Allianz Global Investors Capital

NFJ Investment Group
Dividends, Inflation and Volatility

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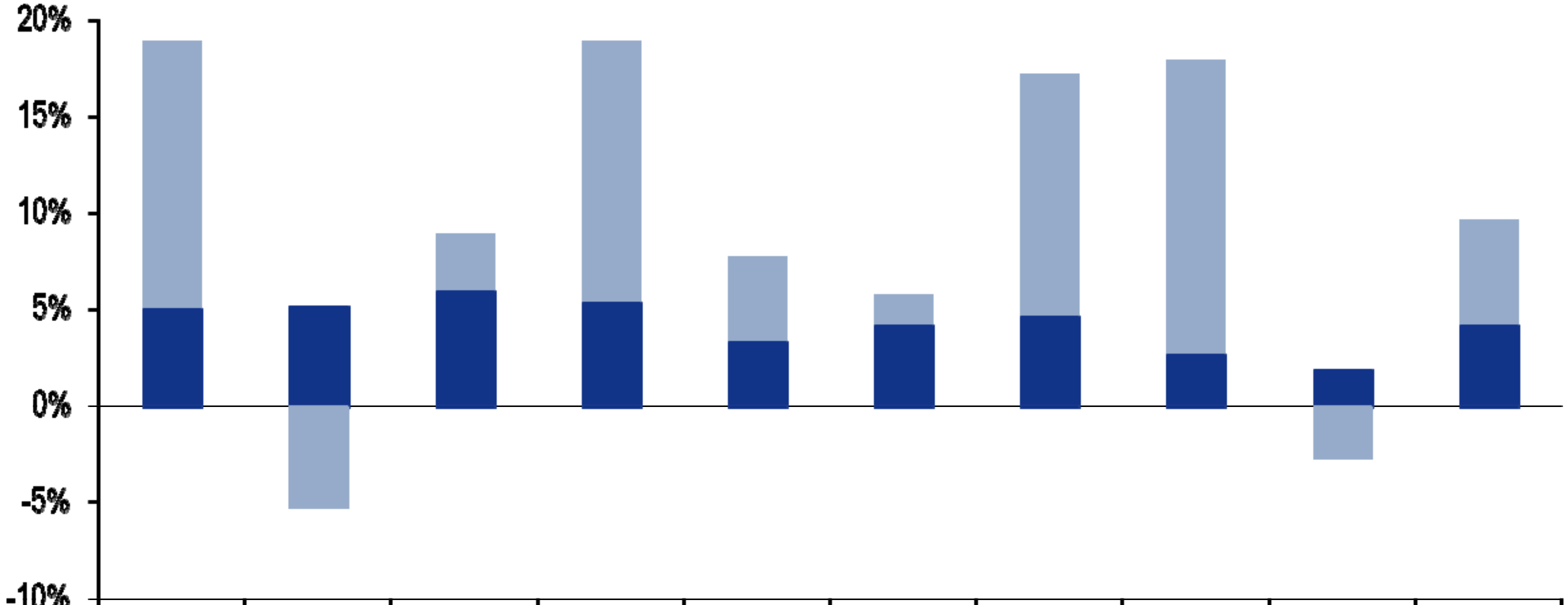
Dividend Return by Decade

