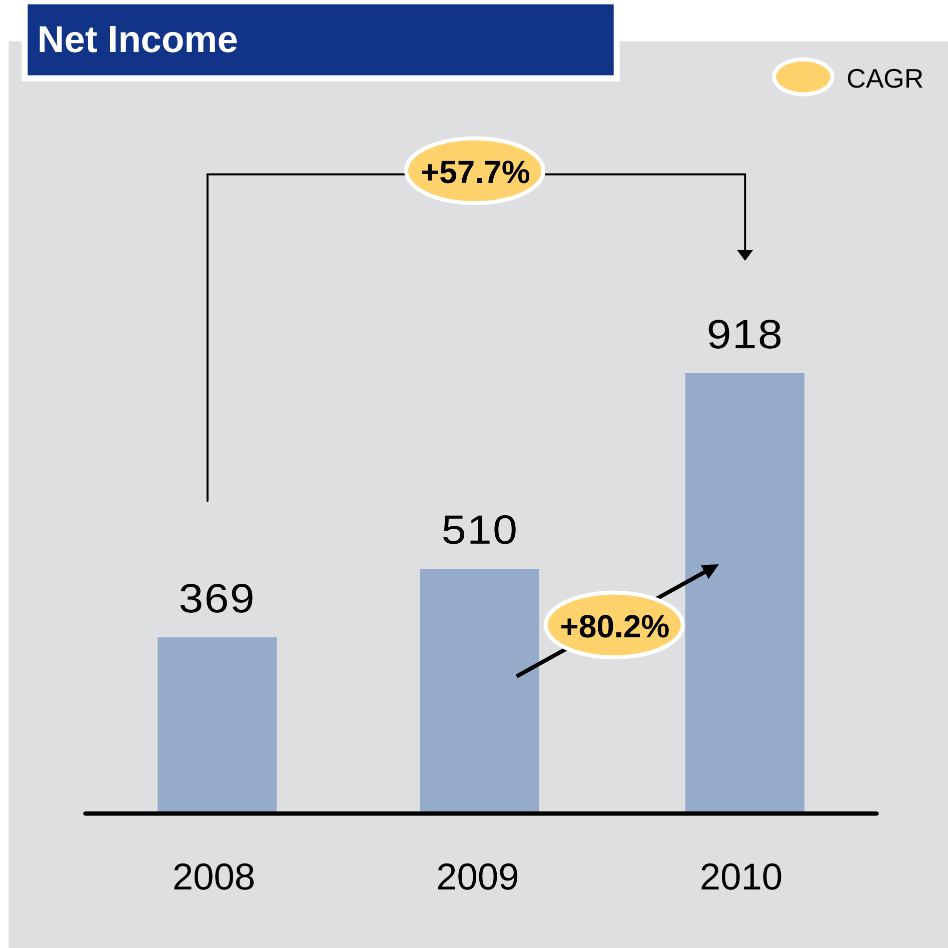
AllianzGI with strong growth in profitability in 2010, contributing 22% of Allianz SE operating profit

DEVELOPMENT OF OPERATING PROFIT & NET INCOME – ALLIANZGI

EUR million, 2008-2010





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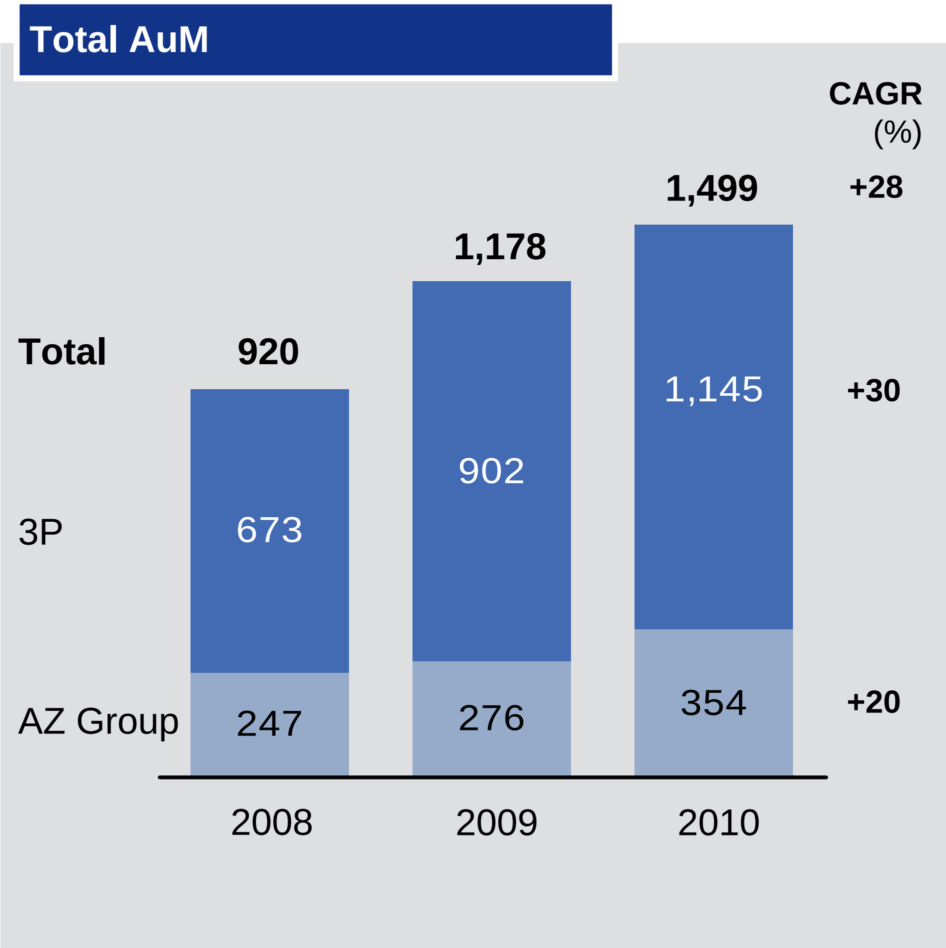
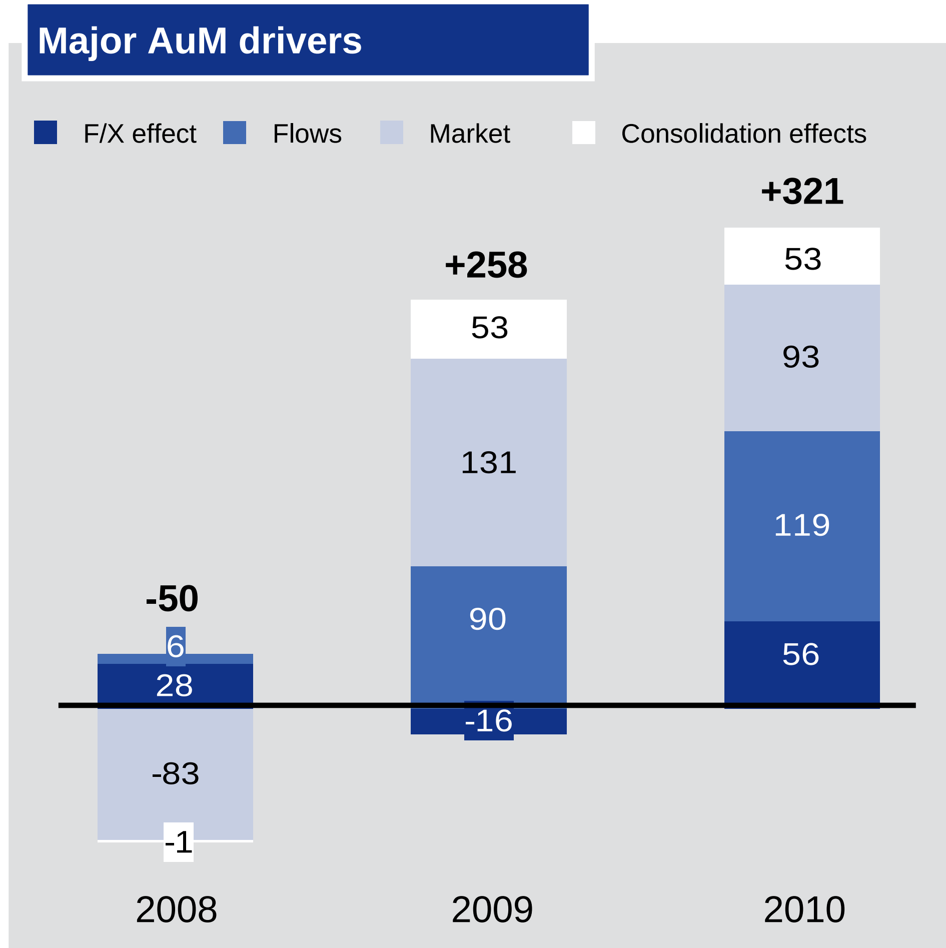
28% growth in AllianzGI's assets under management driven by record net inflows and strong market returns

