

July 2010

Fund Commentary - AllianzGI RCM Global High Payout Fund



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">▪ Shares in high and sustainable dividend companies outperformed the broad market significantly.▪ A successful stock selection effect throughout most sectors helped to perform better than the market average.▪ Underweighting Japanese stocks contributed positively to overall fund performance. The Fund also profited from an overweight in the strong Spanish market.
What hurt?	<ul style="list-style-type: none">▪ Volatile sectors like financials and materials were leading the market. The Fund is mostly invested in stocks from defensive sectors with stable and secure dividends. Hence, the Fund did not fully participate in the risk rally.▪ In this strong market environment, the Fund has been capped by its short call positions. However, the effect is small since the fund performance held up well with the overall market.

Review and Outlook*

- In July 2010, the appetite for risk returned to the financial markets. A strong earnings season with better than expected numbers led to strong equity gains. On the other hand, the companies' outlook has often been less optimistic as in Q1 2010.
- An important event was the European banks' stress tests which had a smoothing effect on the markets. Only seven smaller banks out of 91 failed the test. The improved transparency reduced fears around financial contagion in Europe. However, the favorable results raised questions on how credible and rigorous the tests had been.

- While macroeconomic data on European and Emerging Markets were generally upbeat, data from the United States (US) was rather disappointed and indicates a moderation in the pace of growth in the US.
- 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. Especially in sideways markets, this should help to achieve superior returns to an equity-only investment.

* Source: RCM, as at 31/07/10.

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

Some information contained herein (including opinion and forecast) is based on sources we believed to be accurate and reliable as at the date it is made. Any person acting upon it does so entirely at his or her own risk without liability on our part. This is not an offer to buy or sell or a solicitation or incitement of offer to buy or sell securities, if any, referred to herein.

This material does not constitute investment advice or recommendation, and was prepared without consideration given to specific investment objectives, financial situation or particular needs of any person. If you wish to make an investment, you should seek independent advice from a financial advisor before investing, without which you should consider whether the product is suitable.

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.

Ref No: 182/10. Date of Issue: 12/08/10.