

4Q

Allianz Global Investors Capital

International Growth

Fourth Quarter 2011 Commentary

Market Overview

The fourth quarter began with strong gains in October that were nearly offset during the last two months of the year. The capitulating market was largely tied to news flow as opposed to company-specific fundamentals, creating a difficult environment for long-term active managers to add value.

Investor attention focused on progress (or lack thereof) made in Europe to combat the sovereign debt crisis. The MSCI Emerging Markets Index posted gains above the developed market MSCI EAFE Index, which was dragged lower by Japan, Spain, and Italy. While Europe was on the brink of recession, U.S. corporate earnings continued to be quite strong and the economy showed signs of growth. Uncertainty has driven investors to seek safe harbor in assets such as cash and government bonds.

Portfolio Overview

The International Growth strategy outperformed the benchmark by 120 basis points (gross of fees), returning 4.6% while the MSCI EAFE Index returned 3.4%. Outperformance was attributable to superior stock selection and country allocation. Sector-based attribution reveals holdings in Industrials, Information Technology,

and Utilities added the most relative value. An underweight in the Utilities sector also contributed positively, as the sector was the weakest in the Index. Conversely, holdings in the Consumer Discretionary sector disappointed. Although the portfolio benefited from a sizable underweight in Financials, stock selection in the insurance and capital markets industries resulted in underperformance. Country-based attribution highlighted Japanese stocks as a source of strength due to adept stock-picking and an underweight in the country relative to the Index. The portfolio's Canadian Energy holdings also added value, as the price of oil escalated. Australian stock selections lagged, most notably Newcrest Mining. European (Germany, France) Financials holdings hurt performance.

Contributors

Imperial Oil Ltd.'s innovative technology enabling them to ship and sell heavy oil without an upgrader, combined with higher oil prices, led to outperformance.

Weir Group manufactures pumps for the mining oil and gas industries. The stock appreciated on increased demand for shale gas pressure pumping equipment.

Denmark-based pharmaceutical **Novo Nordisk** is benefitting from innovative new technologies in diabetes care business, as well as increased demand for their products.

Vodafone Group PLC reported improved revenue and growth in market share among the majority of its markets, including its expansions in the emerging markets. The British mobile phone company stands to benefit from an increase in mobile data traffic as customers migrate to smartphones.

Aggreko PLC provides temporary power services. The company raised its profit guidance, citing new order growth in the emerging markets and Japan.

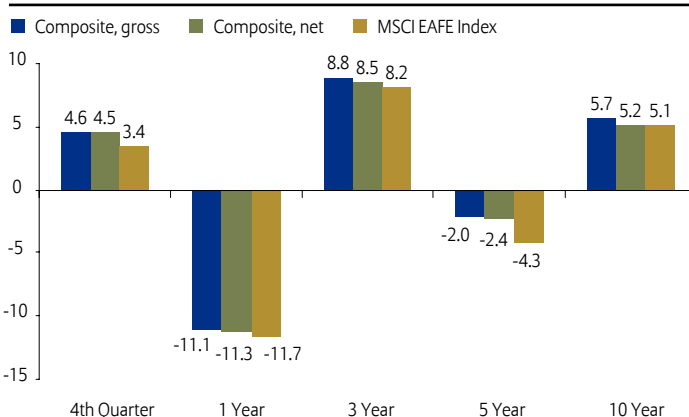
Detractors

Shares of auto insurer **Admiral Group PLC** slumped in November after management guided profits lower due to personal-injury claims.

Rinnai Corp. is a Japan-based company engaged in the manufacture and sale of energy-efficient heating appliances. The stock suffered a temporary pullback in the stock price; however, fundamentals remain intact. Rinnai's sales have been on the rise due to reconstruction efforts in Japan and trends toward more energy efficiency.

Five Largest Contributors	Avg Wgt (%)	Contrib. (bps)
Imperial Oil Ltd.	2.7	60
Weir Group	1.5	42
Novo Nordisk	2.9	40
Vodafone Group PLC	3.3	37
Aggreko PLC	1.6	36
Five Largest Detractors	Avg Wgt (%)	Contrib. (bps)
Admiral Group PLC	0.7	-43
Rinnai Corp.	1.2	-21
BNP Paribas	0.8	-17
Denso Corporation	0.9	-16
Aisin Seiki Co. Ltd.	0.9	-16

Performance (%)



All data as of December 31, 2011 unless otherwise noted. Composite inception date: March 1, 1996. Contributors and Detractors do not represent all of the securities purchased, sold or recommended for advisory clients during the stated measurement period. A list of all recommendations made, and every holding's contribution to the representative account's performance during the past 12 months is available upon request. Portfolio contributions are calculated by multiplying the portfolio weight by the rate of return during the measurement period. Performance of less than one year has not been annualized. Past performance is not indicative of future results. Source: Allianz Global Investors Capital.

