

MANAGER PROFILE

PIMCO

Background

- > PIMCO (Pacific Investment Management Company) was originally incorporated as a subsidiary of Pacific Life Insurance Company in 1971. The initial aim of its founders, Bill Gross, Bill Podlich and Jim Muzzy, was to manage separate accounts for institutional clients. At the time, PIMCO was one of the few active fixed interest managers.
- > In establishing the company, the founders believed there were three components to funds management: portfolio management, client servicing and business administration.
- > By 1997 PIMCO had expanded into managing inflation-linked, emerging market and municipal bonds. The company also introduced one of the first portable alpha funds, equity index futures paired with bond portfolios.
- > In 2000, Allianz SE purchased PIMCO and merged its other fixed interest operations into the entity. PIMCO became the sixth-largest investment management group and had a global market presence. PIMCO remained independent from Allianz with key employees maintaining a share ownership in PIMCO. Allianz subsequently began repurchasing these shares and, by 2013, PIMCO is expected to be a fully owned subsidiary.
- > Bill Gross remains the Chief Investment Officer while Mohamed El-Erian, who previously managed PIMCO's emerging market portfolios, has recently been appointed Chief Executive Officer and joint Chief Investment Officer.

Background (continued)

- > PIMCO has recently announced its intention to establish share portfolios with a focus on emerging markets. PIMCO is based in Newport Beach, California and manages around \$US1,343 billion.

Investment process

- > PIMCO's corporate investment grade style utilises a combination of top-down and bottoms-up processes. The company's philosophy embodies three key principles: (1) major shifts in portfolio strategy are driven by longer-term or secular trends as opposed to short-term aberrations in market conditions, (2) an emphasis is placed on adding value through combining bottoms-up fundamental credit research with top-down macroeconomic analysis, and (3) consistent investment performance is achieved by emphasising independent research and prudent diversification with respect to industries and issuers.

Investment Grade Corporate Bond Fund

- > The PIMCO Investment Grade Corporate Bond Fund (the Fund) invests in investment grade corporate bonds. The Fund's total net asset value is approximately US\$5.96 billion¹ (US\$13 billion in total is managed by the team to the same investment grade mandate).

¹ As at 30 June 2011 (this information is updated quarterly whenever information is available, otherwise the most recent information is used).