Capital Appreciation and Dividend Yield Returns by Decade: S&P 500



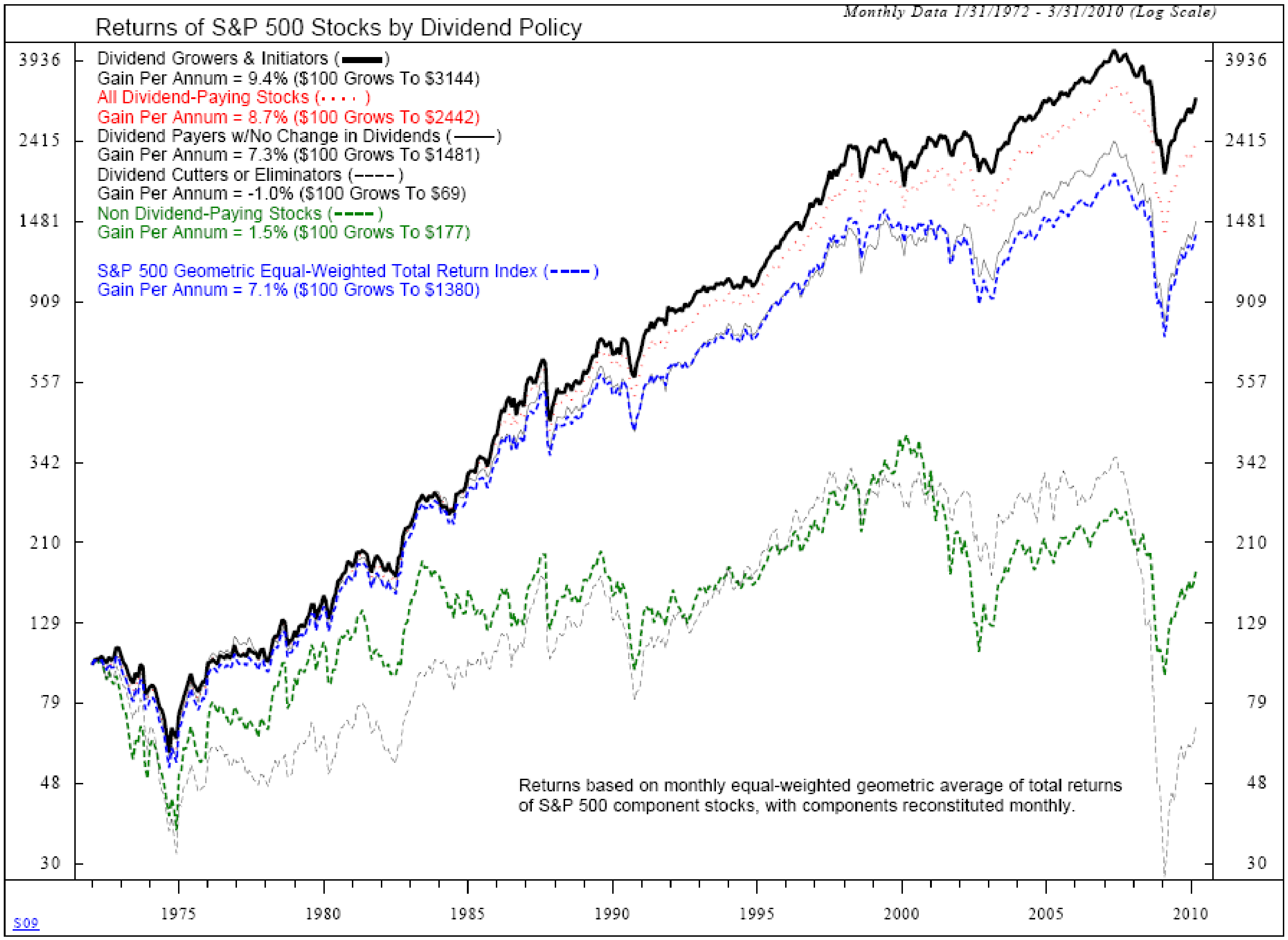
	1926-1929	1930's	1940's	1950's	1960's	1970's	1980's	1990's	2000's	1926-2009
Capital Appreciation	13.9%	-5.3%	3.0%	13.6%	4.4%	1.6%	12.6%	15.3%	-2.7%	5.5%
Dividend Income	5.0%	5.1%	5.9%	5.3%	3.3%	4.1%	4.6%	2.6%	1.8%	4.1%

Source: Credit Suisse.

The Standard & Poor's 500 Composite Index (S&P 500) is an unmanaged index that is generally representative of the U.S. stock market. Unless otherwise noted, index returns reflect the reinvestment of income dividends and capital gains, if any, but do not reflect fees, brokerage commissions or other expenses of investing. It is not possible to invest directly in an index.

Long-Term Returns: Dividend Policy 1972-2009

- Dividend growers & initiators have been the best S&P 500 performers over the long-term
- Stocks that do not pay a dividend or cut their dividend have significantly lagged



Source: Ned Davis.