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International Growth

Detractors (continued)

French bank **BNP Paribas** is a relatively new addition to the portfolio, having been purchased in October. The stock lagged as a result of continuing concerns regarding European sovereign debt.

Shares of **Denso Corporation**, a Toyota auto parts manufacturer, underperformed as a result of lower revenue guidance attributed to the rising yen.

Aisin Seiki Co. Ltd., a Japanese auto parts manufacturer, traded lower on a stronger yen and supply chain disruptions following flooding in Thailand.

Purchases and Sales

Intesa Sanpaolo SPA is the largest retail bank in Italy, and we believe the stock should outperform its European and domestic peers given its strong balance sheet and solid sustainable core profitability due to strong risk controls and cost cutting. If Italian bond yields were to tighten as a result of positive actions by European leaders and key decision-makers, ISP could be a prime beneficiary of an improved funding environment.

In Germany, we purchased **MAN SE** as we believe the stock's growth opportunity is mispriced as a result of the Euro crisis last year. MAN continues to benefit from strong demand in emerging markets and a U.S. economic recovery that gains momentum in 2012. Further, Volkswagen has clearly expressed its long-term intention of taking over MAN, which may provide downside protection.

Power Assets Holdings Ltd. is one of Hong Kong's two fully integrated power companies and sole supplier of electricity to Hong Kong island. Its earnings and cash flow are highly visible thanks to the Scheme of Control, which allows it to earn a guaranteed return on its investments. We believe the company is in an excellent position to take advantage of the global financial crisis to make accretive acquisitions overseas to enhance its growth profile.

We sold **GlaxoSmithKline PLC** based on our view that the stock's growth prospects had become fully valued following its strong performance.

We exited our position in **Admiral Group PLC** after the stock sold off due to a profit warning related to increasing claims cost last November.

Saipem SPA was sold due to our concern that the company's exposure to the Middle East will be a drag on future performance as geopolitical risks related to Iran intensify.

Outlook

In Europe, we are positioned to take advantage of a weaker euro by investing in European companies with significant exposure to U.S. dollar-denominated sales to North America and to major emerging markets. The most recent Euro summits in October and December generated some positive output that we expect will have longer-term positive significance for the future of the Eurozone; however, we are still not close to a final resolution to the crisis. Additionally, in November we saw coordinated action from several central banks including the Fed, the Bank of England, the Bank of Japan and the ECB to activate swap lines between themselves.

In December, the ECB began implementing a €489bn Long Term Refinancing Operation (LTRO) facility, designed to alleviate funding pressure on Eurozone banks. There is another LTRO facility scheduled for February. While far from being out of the woods, taken together these measures are moving policy in the right direction. We are beginning to reduce our underweight of European financials, and have established positions in Deutsche Bank, BNP Paribas, Intesa Sanpaolo, and Barclays. We remain overweight European exporters, particularly in the technology, luxury goods, and health care sectors. We believe that the sovereign debt issues from peripheral Europe will continue to restrain the macroeconomic recovery in Western Europe.

The Japanese economy will likely continue to face a tug of war between yen strength (as a result of uncertainties in the global economy) and higher public spending to support the post-tsunami recovery.

Despite the debt crisis in Europe, we continue to find attractive investment opportunities in Asia ex-Japan. We are starting to see encouraging, albeit early, signs of economic recovery in the United States. Asia ex-Japan enjoys strong economic fundamentals, with low leverage at both government and household levels. Inflationary worries have subsided further and most governments, China and India in particular, have the flexibility to loosen monetary policies if needed. The structural trends of urbanization and emerging middle classes are still intact. We continue to find attractive investments in high quality growth companies with strong business models.

Allianz Global Investors Capital ("AGIC") was formed from the combination of three affiliates: NFI Investment Group ("NFI"), Nicholas-Applegate ("NACM"), and Oppenheimer Capital ("OpCap"). In July 2010, all employees of NACM and OpCap became employees of AGIC, and the transition of management of client assets from NACM and OpCap to AGIC Capital was initiated. AGIC provides oversight with respect to the investment management services provided by NFI, as well as non-investment functions including marketing, operations, technology, legal/compliance, and client service. AGIC and NFI are SEC registered investment advisers.

