

The Importance of Diversification

From year to year, there's no telling which asset classes will be the best performers—a strong argument for portfolio diversification. The chart below ranks the best to worst performing asset classes from top to bottom for the years 1998 to 2007.

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Large-Cap Growth 38.70%	Small-Cap Growth 43.10%	Commodities 31.84%	Small-Cap Value 14.02%	Commodities 25.91%	Small-Cap Growth 48.54%	Real Estate 33.17%	Commodities 21.36%	Real Estate 36.14%	Commodities 16.23%
International Stocks 20.34%	Large-Cap Growth 33.16%	Real Estate 31.04%	Real Estate 12.36%	Unhedged Foreign Bonds 22.99%	Small-Cap Value 46.03%	Small-Cap Value 22.25%	International Stocks 14.01%	International Stocks 26.88%	Large-Cap Growth 11.82%
Unhedged Foreign Bonds 18.31%	International Stocks 27.31%	Small-Cap Value 22.80%	Interm-Term Bonds 8.44%	Long-Term Bonds 16.79%	International Stocks 39.17%	International Stocks 20.70%	Real Estate 13.99%	Small-Cap Value 23.48%	International Stocks 11.62%
Large-Cap Value 15.65%	Commodities 24.35%	Long-Term Bonds 20.27%	Short-Term Bonds 8.30%	Interm-Term Bonds 10.26%	Large-Cap Value 30.03%	Large-Cap Value 16.49%	Large-Cap Value 7.05%	Large-Cap Value 22.21%	Unhedged Foreign Bonds 10.81%
Long-Term Bonds 13.52%	Large-Cap Value 7.34%	Interm-Term Bonds 11.63%	High Yield Bonds 4.48%	Short-Term Bonds 5.76%	Large-Cap Growth 29.75%	Small-Cap Growth 14.31%	Long-Term Bonds 6.50%	Small-Cap Growth 13.35%	Long-Term Bonds 9.81%
Interm-Term Bonds 8.69%	Cash 4.74%	Short-Term Bonds 8.00%	Long-Term Bonds 4.21%	Real Estate 3.60%	High Yield Bonds 28.15%	Unhedged Foreign Bonds 12.04%	Large-Cap Growth 5.27%	High Yield Bonds 11.77%	Short-Term Bonds 7.32%
Short-Term Bonds 7.00%	Short-Term Bonds 3.06%	Large-Cap Value 7.02%	Cash 4.09%	Cash 1.70%	Real Estate 27.75%	High Yield Bonds 10.87%	Small-Cap Value 4.70%	Large-Cap Growth 9.09%	Small-Cap Growth 7.04%
Cash 5.06%	High Yield Bonds 2.51%	Cash 5.95%	Unhedged Foreign Bonds -3.58%	High Yield Bonds -1.89%	Commodities 23.93%	Commodities 9.15%	Small-Cap Growth 4.15%	Unhedged Foreign Bonds 5.94%	Interm-Term Bonds 6.97%
High Yield Bonds 2.95%	Interm-Term Bonds -0.82%	Unhedged Foreign Bonds -2.48%	Large-Cap Value -5.59%	Small-Cap Value -11.42%	Unhedged Foreign Bonds 18.63%	Long-Term Bonds 7.70%	Cash 3.00%	Cash 4.76%	Cash 4.74%
Small-Cap Growth 1.24%	Small-Cap Value -1.49%	High Yield Bonds -5.12%	Small-Cap Growth -9.23%	Large-Cap Value -15.52%	Interm-Term Bonds 4.10%	Large-Cap Growth 6.30%	High Yield Bonds 2.74%	Interm-Term Bonds 4.33%	High Yield Bonds 2.19%
Small-Cap Value -6.43%	Real Estate -2.57%	International Stocks -13.95%	Commodities -19.51%	International Stocks -15.64%	Long-Term Bonds 2.48%	Interm-Term Bonds 4.34%	Interm-Term Bonds 2.43%	Short-Term Bonds 3.96%	Large-Cap Value -0.17%
Real Estate -17.00%	Unhedged Foreign Bonds -6.19%	Large-Cap Growth -22.43%	Large-Cap Growth -20.42%	Large-Cap Growth -27.89%	Short-Term Bonds 1.90%	Cash 1.24%	Short-Term Bonds 1.67%	Commodities 2.07%	Small-Cap Value -9.77%
Commodities -27.03%	Long-Term Bonds -8.74%	Small-Cap Growth -22.44%	International Stocks -21.21%	Small-Cap Growth -30.27%	Cash 1.07%	Short-Term Bonds 0.91%	Unhedged Foreign Bonds -9.24%	Long-Term Bonds 1.85%	Real Estate -17.88%