TOTAL AuM DEVELOPMENT – ALLIANZGI

EUR billion, 2008-2010

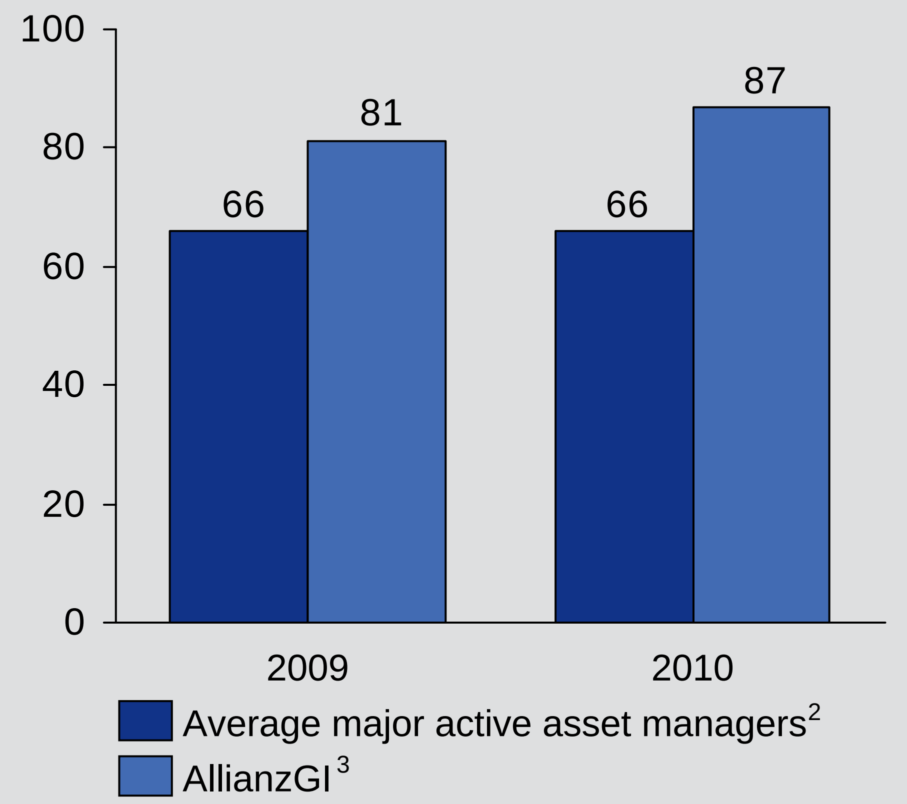




Major active asset managers have proven to add significant value to clients' portfolios

3-YEAR INVESTMENT OUTPERFORMANCE[1] – MAJOR PLAYERS & ALLIANZGI

Percent, 2009-2010



Success factors for outperformance

- Global research capabilities supported by local investment centers
- Commitment to strong resourcing of investment function
- Consistent and proven investment processes
- Broad range of different investment styles
- State-of-the-art infrastructure supporting investment process

1) Share of out-performing AuM vs. benchmark, peer group/ median
2) BlackRock (only active), Franklin Templeton, Invesco, Legg Mason, Alliance Bernstein, UBS, Schroders (only 2009)
3) Only 3P AuM
Source: Company reports, own analysis

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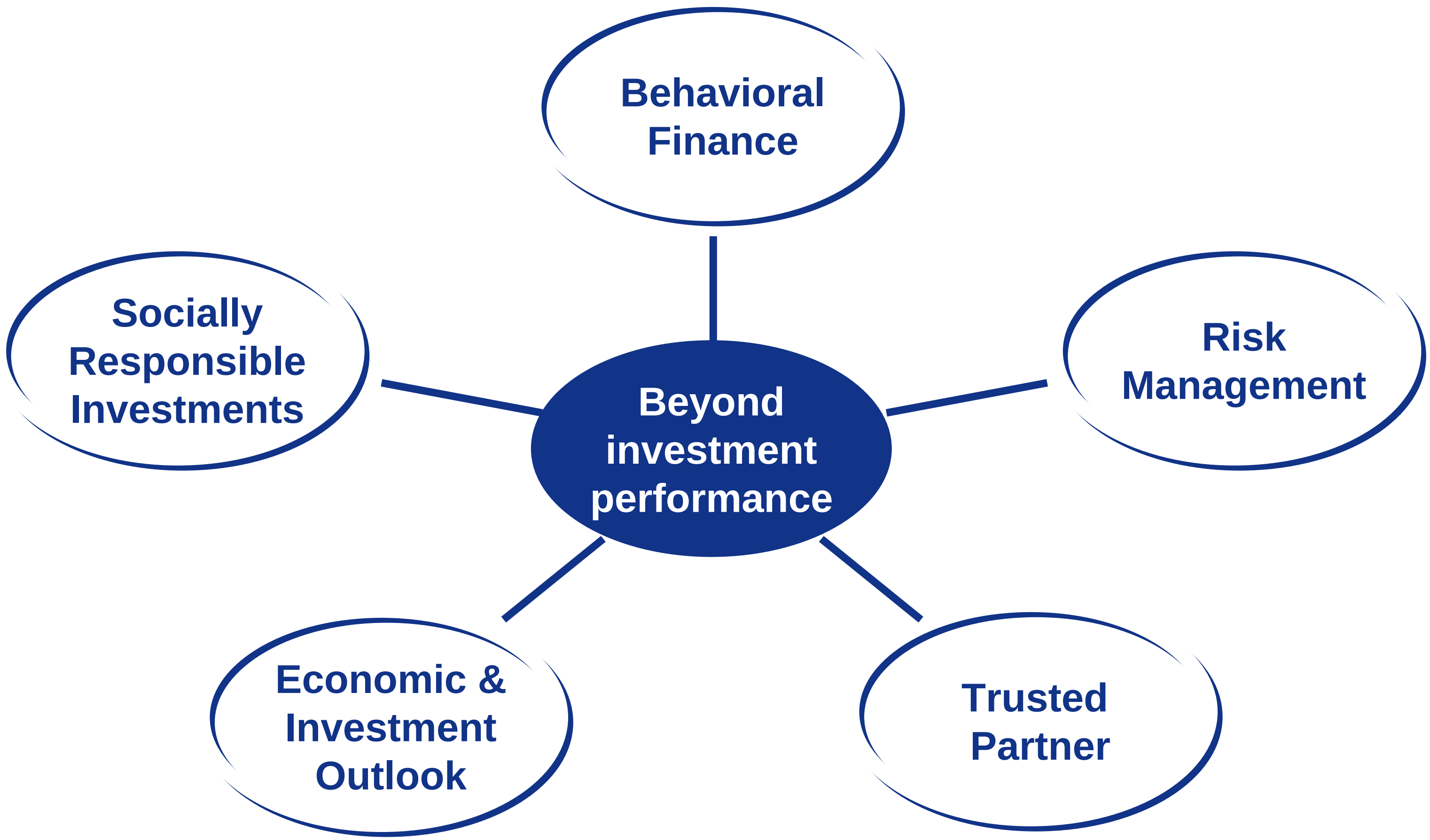
AllianzGI delivers value through investment performance, but also through its thought leadership capabilities



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Going forward, we will continue to build on our key strengths

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Key goals for AllianzGI in the next years

- Further **broaden** business & investment **focus of PIMCO beyond ‘core’ Fixed Income**
- Strengthen **position** in the **retirement market** in cooperation with Allianz life insurance business
- Capture equity growth opportunities in **emerging markets**
- **Active management** and **control of risks**

Key takeaways

- **AllianzGI with consistent value creation for clients over last 10 years**
- **Major players add value through active asset management to its clients**
- **AllianzGI offers more than just investment performance**
- **Retirement markets offering many chances for Allianz/ AllianzGI**
- **AllianzGI well positioned to capture future growth opportunities**

Behavioral Finance

Marna Whittington

Chief Operating Officer, Allianz Global Investors
London, February 28th, 2011

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What is behavioral finance?

