

Finding Growth's Comfort Zone

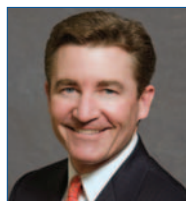
CADENCE CAPITAL MANAGEMENT



After several years of value outperformance, growth stocks may be poised to stage a comeback. Yet some investors remain wary of high stock prices—a lesson learned during the technology-driven growth boom of the late 1990s. Within this market climate, Cadence Capital Management's "growth at a reasonable price" (GARP) approach may hold a great deal of appeal.

A Philosophy That Stands to Reason

A longtime proponent of GARP investing, Cadence scours the market for companies with sustainable earnings growth and reasonable valuations. It's an approach that the firm has faithfully followed since it opened its doors to institutional investors in 1988. Today, Cadence manages more than \$5.1 billion (as of 6/30/09) across its stock portfolios and has earned a reputation as a solid core-equity manager.



"We value a disciplined process that is repeatable over time and through many different market environments. We've made some enhancements over the years but the general principles haven't changed at all."

—Michael J. Skillman, Chief Executive Officer

Casting a Wide Net

Cadence's investment process starts with a proprietary quantitative model that screens stocks for a broad range of growth and valuation characteristics. These include often-overlooked factors such as year-over-year changes in profitability and earnings estimate revisions.

Rather than limit its universe to traditional growth sectors, the model takes virtually every industry into consideration. Cadence finds that this broad-based approach results in greater investment opportunities across varying market conditions.



"Our emphasis on stock selection will take us to any industry or sector—not just classic growth segments of the market. We have a wider playing field, which can be a plus in a challenging market environment."

—Robert L. Fitzpatrick, Portfolio Manager

Applying Diligent Research

The quantitative screen produces a list of stocks that merit closer scrutiny by Cadence's analysts. This six-person team then conducts thorough, bottom-up research and, together with the portfolio managers, determines each stock's upside potential and risk factors. In constructing portfolios, the managers target a diverse range of companies and tend to keep positions small—aspects that may reduce volatility.

Importantly, Cadence's analysts are organized by sector and are responsible for stocks across the entire market capitalization spectrum within their coverage area. This structure helps give the team a more complete picture of any given sector: the same analyst can potentially cover a company at every stage of its growth cycle, from small-cap to large-cap.



"We're not afraid to sell a stock whose price is rising if we believe the earnings are not sustainable. We think of it as avoiding the "growth trap," when an investor buys a stock just because its price is rising."

—William B. Bannick, Chief Investment Officer

Continuity of Management

Cadence attributes its success not only to the consistency of its investment philosophy and process, but to the tenure of its senior managers. Notably, CEO Michael Skillman has been with Cadence for 15 of his 22 years in the business. William Bannick, Chief Investment Officer, has been with the firm since 1992. On average, the firm's investment professionals have 17 years of experience, with an average of 9 years spent at Cadence.

Investment Products

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Equity portfolios are subject to the basic stock market risk that a particular security or securities in general, may decrease in value. Investments in medium-sized companies may entail greater risk than larger companies, including higher volatility.

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