■ Cash represented by the Citigroup 3-month T-Bill Index, an index of three-month Treasury bills.
 ■ Commodities represented by the Dow Jones-AIG Commodity Total Return Index, which is composed of futures contracts on 19 physical commodities.
 ■ Unhedged Foreign Bonds 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.
 ■ 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.
 ■ Intermediate-Term Bonds represented by the Lehman Brothers Aggregate Index, which is composed of securities from the Lehman Brothers Government/Credit Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index. It is representative of the domestic, investment-grade, fixed-rate, taxable bond market.
 ■ Long-Term Bonds represented by the Lehman Long Treasury Index, an index of US Treasury obligations with maturities greater than 10 years.
 ■ Short-Term Bonds represented by the Merrill Lynch 1–3 Year Treasury Index, an index of US Treasury obligations with maturities from 1 to 2.99 years.
 ■ International Stocks represented by the MSCI EAFE Index. The Morgan Stanley Capital International (MSCI) Europe, Australasia, Far East Index (EAFE) is an index of over 900 companies, and is a generally accepted benchmark for major overseas markets.
 ■ Large-Cap Growth Stocks represented by the Russell 1000 Growth Index, which measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.
 ■ Large-Cap Value Stocks represented by the Russell 1000 Value Index, which measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.
 ■ Small-Cap Growth Stocks represented by the Russell 2000 Growth Index, which measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.
 ■ Small-Cap Value Stocks represented by the Russell 2000 Value Index, which measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.
 ■ Real Estate represented by the Wilshire REIT Index, which tracks publicly-traded Real Estate Investment Trusts in the US.
 Past performance is no guarantee of future results. Each Index reflects a group of unmanaged securities. It is not possible to invest directly in an unmanaged index. Diversification does not ensure a profit or eliminate the risks of investing. This chart is not indicative of the past or future performance of any Allianz Global Investors product.



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PIMCO Funds

Core Bond	Tax-Exempt Bond
PIMCO Total Return Fund	PIMCO Short Duration Municipal Income Fund
PIMCO Income Fund	PIMCO Municipal Bond Fund
Short-Duration Bond	PIMCO High Yield Municipal Bond Fund
PIMCO Short-Term Fund	PIMCO California Short Duration Municipal Income Fund
PIMCO Low Duration Fund	PIMCO California Intermediate Municipal Bond Fund
PIMCO Floating Income Fund	PIMCO New York Municipal Bond Fund
Government/Mortgage	Real Return Strategy
PIMCO GNMA Fund	PIMCO Real Return Fund
PIMCO Mortgage-Backed Securities Fund	PIMCO CommodityRealReturn Strategy Fund®
PIMCO Long-Term U.S. Government Fund	PIMCO RealEstateRealReturn Strategy Fund
Credit Strategy	Equity-Related
PIMCO Investment Grade Corporate Bond Fund	PIMCO StocksPLUS® Fund
PIMCO Diversified Income Fund	PIMCO StocksPLUS® Total Return Fund
PIMCO High Yield Fund	PIMCO Fundamental IndexPLUS™ TR Fund
International Bond	PIMCO Small Cap StocksPLUS® TR Fund
PIMCO Global Bond Fund (U.S. Dollar-Hedged)	PIMCO International StocksPLUS® TR Strategy Fund (U.S. Dollar-Hedged)
PIMCO Foreign Bond Fund (U.S. Dollar-Hedged)	PIMCO International StocksPLUS® TR Strategy Fund (Unhedged)
PIMCO Foreign Bond Fund (Unhedged)	PIMCO StocksPLUS® TR Short Strategy Fund
PIMCO Emerging Markets Bond Fund	Asset Allocation
PIMCO Emerging Local Bond Fund	PIMCO All Asset Fund
PIMCO Developing Local Markets Fund	PIMCO All Asset All Authority Fund

Allianz Funds

Value	International
Allianz NFJ Large-Cap Value Fund	Allianz NACM Global Fund
Allianz OCC Value Fund	Allianz RCM Global Small-Cap Fund
Allianz NFJ Dividend Value Fund <i>(closed to new investors)</i>	Allianz NACM International Fund
Allianz OCC Renaissance Fund	Allianz NFJ International Value Fund
Allianz NFJ Mid-Cap Value Fund	Allianz RCM International Growth Equity Fund
Allianz NFJ All-Cap Value Fund	Allianz NACM Emerging Markets Opportunities Fund
Allianz NFJ Small-Cap Value Fund <i>(closed to new investors)</i>	Allianz NACM Pacific Rim Fund
Allianz OCC Small-Cap Value Fund	Sector-Related
Blend	Allianz RCM Technology Fund
Allianz OCC Core Equity Fund	Allianz RCM Global Resources Fund
Growth	Allianz RCM Healthcare Fund
Allianz CCM Capital Appreciation Fund	Allianz RCM Biotechnology Fund
Allianz CCM Focused Growth Fund	Income & Equity
Allianz RCM Large-Cap Growth Fund	Allianz OCC Equity Premium Strategy Fund
Allianz RCM Strategic Growth Fund	Allianz NACM Income & Growth Fund
Allianz OCC Growth Fund	Asset Allocation
Allianz NACM Growth Fund	Allianz Global Investors Multi-Style Fund
Allianz CCM Mid-Cap Fund	
Allianz RCM Mid-Cap Fund	
Allianz OCC Target Fund	
Allianz NACM Mid-Cap Growth Fund	
Allianz OCC Opportunity Fund	

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The 13 asset classes listed in the table involve contrasting risk factors. Cash-equivalent investments have fluctuated the least and have been relatively stable. Bond investments fluctuate in value in response to changes in interest rates, with lower-rated bonds possibly being speculative and involving higher risk of default. Non-U.S. securities markets involve possibly greater risk of political instability and greater currency risk in addition to having been more volatile. Commodities investments are speculative and involve special risks related to weather and international political and economic developments. Equity investments tend to be volatile and do not involve the guarantees associated with holding a bond to maturity.

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