- Behavioral finance is a relatively new science combining psychology and finance.

- Behavioral finance studies how mental shortcuts, emotions and other behavioral factors affect the way we make financial decisions (or the way financial markets behave).

- Most importantly, Allianz Global Investors is moving behavioral finance from theory to action in order to improve outcomes for our clients.

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Why use behavioral finance?

- Two major market collapses have shaken investors' confidence in their financial advisors, financial services companies, and the financial markets.
- Individual Financial Advisors need guidance and tools to help strengthen and restore client relationships.
- Outperforming, well-designed investment products are necessary, but not sufficient, to address the retirement funding challenge.

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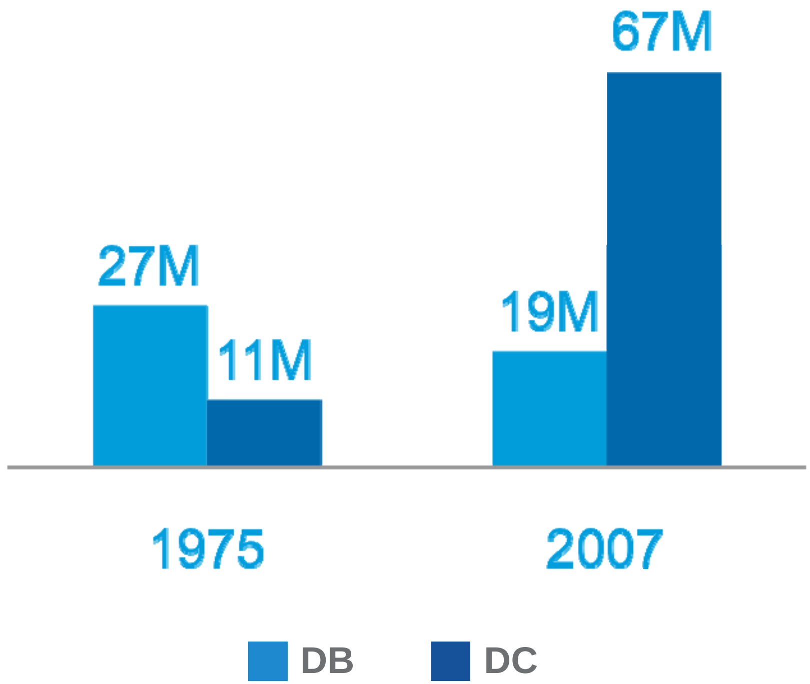
Why use behavioral finance?

- With the shift in financial responsibility from employers to employees, understanding the human element is crucial to designing effective retirement income solutions.

Active Participants in DB vs. DC Plans



Defined Benefit vs. Defined Contribution

Source: U.S. Department of Labor (2007)

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And we know behavioral finance works

- Automatic saving increase programs, such as Save More Tomorrow™, were designed with key behavioral principles in mind.
- The first SMarT program increased deferral rates from 3.5% to 13.6%.
- Program endorsed by the Pension Protection Act and offered by half the large sponsors.

Sources: Thaler and Benartzi (2004); Hewitt (2010)

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What is the Center for Behavioral Finance?

A client solutions center dedicated to empowering people to make better financial decisions

Our approach: transform academic insight into actionable ideas and practical tools for financial advisors, plan sponsors and investors

Based in San Diego… but really a virtual center with contributors in New York, San Diego, Los Angeles and at universities throughout the world

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Our Chief Behavioral Economist & Academic Advisory Board

S. Benartzi, PhD

UCLA

N. Barberis, PhD

Yale

K. Daniel, PhD

Columbia University
in the City of New York

D. Goldstein, PhD

London Business School
Yahoo! Research

N. J. Goldstein, PhD

UCLA

J. Payne, PhD

Duke University

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Education & empowerment: Improving 401(k) plans

A holistic program to empower financial advisors, consultants and plan sponsors to design better 401(k) plans and improve outcomes.

Benchmarking Tool

Best behavioral practices guide to improving 401k plans

Additional tools from our Toolbox (ex FaceTool)

Training (internal & external)

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Policy: Behavioral Finance and the Post-Retirement Crisis Report

In 2010, the U.S. Treasury and DOL issued a Request for Information (RFI) on lifetime income options.

AllianzGI gathered 10 key insights from top behavioral economists around the world. We then delivered the resulting report to policy makers in Washington.

Investing: Behavioral Indexing™

AllianzGI is partnering with Fuller & Thaler to distribute an investment product based on behavioral finance principles called Behavioral Indexing™.

The Center is also collaborating with Allianz Global Investors Capital to explore the concept of a new set of funds leveraging the insights of behavioral finance.

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In summary…

The goal of the Center for Behavioral Finance is to improve financial outcomes for our clients around the world.

Navigating the maze of sustainability

Andreas Utermann

Chief Investment Officer, RCM
London, February 28th, 2011

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Why sustainability is important to RCM

In order to maintain our information advantage we need to look to new ways of getting an information edge, so that we can continue to deliver top quartile performance for our clients . We believe applying a financial orientation towards material environmental, social and governance factors can contribute to that goal.

J2011-10203/Sustainability Research/ET/240211

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Why sustainability, why now?

1. There is a growing belief and evidence that the consideration of ESG factors in the investment process provides investors with an information advantage by helping to identify long-term risks and opportunities that have as yet not been fully priced by the markets and supporting enhanced stock selection
2. The trend in the consideration of environmental, social and governance (ESG) factors in the management of assets is increasingly becoming embedded in the psyche of institutional investors and consultants globally
3. RCM can only build a successful, competitive, long-term business by having a long-term business outlook, where the core of its business is to understand and respond to long term trends and changes in client demands for top-performing products and differentiated product solutions

Sustainability is becoming a mega trend which RCM cannot ignore

J2010-11015/Sustainability Research/LT/3108

RCM is integrated into sustainability thought leadership at Allianz and Allianz Global Investors

Allianz

- Allianz4Good – Corporate Sustainable Development Strategy and Reporting
- Allianz Climate Solutions – low carbon business solutions
- Signatory to the Carbon Disclosure Project (Allianz Group)
- Allianz/WWF Stakeholder Consultation on climate change
- Best in class Dow Jones Sustainability Index

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informed RCM

- Signatory to Principles for Responsible Investment
- Active working member of the UNEP FI Asset Management Working Group
- Member of Social Investment Forums
- Founding signatory of the Extractive Industry Transparency Initiative
- DVFA Committee Non-Financials
- Allianz/WWF stakeholder consultation on climate change since 2005
- Ongoing dialogue with Allianz Climate Solutions
- Carbon Disclosure Project – founding signatory in 2000
- Enhanced Analytics Initiative - founding member
- Academic Affiliations
- Industry body Membership

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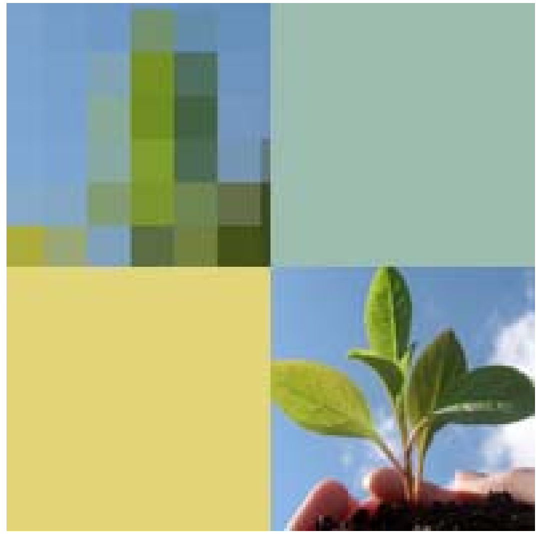
What sustainability is and what it isn't



What it is…

An approach which is broader than an ethically or socially responsible investment strategy, where material environmental and social factors are considered alongside financial factors, identifying risks and opportunities that as yet have not been fully priced by the markets, supporting enhanced stock selection providing RCM with an information advantage

What is isn't...

