

May 2010

AllianzGI RCM Global High Payout Fund

- Fund Update



Investment objective

- The AllianzGI RCM Global High Payout Fund (the “Fund”) has a two-part investment strategy. Firstly, the investment manager invests in stocks from a globally diversified universe that offer a high and sustainable dividend yield. Secondly, call options on these stocks are sold to generate option premium, enhancing dividends and reducing overall portfolio risk. By these means, the Fund’s investment objective to provide a total return from dividend income, option premiums and capital appreciation should lead to sustainable distributions to investors.

Portfolio highlights

What helped ?	<ul style="list-style-type: none">▪ Option Income significantly improved the returns of the equity portfolio.▪ The average overweight in more defensive sectors like Telecom Services and Utilities contributed positively to the Funds’ performance.▪ Companies from Emerging markets contributed positively, e.g. Hong Kong Electric and China Light & Power gained in a weak market environment.
What hurt ?	<ul style="list-style-type: none">▪ The portfolio of high dividend companies slightly underperformed the broad market, driven by a negative stock selection contribution.▪ Companies from the Consumer Discretionary lost, e.g. over 20% in the shares of Renault.▪ A loss of over 20% in Noble Corp from the US and Seadrill from Norway dragged the performance of Energy stocks down.

Market review & outlook

- The performance of equity markets in the month of May was dominated by concerns about the euro area debt problems. Even the near USD1 trillion package from the European and International Monetary Fund was not enough to dampen worries over sovereign risks spreading beyond the periphery of the euro area.
- At the same time, banking sector worries resurfaced after one of Spain’s largest regional lenders was bailed out by the Spanish Central Bank. There were also signs that the inter-bank funding market was showing stress again, with lending rates rising.



Market review & outlook (cont'd)

- Outside of Europe, data and news were relatively upbeat with some particularly solid unemployment data out of the US. The Federal Reserve Bank, however, showed no sign of moving nearer to policy tightening.
- Interest rates in the UK, Japan and Euro-zone area will continue to remain low. The mix of upbeat data and Greek worries saw the US dollar perform well, only falling against the yen.
- The UK political landscape changed after the election resulted in the first hung parliament since 1974, and a Conservative-Liberal Democrat coalition was formed. Questions over the sustainability of the new government, and whether fiscal tightening would appease the ratings agencies, continued through the month of May.
- Stocks with a high and sustainable dividend yield remain attractive, especially to more risk-averse investors. By systematically selling call options on stocks in the Fund, we are able to generate additional income. This should help to achieve superior returns to an equity-only investment especially in sideways markets.

* Source: RCM, as at 31/05/10.

Past performance, or any prediction, projection or forecast, is not indicative of future performance.

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Unit value and income therefrom may fall or rise. Investment involves risks, in particular, risks associated with investment in emerging and less developed markets. Investors should read the fund prospectus, available from the local representative or any of its appointed distributors, for further details including the risk factors, before investing. This material has not been reviewed by the Monetary Authority of Singapore.

The issuer of this material is Allianz Global Investors Singapore Limited (Company Registration No. 199907169Z).

Applicable for Central Provident Fund Investment Scheme ("CPFIS") registered funds in Singapore, the Central Provident Fund ("CPF") interest rate for the Ordinary Account ("OA") is based on the 12-month fixed deposit and month-end savings rates of the major local banks and the CPF interest rate for the Special, Medisave and Retirement Accounts ("SMRA") is pegged to the yield of 10 year Singapore government bond plus 1%. Under the CPF Act, the CPF Board pays a minimum interest of 2.5% per annum for both the OA and SMRA when their respective interest formula yields a lower rate. However, for 2010, the CPF Board will pay a minimum interest rate of 4.0% per annum for the SMRA. In addition, from 01/01/2008, the CPF Board will pay an extra interest rate of 1% per annum on the first SGD 60,000 of a CPF member's combined balances, including up to SGD 20,000 in the OA. Currently, the first SGD 20,000 in the OA and the first SGD 30,000 in a member's Special Account ("SA") are not allowed to be invested under the CPFIS. Effective from 01/07/2010, the first SGD40,000 of members' SA balances will no longer be allowed to be used for investments.

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