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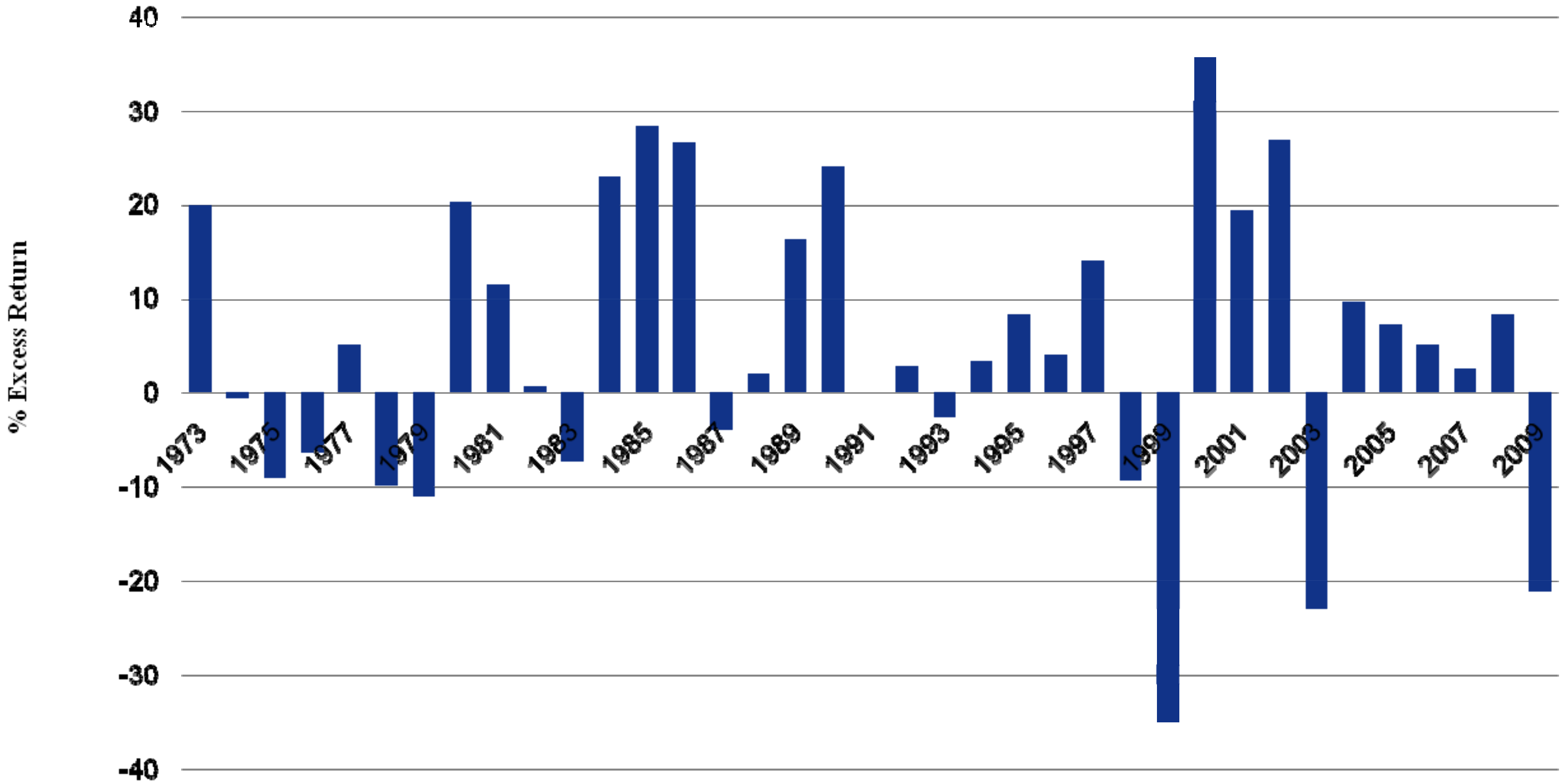
Consistency of Returns

Excess Return of S&P Dividend Payers vs. Non-Payers



Outperformed 24 of 37 Years or 65% of the time

Source: Ned Davis Research, Annual Data 1973-2009.
Past performance is nor indicative of future results. 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.