A discrete, thematically driven approach

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Separate and distinct investment strategies

	Sustainability Strategies	Themed Strategies	
	RCM Sustainability Funds	**Trend Funds**	**Clean Tech**
Best in class/ Unconstrained	Regional /Global Sustainability		
Constrained	Regional Socially Responsible Investment (SRI) Client defined sustainability criteria Ethical/Screened	Global Demographics Intellectual Capital Cloud Computing &Smart Grid Agriculture Fund	Global Ecotrends Green Dragons Water Fund

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Comparison of three investment philosophies

	Thematic Investment (e.g. Allianz RCM Global Eco-Trends)	Social Responsible Investment (SRI)	Sustainability ESG "best in class"
Philosophy	Focused trend and theme analysis on a sector basis	An investment approach focusing on minimum commitments to corporate responsibilities	Materiality driven investment approach designed to identify companies offering a "best in class" response to environmental, social and governance risks and opportunities
Investment universe	Focus on identifying environmental and social trends and themes which are then translated into investment and stock ideas e.g. change, environmental pollution, water scarcity, etc.	Companies are selected for investment if they meet specific environmental and/or social criteria	Companies are selected on the relative strength of their ESG risk management and competitive positioning in relation to environmental and social trends and themes
	Universe a function of theme – can be constrained	Constrained universe	Unconstrained universe
Investment approach	Investment style is theme and opportunity driven	Investment style might be determined by negative or positive screening	Investment style is "best in class", stock selection supported by the interplay between financial, environmental, social and governance factors

Source: RCM*; Illustration: AllianzGI Capital Market Analysis. * RCM is a company of Allianz Global Investors.

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Sustainability rating framework – four ESG pillars

E - Environmental	S - Social		G - Governance
Environmental ▪ Historic Liabilities ▪ Operating Risk ▪ Leading Risk Indicators ▪ Environmental Strategy ▪ Environmental Governance ▪ EMS ▪ Environmental Audit ▪ Environmental Reporting ▪ Training and Development ▪ Certification ▪ Products/Materials ▪ Strategic Competence ▪ Environmental Opportunity ▪ Performance	**Human Capital** ▪ Employee Motivation ▪ Employee Development ▪ Labour Relations ▪ Health and Safety	**Stakeholder Capital** ▪ Customer Partnerships ▪ Stakeholder Partnerships ▪ Local Communities ▪ Supply Chain ▪ Intellectual Capital ▪ Product Development ▪ Product Safety ▪ Emerging Markets Strategy ▪ Human Rights ▪ Child and Forced Labour ▪ Oppressive Regimes	**Strategic Governance** ▪ Governance Strategy ▪ Strategic Capability ▪ Strategic Adaptability ▪ Traditional Governance

Criteria are dynamic and sector relevant

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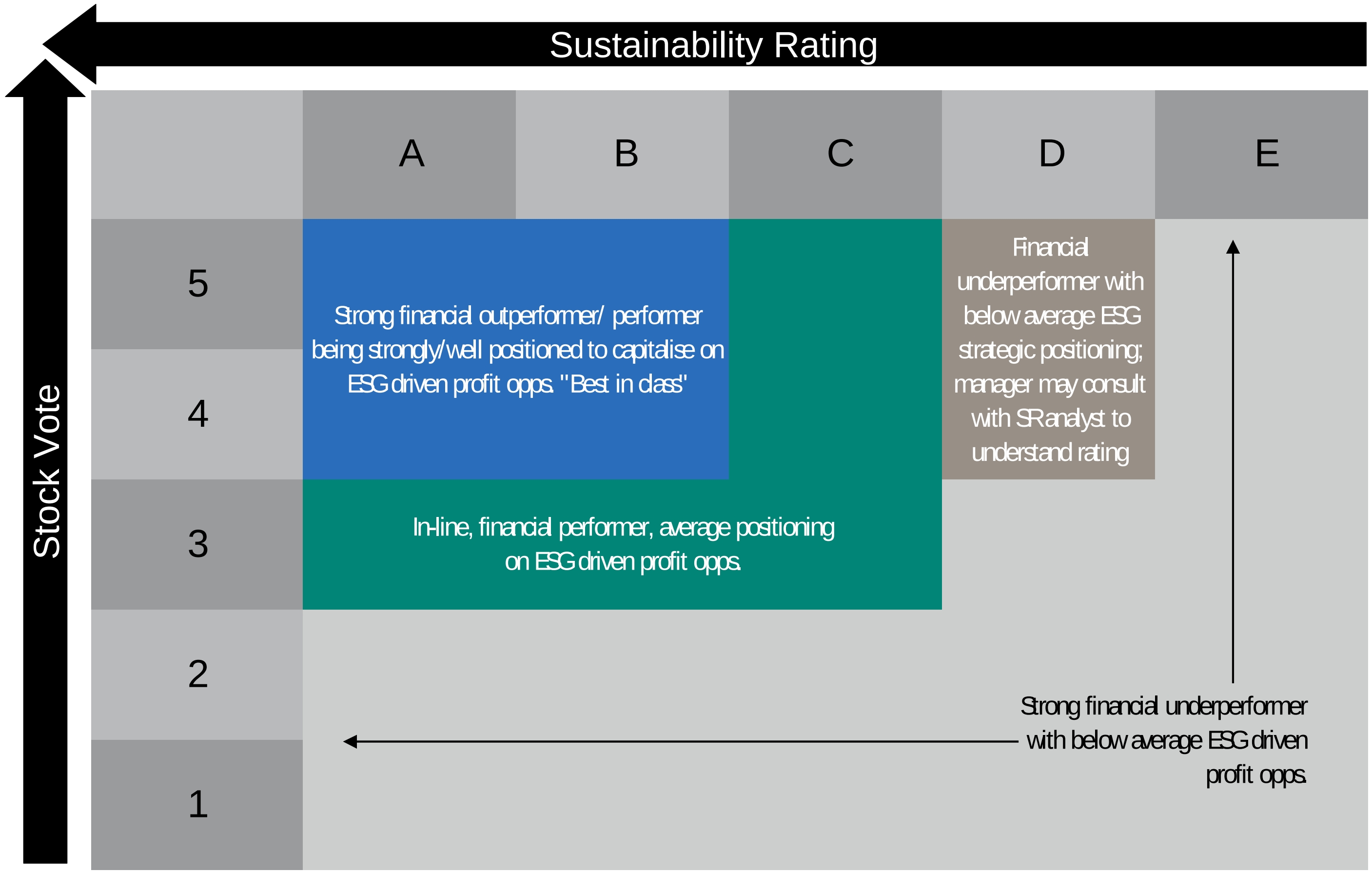
Communicating our ideas



Portfolio objective is to maximise both the stock vote and the sustainability rating in portfolio construction

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Performance perceptions

Previous perceptions of Sustainability	
Screens = underperformance	Constrained universe = breach of fiduciary duty

Step Change: From Socially Responsible Investment to Sustainability – supporting a different view

The CFA Institute now recognizes that "ESG factors represent a broad set of intrinsic concerns that may ultimately affect valuation of equity, fixed-income, real estate, and infrastructure investments … those money managers and financial analysts who can interpret and relate ESG factors to a Company's future prospects may potentially develop a competitive advantage should others fail to recognise the same risks or opportunities related to those factors."

RiskLab study on Integrated Modeling of Environmental, Social and Governance (ESG) risk factors using Vigeo data (would data provided by RiskMetrics yield yet different results?)

