

## The Link Between Economic and Environmental Health



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Portfolio Manager

4/22/09—In a special Earth Day call, Bozena Jankowska, head of RCM's Sustainability Research Team and portfolio manager for the Allianz RCM Global EcoTrends<sup>SM</sup> Fund, talked about the current landscape for environmental investing and the sector's potential bright prospects.

### A challenging period may be stabilizing

After strong surges in 2007, the clean technology sector declined steeply in 2008, as investors fled any sector perceived to bear higher risks. Since then, stock markets overall appear to have stabilized somewhat, with clean technology poised to enjoy unique benefits.

### Fiscal stimulus is green

As the world confronts an economic crisis, one might expect that climate change and other environmental issues would take a back seat in terms of government attention. Yet the opposite appears to be emerging. Governments in the U.S., China and across Europe are clearly indicating through their respective stimulus packages that their commitments to environmental investment have not weakened.

Notably, the Obama administration's Recovery and Reinvestment Act has highlighted the creation of green-collar jobs as a means of kick-starting the economy. The President has likewise stated his intention to increase deployment of alternative energy and energy efficiency to reduce our addiction to foreign oil and address global warming.

Elsewhere, China has announced that some 20% of its overall stimulus package has been dedicated to clean technologies, including a very attractive subsidy for the solar space.

The U.K. has also allocated a portion of its recovery package toward green projects, as have Korea and Japan.

### Environmental accountability for business

The broad sweep of the Obama environmental proposals is forcing Americans to change the way they think about energy use and the environment. In particular, businesses will find their green credentials under increasing scrutiny as regulations tighten.

The impact of environmental investment on companies may not be immediately apparent, as it will take time for money to begin flowing. Over the mid and long-term, however, we believe there will almost certainly be a clear distinction between companies that are forward-looking and innovative and those that lag. Indeed, in a recent environmental investors' survey conducted by Allianz Global Investors, 71% of respondents agreed that U.S. automakers would be in better shape today had they gone green a decade ago.

### Potential benefits of an actively managed fund

Heightened government focus on the environment has enriched the range of opportunities for investors, in our opinion, among them: green infrastructure; technologies for wind, solar and smart grid power; vehicle fuel efficiency; and products and services for water and pollution control.

The clean tech landscape can be challenging to navigate, however, making active management particularly helpful. Allianz RCM Global EcoTrends<sup>SM</sup> Fund draws on the environmental and research expertise of its analytical teams to invest across a global spectrum of environmental technologies, focusing on three themes: eco energy, clean water and pollution control.

To gain perspective into the current market climate, visit [allianzinvestors.com.gp](http://allianzinvestors.com.gp)

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# Gaining Perspective

## Market Insights from RCM

Allianz Global Investors is among the largest asset management firms in the world, with a client list that includes more than half of the Fortune 100 companies. Our objective is to provide a broad spectrum of high-quality investment solutions that can help investors work toward their unique financial goals.

To achieve this, Allianz Global Investors draws upon the expertise and experience of our respected investment firms: PIMCO, NFI Investment Group, RCM, Nicholas-Applegate, Oppenheimer and Cadence Capital Management.\* These firms include some of the most established and forward-thinking investment managers in the business. Rather than trying to develop a uniform “house style,” we have chosen to nurture the singular investment culture and expertise of each—thus maintaining a breadth of approaches.

We believe the portfolio is dynamically allocated as well, allowing the Fund to be appropriately positioned through a variety of market conditions. We are currently favoring investments in wind power, which we believe is most likely to benefit first from alternative energy build-outs in the stimulus packages. Our wind holdings range across the value chain, from turbine manufacturers to wind farm developers to builders of infrastructure. We are also finding attractive opportunities in clean water.

Looking back some 15 years, we are seeing valuations at historic lows. This scenario has created attractive entry points for companies we like, but whose stocks have appeared too richly priced. Although we believe the global economic weakness will persist at least through the first part of the year, we have been prudently deploying our cash reserves to add to our positions.

### Green shoots of a greener economy

Despite the sector’s recent volatility, we believe the accelerating pace of climate change and resource demand has made it clear that the fundamentals for clean technology should remain strong for some time. We may be in the midst of a particularly opportune moment, moreover, as governments around the world are looking to restore our planet’s economic health by tending to our environmental health as well.

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*Investors should consider the investment objectives, risks, charges and expenses of this Fund carefully before investing. This and other information is contained in the Fund’s prospectus, which may be obtained by contacting your financial advisor, or by calling 1-888-877-4626. Please read this prospectus carefully before you invest or send money.*

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\*Cadence Capital Management is an independently owned investment firm.

Allianz RCM Global EcoTrends Fund is designed to provide exposure to a relatively narrow group of sectors. The Fund is non-diversified and should be considered as only one element of a complete investment program. While the Fund may invest in companies of any size, it may often have substantial exposure to securities of smaller companies, including newly formed and early stage companies. The Fund may invest without limit in illiquid securities. The Fund’s substantial exposure to non-U.S. securities, including emerging markets securities, also involves special risks, including political and economic risk and the risk of currency fluctuations; these risks may be enhanced in emerging markets. For these reasons, the Fund may be subject to relatively high levels of risk and volatility and should be considered a speculative investment. The Fund may also use derivative strategies for investment or hedging purposes. Use of these instruments may involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, management risk and the risk that a fund could not close out a position when it would be most advantageous to do so. Portfolios investing in derivatives could lose more than the principal amount invested in those instruments.

Allianz Global Investors Fund Management (AGIFM) serves as the investment manager of the Fund. AGIFM retains its affiliate, RCM Capital Management LLC (RCM), to manage the Fund’s portfolio and RCM, in turn, retains its affiliate, Allianz Global Investors Advisory GmbH (AGIA) to conduct the day-to-day portfolio management of the Fund.