Impact of Reinvested Dividends

	Dividend-Paying S&P 500 Stocks	S&P 500 Stocks	Non-Dividend-Paying S&P 500 Stocks
Average Gain/Year	8.7%	7.1%	1.5%
Average Gain/Year in Bear Markets	-5.5%	-8.3%	-18.8%
Value of $1 invested in 1972	$24.40	$13.80	$1.80
Standard Deviation	17.1%	18.1%	25.9%

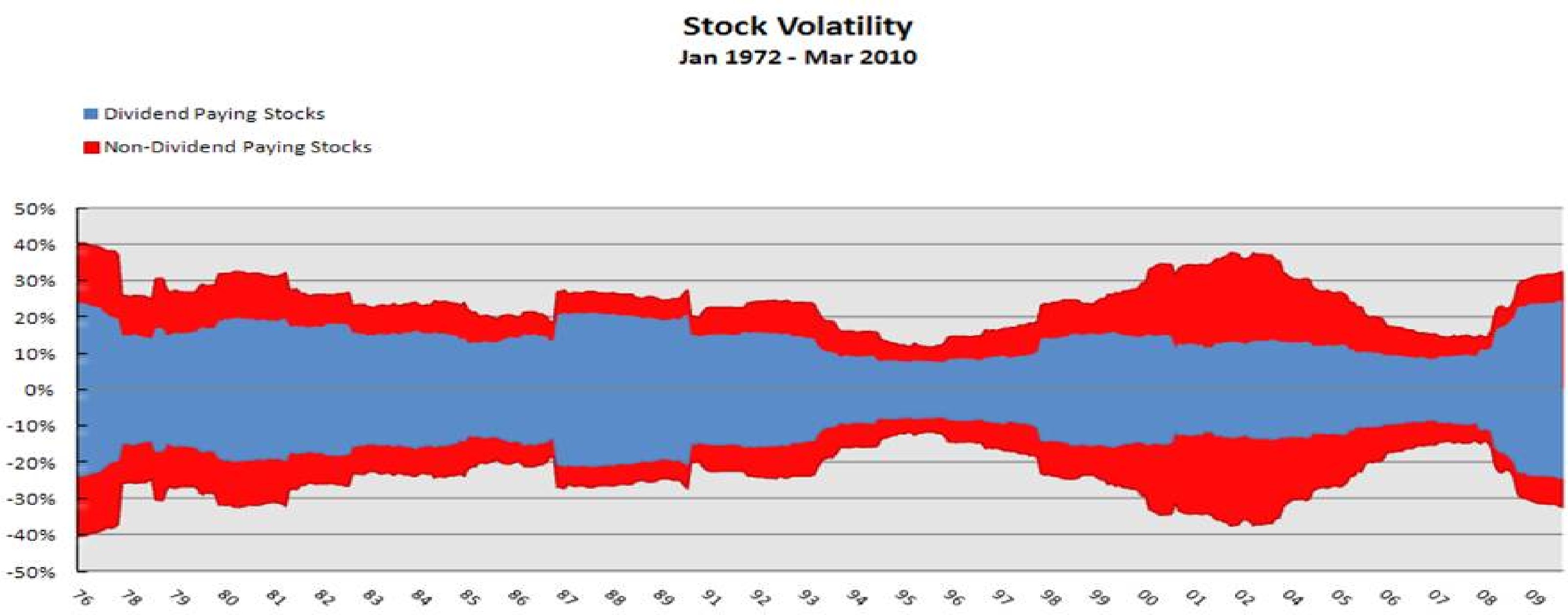
Ned Davis Research, Monthly Data 1972-3/31/2010.

Past performance is no guarantee of future results. 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. Standard deviation is an absolute measure of volatility measuring dispersion about an average which, for an index, depicts how widely the returns varied over a certain period of time. The greater the degree of dispersion, the greater the risk.

Low Volatility of Dividends

36-Month Trailing Annualized Standard Deviation

- Dividend paying stocks tend to have a lower volatility of returns over the long-term
- One rationale for this is that dividend payers tend to have stronger balance sheets and more consistent cash flows



Source: Ford Equity Research and NFJ Research.
Past performance is not indicative of future results. 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.