Demystifying Responsible Investment Performance, UNEP FI study listing 20 separate studies with results showing positive, negative and neutral returns. October 2007

Mercer digest of 16 academic studies

Freshfields Study on the legal framework for the integration of environmental, social and governance issues into institutional investment . October 2005

A.T. Kearney study showing sustainability-focused companies outperforming peers

A mounting body of evidence...

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“The consistent theme among [SRI performance] studies is that they analyse SRI funds as a whole as if they only undertake one approach to investment. But the fact of the matter is that SRI is a catch-all phase, which represents numerous subcategories, each of which need to be considered separately and carefully in order to truly examine past and potential future performance”

Cary Krosinsky,
Sustainable Investing The Art of Long-Term Performance, 2008

“The integration of ESG factors into portfolio construction could significantly reduce long-term investment risk and potentially boost returns because ... companies that don’t manage ESG issues will be more volatile.”

Risklab GmbH,
ESG Risk factors in a Portfolio Context, 2009

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Relative returns by SRI subcategory vs. mainstream indices

	1 year average % return (2007)	3-year average % return (31 December 2004-31 December 2007)	5-year average % return (31 December 2002-31 December 2007)
SRI Subcategory			
Sustainable Investing	14.0	19.3	18.7
Ethical	3.6	12.3	13.8
Style drift SRI	0.3	9.6	11.6
Mainstream Index			
MSCI World	9.0	12.7	17.0
S&P 500	5.5	8.7	13.2
FTSE 100	5.9	12.9	13.0

Source: Cary Krosinsky, using Yahoo! Finance and Bloomberg to verify mainstream index returns, and Ivor Butcher's double-checking study as well, on the fund return portion, in combination with fund company websites and public disclosure websites such as www.sec.gov –compiled April and May 2008.

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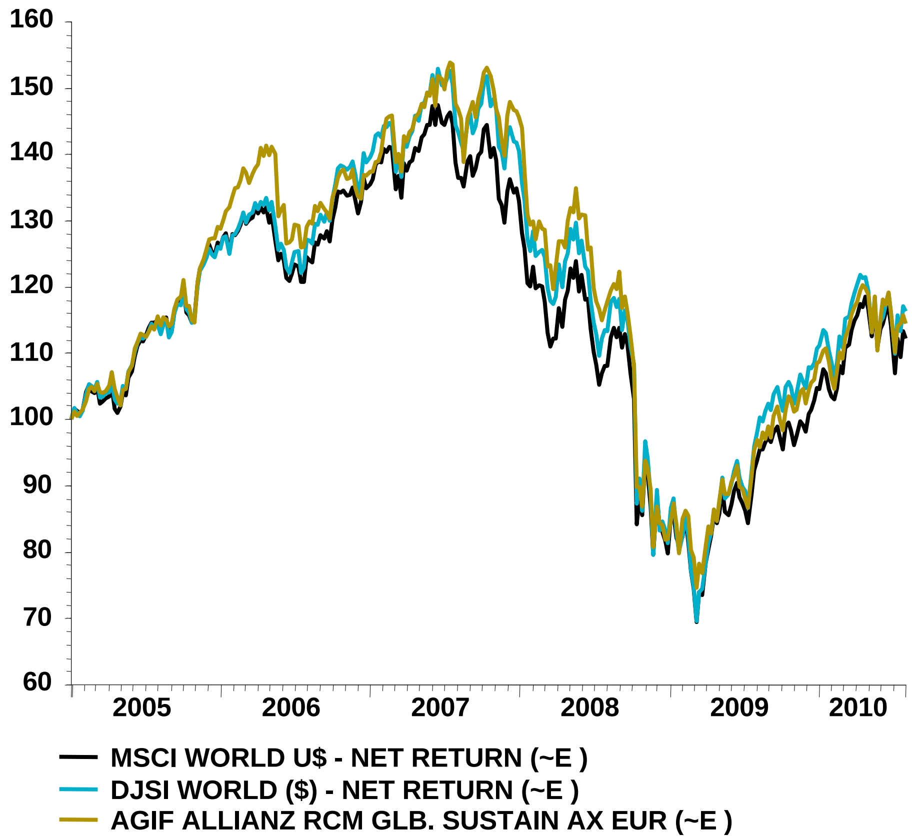
Growing proof of sustainability and return

Sustainability vs. MSCI World



Comparing the DJSI World Index with the MSCI World index historically, there is no relative loss; in fact importance and impact are likely to grow going forwards:

- Investors who understand and use ESG criteria will gain value in the marketplace
- New money to companies with the best ESG record will give a good citizenship premium
  (CFA Institute; CFA Magazine, 2008)
- Trustees of 314 of UK corporate pension funds now believe that ESG factors can have a material impact on investments in the long term
  (UKSIF, June 2009)

No longer a contradiction...

Source: RCM\Thomson Datastream as at 13 August 2010.

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- Please remember that past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount originally invested. You should not make any assumptions about the future on the basis of the information in this document.
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Web site: www.rcm.com/london

Investment outlook: Global themes

Andrew Balls

Managing Director, PIMCO
London, February 28th, 2011

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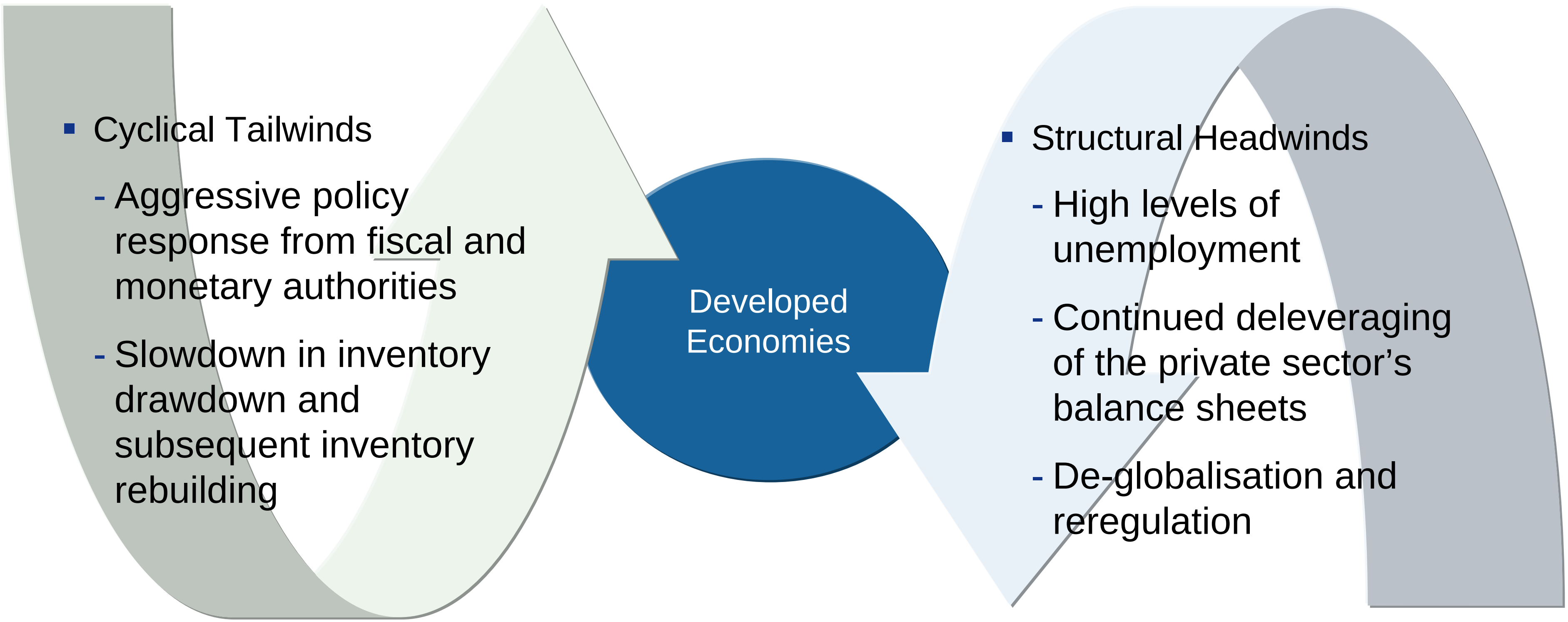
Economic outlook: Cyclical tailwinds meet structural headwinds



Self-Sustaining Demand & Job Creation Remains Uncertain

SOURCE: PIMCO

Refer to Appendix for additional outlook information.