AGIC claims compliance with the Global Investment Performance Standards (GIPS). AGIC is an SEC registered investment adviser that provides investment management and advisory services primarily to separate accounts of institutional clients, and registered and unregistered investment funds. For GIPS purposes, the Firm is defined and held out to the public as the investment management and advisory services provided by AGIC and its SEC registered investment adviser subsidiary NFI Investment Group LLC; excluding (i) administrative and/or sub adviser oversight services, and (ii) separately managed account (wrap) services. The firm's list of composite descriptions, as well as information regarding the firm's policies for valuing investments, calculating performance, and preparing compliant presentations, are available upon request by contacting (619) 687-2800.

Past performance is not indicative of future results. The strategy may not achieve its desired results. Gross returns do not give effect to investment advisory fees, which would reduce such returns. All returns presented are calculated using U.S. dollars unless otherwise noted. Advisory fees are deducted periodically from the account and have an impact on performance. As an example, the effect of investment advisory fees on the total value of a portfolio assuming (a) \$1,000,000 investment, (b) portfolio return of 5% per year, and (c) 1.00% annual investment advisory fee would be \$10,268.81 in the first year, \$56,741.68 over five years, and \$129,160.05 over ten years. Actual fees charged may vary by portfolio due to various conditions, including account size. Investment advisory fees are described further in Form ADV Part 2A Brochure. Where "net of fee" performance is indicated, actual fees charged were used for performance calculations.

The asset and industry reports contained herein are unaudited. The summation of dollar values and percentages reported may not equal the total values, due to rounding discrepancies. Portfolio characteristics are derived using currently available data from independent research resources that are believed to be accurate. Estimates (est.) are preliminary and unaudited. Unless otherwise noted, AGIC is the source of illustrations, performance data, and characteristics. Past recommendations are supplemental information, and supplement the composite performance presented herein.

Contributors and Detractors are the holdings or recommendations of a representative portfolio that had the greatest positive (and negative) impact on performance over the quarter, relative to the impact of that security to the performance of the indicated benchmark index. Purchases reflect the top three new positions during the period. Sales are based on position size at quarter-end compared to the prior quarter-end. To exclude rebalancing, only new additions to the portfolio and completely liquidated positions are considered. For a description of these inclusion methodologies, and a complete list of all representative buys and sells for the last 12 months, please contact AGIC at (619) 687-8000.

References to specific securities and their characteristics are examples of securities held in the portfolio and are not intended to be, and should not be interpreted as an offer, solicitation or recommendation to purchase or sell any financial instrument, an indication that the purchase of such securities was or will be profitable, or representative of the composition or performance of the portfolio. "Representative Holdings" are as of the date indicated and are subject to change without notice. Holdings are selected based on size of positions, from a representative account. Representative account characteristics and partial lists of past recommendations do not reflect composite performance, which may be different. Additional information regarding account characteristics, and a complete list of all representative buys and sells for the last 12 months is available upon request. Portfolio and benchmark characteristics for this strategy are provided by FactSet, and calculated according to FactSet methodology.

Unless otherwise noted, equity index performance is calculated with gross dividends reinvested and estimated tax withheld, and bond index performance includes all payments to bondholders, if any. Indexes are referred to for comparative purposes only and are not intended to parallel the risk or investment style of the portfolios in the Composite. Indexes do not utilize leverage. Index calculations do not reflect fees, brokerage commissions or other expenses of investing. Investors may not make direct investments into any index. Index data contained herein (and all trademarks related thereto) are owned by the indicated index provider, and may not be redistributed. The information herein has not been approved by the index provider.

Currency conversions are provided by Russell Performance Universe and are based on monthly linked performance converted from U.S. dollar. Exchange rates are provided by the Federal Reserve Statistical Release as of month end. The International Growth Composite ("Composite") consists of accounts that invest primarily in growth equities of non-U.S. companies within the market capitalization range of the MSCI EAFE Index, with emerging countries exposure typically between 0% and 20%. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada.

Investment Risks: Small- and mid-cap stocks may be subject to a higher degree of risk than more established companies' securities. The illiquidity of the markets for these stocks may adversely affect the value of these investments. Investments in overseas markets may pose special risks, including currency fluctuation and political risks, and the portfolio is expected to be more volatile than a U.S.-only portfolio. These risks are generally intensified for investments in emerging markets.