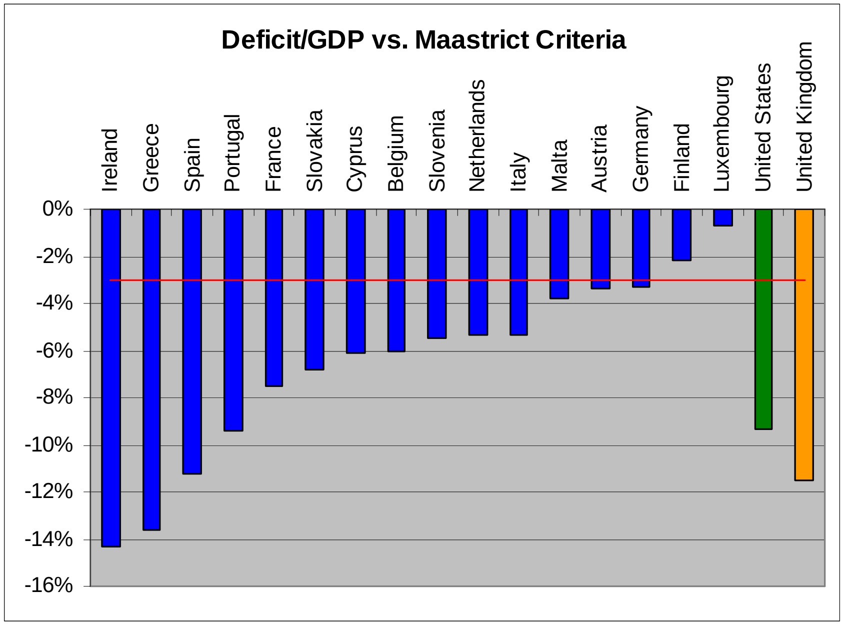
Recent Market Volatility and Why Investors Should Care

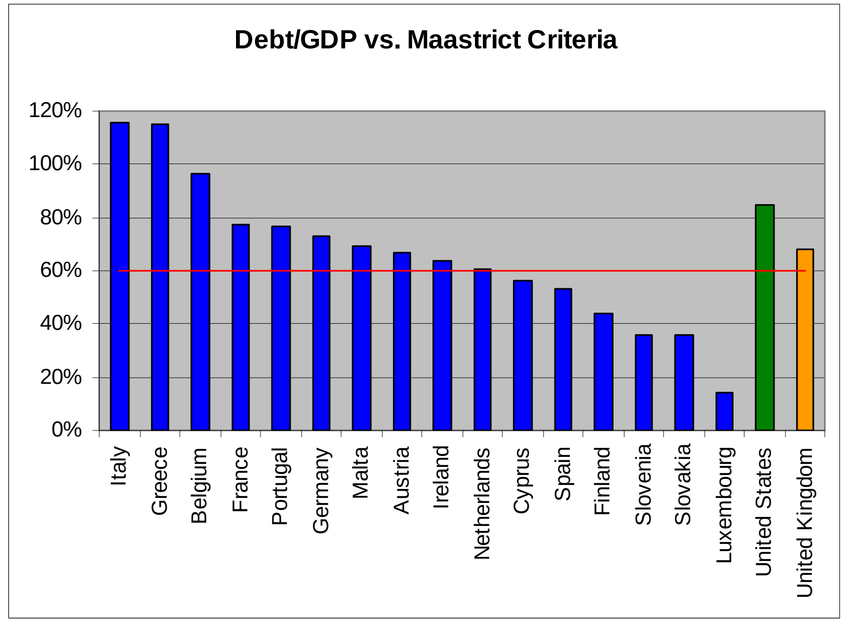
S&P 500 Gains (%)	S&P 500 Losses (%)	Russell 2000 Gains (%)	Russell 2000 Losses (%)
May 10th 4.4%	Jan 22nd (2.2)	Jan 4th 2.4	Feb 4th (3.4)
	Feb 4th (3.1)	Mar 1st 2.2	Apr 27th (2.4)
	Apr 27th (2.3)	Mar 5th 2.1	Apr 30th (2.9)
	May 4th (2.3)	Apr 14th 2.2	May 4th (3.2)
	May 6th (3.2)	Apr 29th 2.1	May 6th (3.8)
		May 3rd 2.3	May 7th (2.9)
		May 10th 5.6	

Period	Lower Volatility Return (%)	Higher Volatility Return (%)
Period 1	2.0	10.0
Period 2	(2.0)	(10.0)
Period 3	2.0	10.0
Period 4	(2.0)	(10.0)
Period 5	2.0	10.0
Period 6	(2.0)	(10.0)
Period 7	2.0	10.0
Period 8	(2.0)	(10.0)
Period 9	2.0	10.0
Period 10	(2.0)	(10.0)
Cumulative Return	**(0.20)**	**(4.90)**
Avg & Std Deviation	**0 +/- 2.1**	**0 +/- 10.5**