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PIMCO’s framework for Developed World Economic Outlook

SECULAR (3-5 Years)	Description	CYCLICAL (6-12 Months)
A	▪ Developed economies reflate to a long-term 4-6% nominal growth ▪ Old Normal, V-shaped recovery	A
B	▪ Nominal growth of 4-6% in 2011 ▪ Old Normal growth achieved in the short-term	B
C	▪ Partial recovery only as the forces of de-leveraging, de-globalisation and re-regulation restrain nominal growth to 1-3% ▪ New Normal scenario and PIMCO’s Secular base case	C
D	▪ The economy stalls or re-enters a recession ▪ Deflationary risks coming to the fore	D

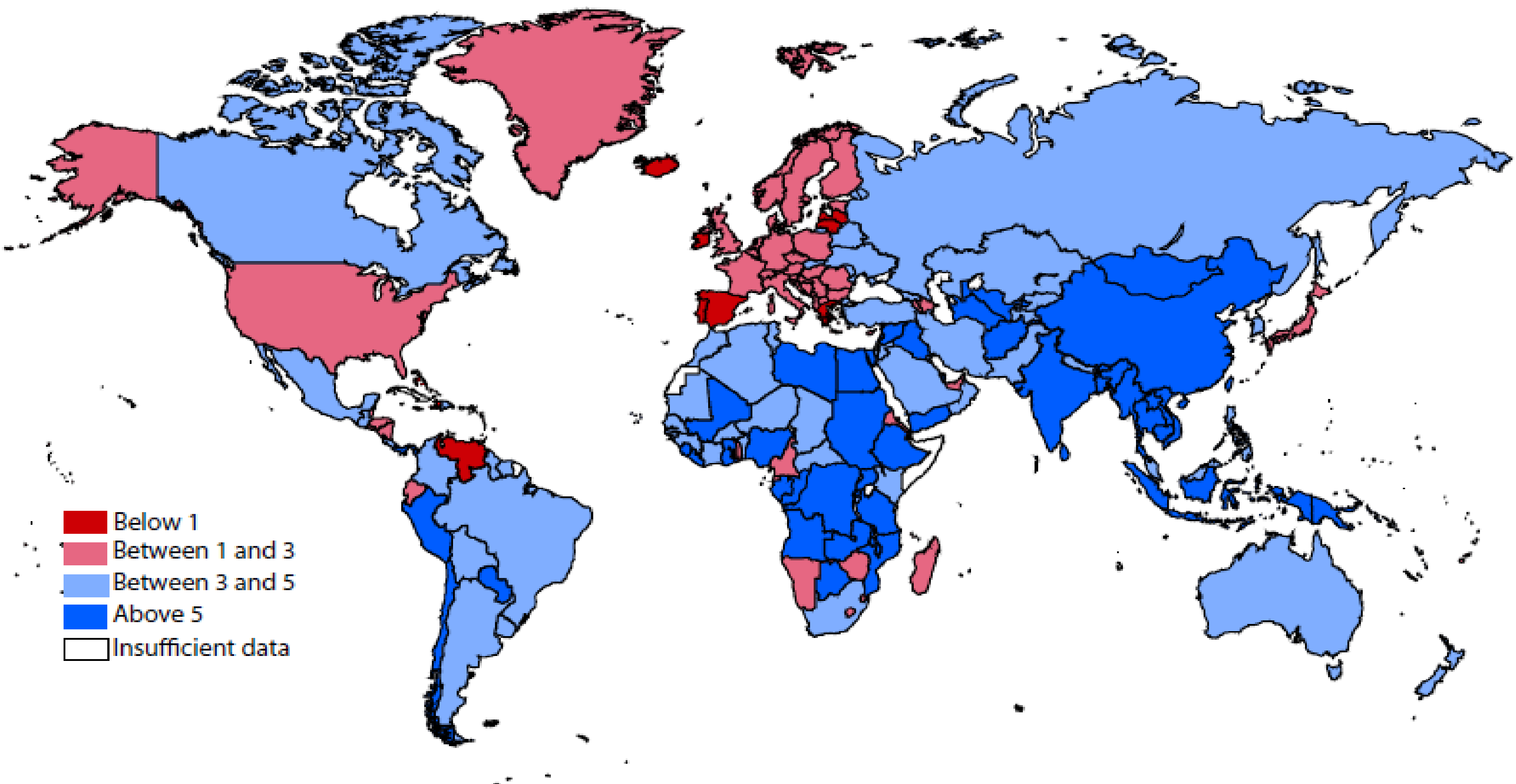
Deteriorating Economic Conditions

Improving Economic Conditions

Refer to Appendix for additional forecast and outlook information.

The world is operating at different speeds

Average Real GDP Growth Forecasted for 2010-2011 (%)



SOURCE: International Monetary Fund (IMF), World Economic Outlook April 2010

Pressure on balance sheets: Investors turn their focus to sovereign risk

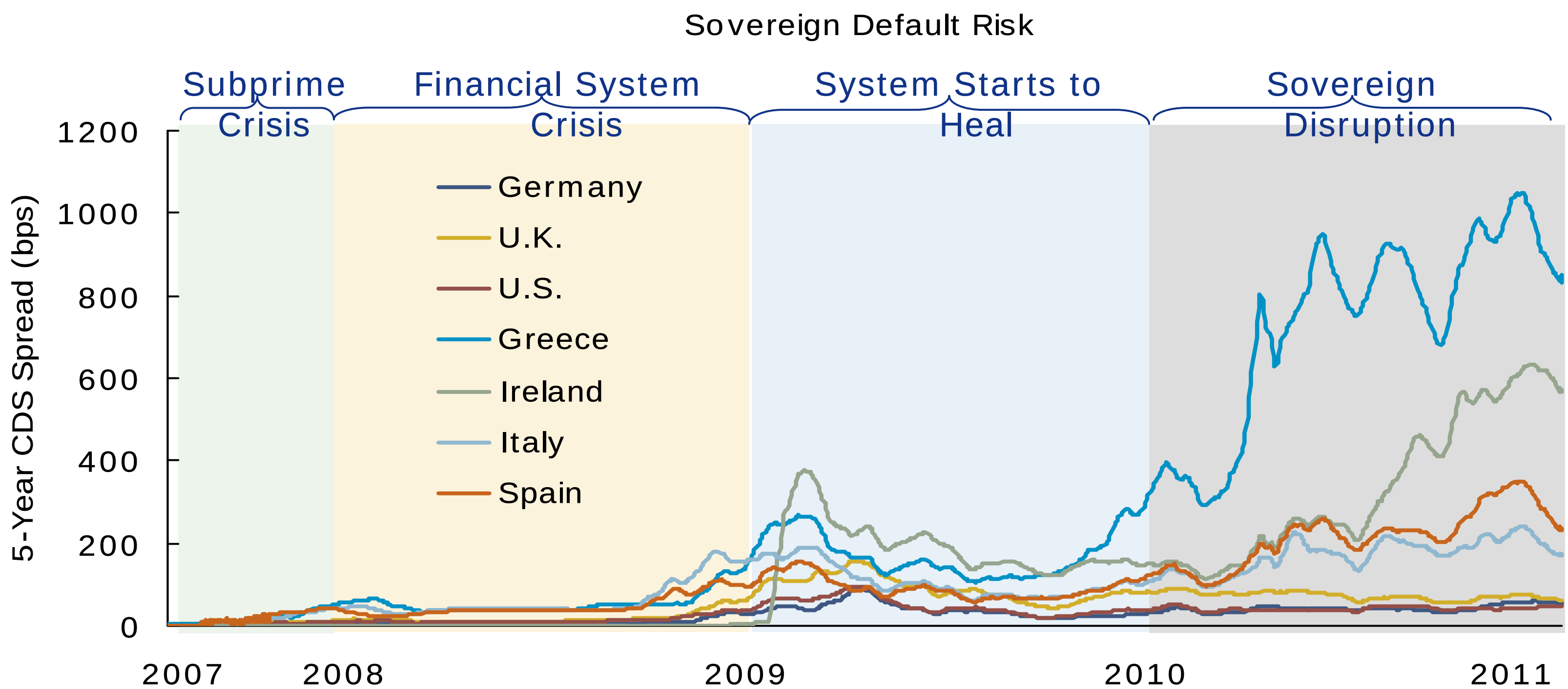
2007: Credit conditions tighten globally as the deleveraging process begins amid subprime worries

