



NFJ Investment Group

Pure Deep Value

NFJ Investment Group is a disciplined value manager, strictly adhering to its investment philosophy and process under all market conditions.

Allianz 
Global Investors

Pure

Flash back to early 2000. A technology-led rally has driven growth stocks up for three consecutive years. It has been an unprecedented run, and most investors see no end in sight.

Now imagine you are a value manager. While a large number of your competitors have drifted into growth stocks to boost returns, you are still investing in the undervalued, fundamentally sound companies that the market has forgotten.

Welcome to the world of
NFJ Investment Group.

Through bull and bear markets alike, NFJ remains true to its pure, deep value investment style. This commitment has earned the Texas-based firm a well-deserved reputation for integrity and long-term results.

PURE DEEP VALUE

NFJ founders Chris Najork, Ben Fischer and John Johnson began working together more than 30 years ago, developing the firm's trademark investment philosophy.

Early on, these three investment professionals concluded that the theory of market efficiency was just that—a theory. In the real world, stocks were often mispriced. Investors guided by emotion tended to overreact, pushing stock prices above or below their true value. “We noticed time and again that the pendulum swung too far,” explains Ben Fischer. “Eventually, the underpriced, out-of-favor securities came back,

delivering impressive returns for investors who had bought near the low. The evidence was persuasive enough to convert us into deep value purists.”

And they remain so today. As a rule, NFJ invests only in what they consider to be fundamentally sound companies, generally with stronger value characteristics than a portfolio's benchmark.

EMPHASIS ON RISK MANAGEMENT

NFJ's faithful adherence to this investment philosophy distinguishes it from many of its competitors. The firm's emphasis on risk management sets it even further apart.

In an effort to strike the most attractive risk/reward balance, NFJ pursues long-term capital appreciation while using a “3D” strategy to manage risk.

Discipline: The firm employs a structured, research-driven process in an effort to eliminate emotional mistakes.

“You will never hear us say we love this stock or that industry. We are passionate about what we do, but try to remain objective about the companies we invest in.”

*Ben Fischer
Managing Director & Portfolio Manager,
NFJ Investment Group*

Diversification: A downfall of some value managers is portfolio concentration—increasing the portfolio's risk by overemphasizing a single industry or stock. NFJ avoids this tendency by placing strict limits on industry and issue concentrations.

Diversification Can Pay Off

Investors wondering about the effectiveness of NFJ's diversification rules will be interested in this example from 1990. At that time, the banking industry appeared to offer attractive value investments: low P/Es, sound fundamentals and plenty of dividend-paying stocks. While many value managers built up large positions in the industry, NFJ's guidelines limited its exposure—and it was a good thing. What the general public didn't know was that the banking industry was about to be hit hard by the real estate crisis. Banks were forced to write off their bad real estate loans, driving down stock prices.

Dividends: NFJ was focusing on dividends well before the 2003 tax law changes. The firm has long believed that dividends tend to be paid by established and relatively stable companies. In addition, dividend-paying stocks contribute income to total return and tend to be less volatile.

Deep

“Our value-investing team boasts decades of experience. Depth and focus like that are hard to come by; It represents both a source of pride to our firm and provides reassurance to our investors.”

*Tom Oliver
Portfolio Manager,
NFJ Investment Group*

A TIGHT-KNIT TEAM

More often than not, NFJ’s approach pits the firm against the majority of investors. As they are quick to point out, true value investors are contrarians—attracted to the industries and stocks that everyone else dislikes.

Knowing how difficult it is to consistently go against the grain in this way, NFJ’s founding partners have been very cautious about new hires. Since its start, the firm has slowly added highly experienced value specialists to the investment team—most of whom are still on board today.

Together, this group is responsible for all of NFJ’s investment decisions. Importantly, each of the professionals serves as both a research analyst and portfolio manager. This structure has led to a very collaborative environment, where ideas flow freely and debate is encouraged.

THROUGH ALL MARKET CYCLES

Maybe it is the consistency of NFJ’s leadership. Or maybe it is the uncommon synergy of its investment team. Whatever the reason, NFJ has shown an unwavering commitment to its investment style over the years.

Most mutual fund investors go to great lengths to diversify their portfolios. But the benefits of this diversification can quickly be compromised if investment managers drift from their stated style. That is not a concern with NFJ.

“It can be very challenging when your style is out of favor,” recalls NFJ’s Jeff Partenheimer. “The market’s rally in the late ’90s was led by overpriced high tech stocks with little or no track record of earnings. While other value managers justified adding these types of stocks to their portfolios, we couldn’t. We had zero exposure to technology during that time.

It was tough, but as a group we agreed that we’d never violate our philosophy. History told us that eventually value would come back.”

And it did. After the market correction, value stocks began once again to outperform growth. NFJ had survived, with its integrity intact.

There are few certainties when it comes to investing. Happily, there is at least one thing investors can count on—NFJ has been, and always will be, a pure, deep value manager.

“You can’t argue with history: Data shows that, over time, underpriced, out-of-favor equities perform well. It’s that hard evidence, not just our own bias, which makes us die-hard, deep-value purists.”

*Paul Magnuson
Managing Director,
NFJ Investment Group*

Value

About Allianz Global Investors

Allianz Global Investors is among the five largest asset management firms in the world, with a client list that includes more than half of the Fortune 500 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. 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.

Investors should consider the investment objectives, risks, charges and expenses of any mutual fund carefully before investing. This and other information is contained in the fund's prospectus, which may be obtained by contacting your financial advisor. Please read the prospectus carefully before you invest or send money.

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Investment Products

Not FDIC Insured | May Lose Value | Not Bank Guaranteed

Past performance is no guarantee of future results. Investing involves risk, including possible loss of principal. When investing in value securities, the market may not necessarily have the same value assessment as the manager and, therefore, the performance of the securities may decline. There is no guarantee that dividend-paying stocks will continue to pay dividends. P/E is a ratio of security price to earnings per share. Typically, an undervalued security is characterized by a low P/E ratio, while an overvalued security is characterized by a high P/E ratio. Diversification does not assure a profit or protect against loss.

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