Source: NFJ Research and StockVal

Western World Financial Condition





Red Line: Thresholds for Inclusion in Euro Zone

3 Solutions:

1) Raise Tax Revenue
2) Cuts in Government Spending
3) Monetize Debt (Politically expedient response)

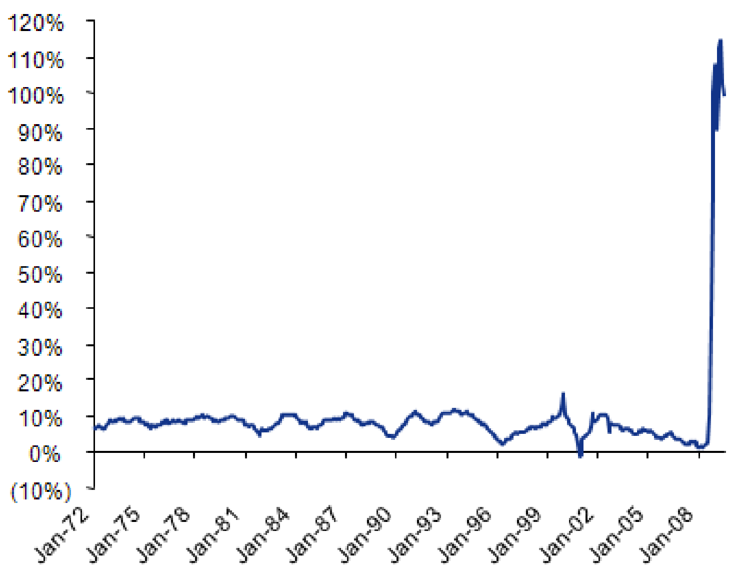
Conclusion: Inflation pressures are building

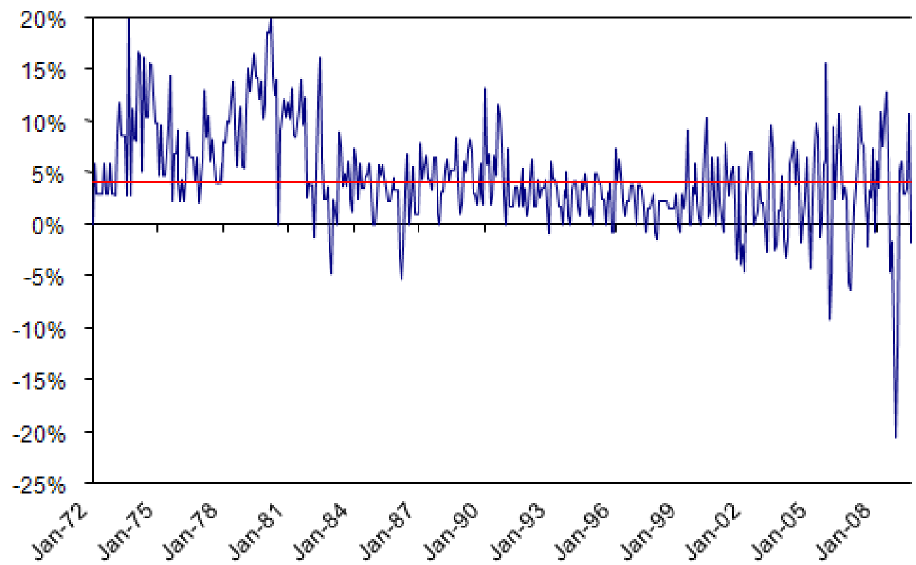
NFJ Research and Bloomberg

Dividends and Inflation

Monetary Base Growth & CPI-U (month over month, annualized)

- The recent doubling in the monetary base caused us to further investigate the performance of dividends in periods of increased inflation
- We tested the performance of the dividend payers vs. non-payers when the month-over-month annualized change in the CPI exceeded 4%
  - From 1972 to 2009, 48% of the months were above 4% inflation and 52% of the months were below