2008: Deleveraging accelerates amid a liquidity squeeze; Lehman Brothers collapses; banks begin recapitalisation

2009: Monetary and fiscal stimulus supports renewal of risk appetite and stabilization of GDP; inventories cease their slide

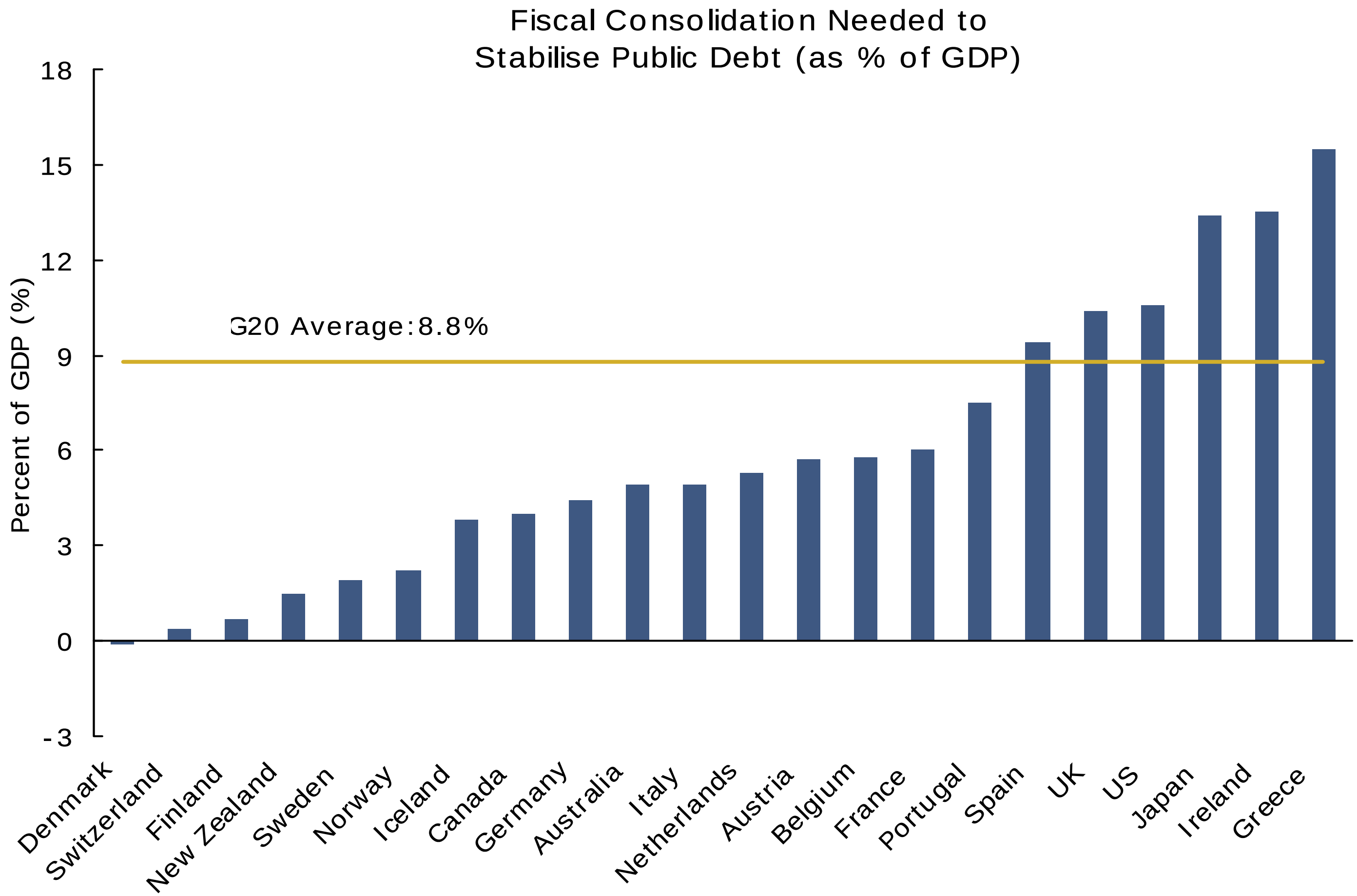
2010: Investors turn their attention to sovereign risk; Eurozone plunges into crisis as both Greece and Ireland are bailed out; Fed launches QE2

2011: Hopes for the "grand bargain"



SOURCE: Bloomberg
As of 16 February 2011.

Major fiscal adjustments needed for most developed countries



SOURCE: Bloomberg Financial Markets, IMF, OECD
Consolidation by 2020 to Stabilise Public Debt at 60% of GDP (80% for Japan) by 2030.

Eurozone adjustment concerns

Four main concerns

- Debt and deficit problem that translates into debt overhang
- Competitiveness issues
- Credibility of the policy response
- Flexibility of the policy response

If these issues are not addressed there is ongoing risk of

- Broader contagion
- Fatigue on the part of populations for transfers and/or for austerity
- Fatigue on the part of creditors (capital flight)
- Vulnerability in the face of shocks.

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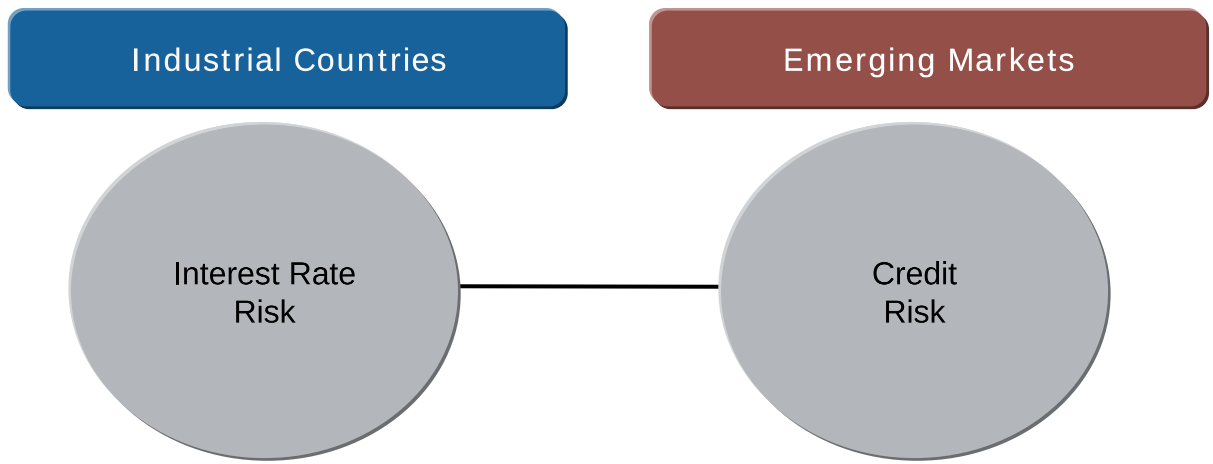
Investment implications: Sovereign risk

New Normal: Traditional Asset-Class Distinctions Blurring

- "Old" World



- "New" World

Refer to Appendix for additional risk information.

