

# Considering Correlation in a Diversified Portfolio

Sectors of the market can have very different responses to changes in the economy. Diversifying an investment portfolio among asset classes that have a low-correlation with each other may help reduce overall volatility and increase return potential. This table shows the correlation of various indices based on 5-year performance history (as of 12/31/07).



	Emerging Markets Bonds (Hedged)	Developing Local Markets Bonds	Emerging Markets Bonds (Unhedged)	U.S. Treasuries	LBAG	Investment Grade Corporate	High Yield	U.S. TIPS	Foreign Bond (Hedged)	Foreign Bond (Unhedged)	S&P 500	Emerging Markets Equity	Commodities
Emerging Markets Bonds (Hedged)	1.00												
Developing Local Markets Bonds	0.60	1.00											
Emerging Markets Bonds (Unhedged)	0.63	0.94	1.00										
U.S. Treasuries	0.06	-0.05	0.29	1.00									
LBAG	0.18	0.02	0.38	0.94	1.00								
Investment Grade Corporate	0.33	0.11	0.42	0.84	0.94	1.00							
High Yield	0.49	0.29	0.48	-0.06	0.10	0.34	1.00						
U.S. TIPS	0.19	0.05	0.28	0.79	0.80	0.77	0.02	1.00					
Foreign Bond (Hedged)	0.04	-0.08	0.20	0.73	0.75	0.70	-0.02	0.63	1.00				
Foreign Bond (Unhedged)	0.11	0.38	0.54	0.52	0.51	0.47	0.01	0.47	0.44	1.00			
S&P 500	0.53	0.54	0.46	-0.31	-0.21	-0.05	0.49	-0.21	-0.24	-0.02	1.00		
Emerging Markets Equity	0.66	0.70	0.64	-0.32	-0.20	-0.03	0.51	-0.11	-0.26	0.01	0.71	1.00	
Commodities	0.24	0.19	0.26	0.02	0.05	0.08	0.10	0.16	-0.02	0.23	0.11	0.32	1.00

Emerging Markets Bonds (Hedged) represented by the JPMorgan EMBI Global Index which tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady Bonds, loans, Eurobonds. Developing Local Markets Bonds represented by the JPMorgan EMLI+ Index which tracks total returns for external-currency denominated debt instruments of emerging markets: Brady bonds, loans, Eurobonds. Emerging Markets Bonds (Unhedged) represented by the JPMorgan Government Bond Index Global ex U.S. Index Hedged in U.S. Dollars which is an unmanaged market index representative of the total return performance, on a hedged basis, of major non-U.S. bond markets. It is calculated in U.S. dollars. U.S. Treasuries represented by the Citigroup U.S. Treasury Index (formally the Salomon Index) computes returns for the current 1-, 2-, 3-, 5-, 10- and 30-year on-the-run Treasury that has been in existence for the entire month. The Lehman Brothers Aggregate Bond Index (LBAG) is composed of securities from the Lehman Brothers Government/Credit Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index. It is generally considered to be representative of the domestic, investment-grade, fixed-rate, taxable bond market. Investment Grade Corporate represented by the Lehman Brothers U.S. Credit Index which includes publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity and quality requirements. To qualify, securities must be rated investment grade (Baa3 or better) by Moody's. High Yield Bonds represented by the Merrill Lynch US High Yield Master II Index, which tracks the performance of below investment grade (BBB), but not in default, US dollar-denominated corporate bonds publicly issued in the domestic market. U.S. TIPS are represented by the Lehman Brothers U.S. Treasury Inflation Notes: 10+ Year Index is the 10+ year component of the Lehman Brothers U.S. TIPS Index which consists of inflation-protection securities issued by the U.S. Treasury. Foreign Bond (Hedged) represented by the JPMorgan Global Index, an unmanaged market index representative of the total return performance, on a hedged basis, of major world bond markets. It is calculated in U.S. dollars. Foreign Bond (Unhedged) represented by the JPMorgan Non-U.S. Global Government Bond (Unhedged) Index, which is an unmanaged market index representative of the total return performance in U.S. dollars on an unhedged basis of major non-U.S. bond markets. The Standard & Poor's 500 Composite Index (S&P 500) is an unmanaged index that is generally representative of the U.S. stock market. Emerging Markets Equity represented by the Morgan Stanley Capital International (MSCI) Emerging Markets Free Index (EMF) which is a market capitalization weighted index composed of over 800 companies representative of the market structure of emerging countries in Europe, Latin America, Africa, the Middle East and Asia. It excludes closed markets and those shares in otherwise free markets that are not purchasable by foreigners. Commodities represented by the Dow Jones-AIG Commodity Total Return Index, which is composed of futures contracts on 19 physical commodities. Each Index reflects a group of unmanaged securities. It is not possible to invest directly in an unmanaged index. Diversification does not ensure against loss. Correlation is a statistical measure of how two securities move in relation to each other. This chart is not indicative of the past or future performance of any Allianz Global Investors product. © 2008 Allianz Global Investors Distributors LLC, 1345 Avenue of the Americas, New York, NY, www.allianzinvestors.com, 1-888-877-4626. AC323\_21479

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