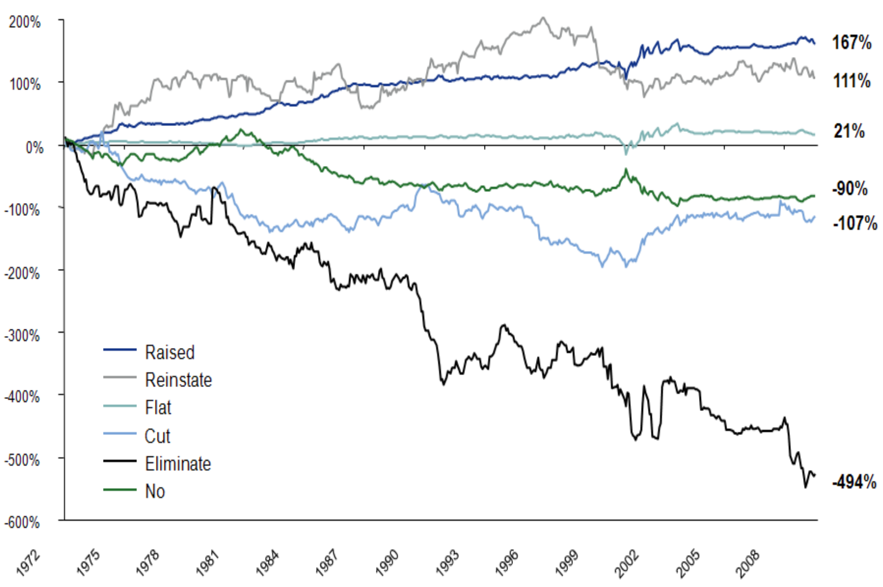


Source: NFJ Research.
The Consumer Price Index (CPI) is an unmanaged index representing the rate of inflation in U.S. consumer prices as determined by the U.S. Department of Labor Statistics. There can be no guarantee that the CPI or other indexes will reflect the exact level of inflation at any given time.

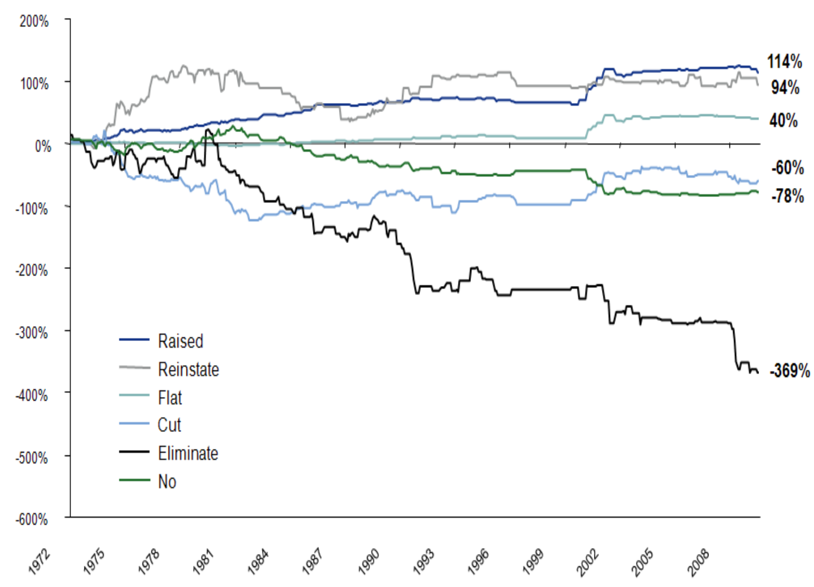
Dividends and Inflation

- A disproportionate amount of the dividend payer outperformance occurred in months with annualized inflation exceeding 4%
- Similarly, a disproportionate amount of the non-dividend payer underperformance occurred in months with annualized inflation exceeding 4%
- One reason for this is inflation causes a focus on *immediate cash flows* as future cash flows have diminished value

All Months – 1972 to July 31, 2009



Only Periods with CPI > 4%



Source: NFJ Research, Empirical Research Partners Research.

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Why Dividends?

- Dividends tend to be a measure of quality
  - They represent a conservative estimate of what cash flow is sustainable
  - When earnings are unreliable, look to the dividend
  - Attract an exclusive class of shareholders
- Dividends align the interest of management with shareholders
- Currently no taxation penalty
- There is currently an element of scarcity with dividend paying companies
- Dividend stocks can benefit from the aging population demographic

"There is no investment potion for this new environment other than steady income-producing bond and equity investments in companies with strong balance sheets and high dividend yields."

Bill Gross, *Investment Outlook*, August 2009

There is no guarantee that dividend-paying stocks will continue to pay dividends.