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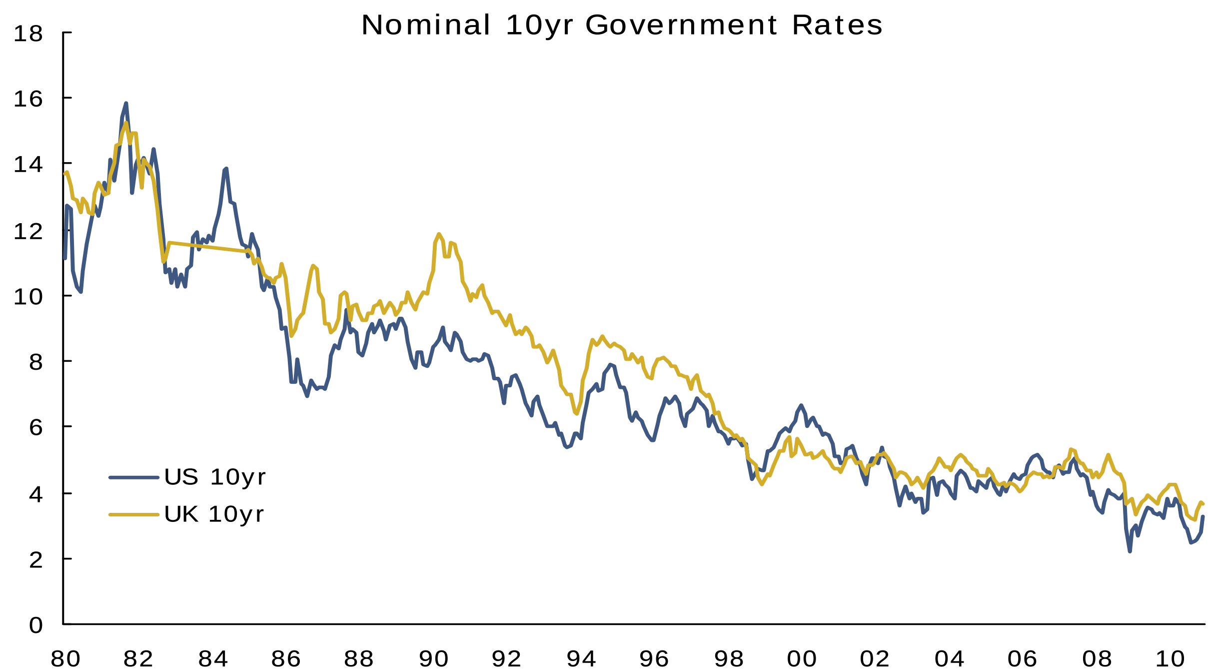
10-year nominal yields, US and UK



SOURCE: Bloomberg

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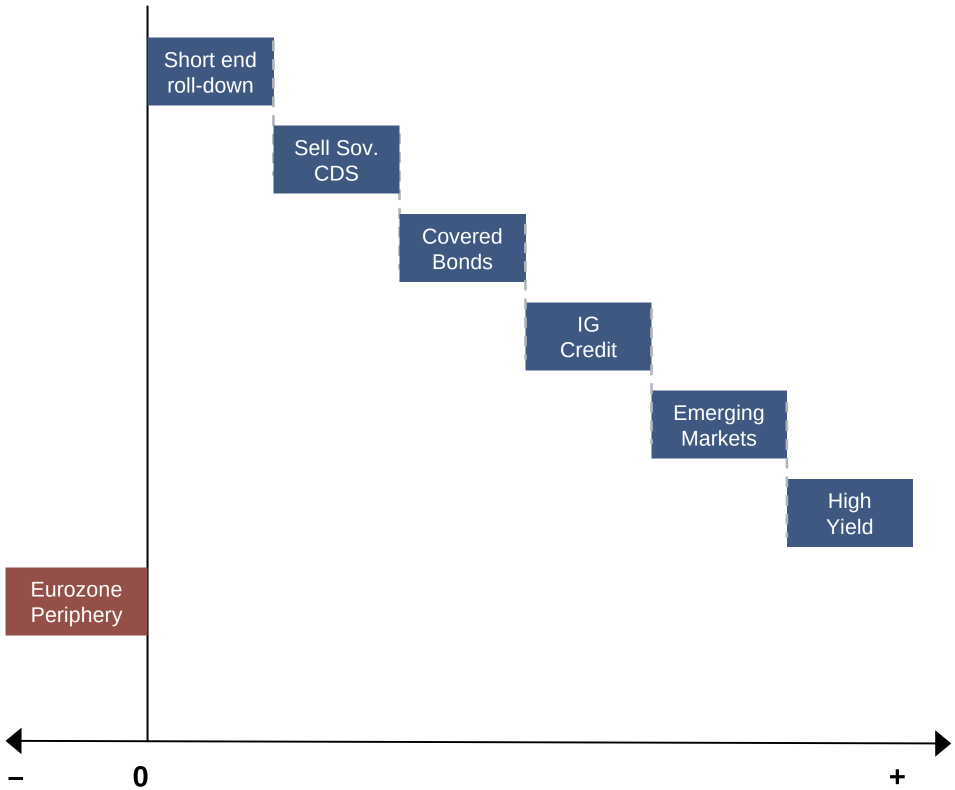
Portfolio strategy: Emphasize safe spread over developed country interest rate risk

Source of Spread/Carry



Appendix for additional risk and Strategy information.

Strategy

- Target short to intermediate part of yield curve to benefit from attractive carry and roll-down
- Sell credit protection on high quality sovereign names with their own currencies, e.g. Australia, China, Japan and U.K.
- Overweight EM, favouring local rates, currencies, select corporate and quasi-sovereign issuers with strong fundamentals
- Overweight credit spread, emphasising U.S. financials
- Overweight covered bonds and other securitized assets with high quality asset coverage
- Focus on short-dated high yield bonds with improving credit fundaments
- Underweight those Eurozone peripheral countries where sovereign risks remain significant

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Potential absolute return benefits

Investor Concerns

- Potentially asymmetric risk in low rate/narrow spread environment
- Traditional index allocations to domestic, primarily government, sectors

Absolute Return Benefits

- Designed for flexibility to profit from negative views
- Global allocations across fixed income sectors
- Designed to provide more opportunities for relative value

Investment Style	Passive	Active	Absolute Return	Levered Absolute Return
Return Drivers	Risk Free Rate + +/- Market Return	Risk Free Rate + +/- Market Return + Manager Skill	Risk Free Rate + Manager Skill	Risk Free Rate + Leverage + Levered Manager Skill

NOTE: All investments carry risk. The risk free rate can be considered the return on an investment that, in theory, carries no risk. Therefore, it is implied that any additional risk should be rewarded with additional return.
Refer to Appendix for additional investment strategy and risk information.

Disclaimer

Investment Strategies
There is no guarantee that these investment strategies will work under all market conditions and each investor should evaluate their ability to invest for a long-term especially during periods of downturn in the market. No representation is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those shown.

Outlook and Strategy
Statements concerning financial market trends are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions, and each investor should evaluate their ability to invest for the long-term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice.

Risk
Each sector of the bond market entails risk. Some bonds may realize gains and may incur a tax liability from time to time. Any guarantee on government bonds is to the timely repayment of principal and interest, shares of a portfolio that invest in them are not guaranteed. Mortgage-backed securities are subject to prepayment risk and may be sensitive to changes in prevailing interest rates, when they rise the value generally declines. With corporate bonds there is no assurance that issuers will meet their obligations. An investment in high-yield securities generally involves greater risk to principal than an investment in higher-rated bonds. Investing in securities denominated in currencies other than your own may entail risk due to economic and political developments, which may be enhanced when investing in emerging markets.

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AllianzGI account-based, asset-weighted 3-year investment performance of third party assets vs. benchmark including all accounts managed by equity and fixed income managers of AllianzGI. For some retail equity funds the net of fee performance is compared to the median performance of an appropriate peer group (Morningstar or Lipper; 1st and 2nd quartile mean out-performance). For all other retail funds and for all institutional accounts performance is calculated gross of fees using closing prices (revaluated) where appropriate and compared to the benchmark of each individual fund or account. Other than under GIPS (Global Investment Performance Standards), the performance of closed funds/accounts is not included in the analysis. Fund-of-funds at AllianzGI Solutions, accounts at AllianzGI Investments Europe, Zurich Branch and Joint-Venture GTJA China and in parts WRAP accounts are not considered. Not included until 3Q 2009: AllianzGI Taiwan, AllianzGI Singapore, AllianzGI Korea, AllianzGI Investments Europe Paris, AllianzGI Investments Europe Milan and Allianz Netherlands Asset Management.