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Equilibrium Fund Review Factsheet

Allianz RCM Bric Stars

July 08th 2010

Fund Structure	
UK Authorised OEIC	
Annual Charge	**Initial Charge**
Standard 1.75% We pay 1% Additional expenses 0.20%	Standard 4% We pay 0%
Fund Objectives/Investment Remit	
To achieve capital growth in the long term by investing mainly in the equity markets of Brazil, Russia, India and China. Up to one third of the Fund's assets may be invested outside the BRIC countries including developed economies and/or other emerging markets.	
Fund Manager Details (name, experience, tenure, track record etc)	
Michael Konstantinov started his career in Corporate Finance at Dresdner Bank in 1991. After an investment banking trainee program he joined RCM in 1994 as portfolio manager for European equities, with emphasis on Spain and Eastern Europe. Since 1998 he has been head of the Global Emerging Markets Equities Team. Michael holds a Master's degree in Economics from the University of Frankfurt, Germany, and the Eastern Illinois University, USA. Michael has managed the Allianz RCM BRIC Stars Fund since February 2006.	
Fund Process and Style	
Allianz Global Investors believe that globally integrated proprietary fundamental research enables their managers to select the best investment opportunities in each country. Consequently, the fund manager works closely with the group's offices in Latin America, Moscow and Shanghai; there are local joint ventures in the latter two. He also liaises with the group's India specialist. The manager is able to draw on the group's additional resources in the form of its Global Research Platform analysts, Grassroots Reporters and Macroeconomic Research department. The fund manager is well connected to the four countries, with Allianz group's offices physically in three of the four countries being researched and invested. The investment process combines top-down analysis and bottom-up research with an emphasis on the latter. The process comprises three steps: systematic country allocation, which entails scoring the individual countries and benchmark optimisation, fundamental research, and stock selection. The country scoring model analyses input from investment banks on macro and market data, seeking to identify the market environment and any trends. Benchmark optimisation seeks to exploit the mean reversion effect between markets with the aim of maximising returns and minimising volatility. At the stock level, the investment universe comprises of over 500 stocks and the manager seeks to invest in companies with market caps over US$500 million with daily turnover of over US$500,000. Risk is reduced by only investing in companies above a certain size. He will examine companies' competitive position, franchise, management quality, earnings prospects and valuation. In general, the team is quite flexible in terms of what they are looking for in a stock e.g. it can be a case of valuations, a restructuring or special situations story, earnings growth more than the market consensus or theme driven. However, ideally, the preference is for companies with good earnings growth potential trading on attractive valuations. This is a bottom up stock picking approach that heavily relies on the research process of the companies.	

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Fund Process and Style (continued)

The portfolio will typically have 60-80 holdings. For the mega cap index stocks the manager can overweight each stock by 2% but for the rest of the portfolio, individual stock weights will be equal weighted and each can go up to 2%. Investments can include companies listed in other exchanges (as long as the principal business is BRIC related) and consequently off-index exposure can go up to 30%. The fund rebalances country weights on an annual basis, as does the index, and the manager will take country positions above or under these weights. Cash will not exceed 5% of assets and the tracking error will typically be 7%-9%.

The benchmark comprises of 25% MSCI Brazil, 25% MSCI Russia, 25% MSCI India and 25% MSCI China. A third of the performance is expected to come from country allocation with the remainder from stock selection.

Since this is a very focused fund, as it primarily invests in the four BRIC countries, it will be more volatile compared to the other funds within the Global Speculative portfolio. It should outperform significantly in rising markets, but is likely to underperform in falling markets.

Performance & Risk Analysis

Long term performance of the fund has been good compared to the Global Emerging Market sector since launch shown in the chart below:

The fund has delivered 62.39% since launch, compared to the GEM sector at 42.63% This shows the fund is consistent in delivering returns above this sector average in the long term. It's ranked top quartile over three years.

Focusing on the short term performance, over the past year the fund has outperformed the Global Emerging Markets sector delivering 36.15% compared to 31.04%, see chart below.

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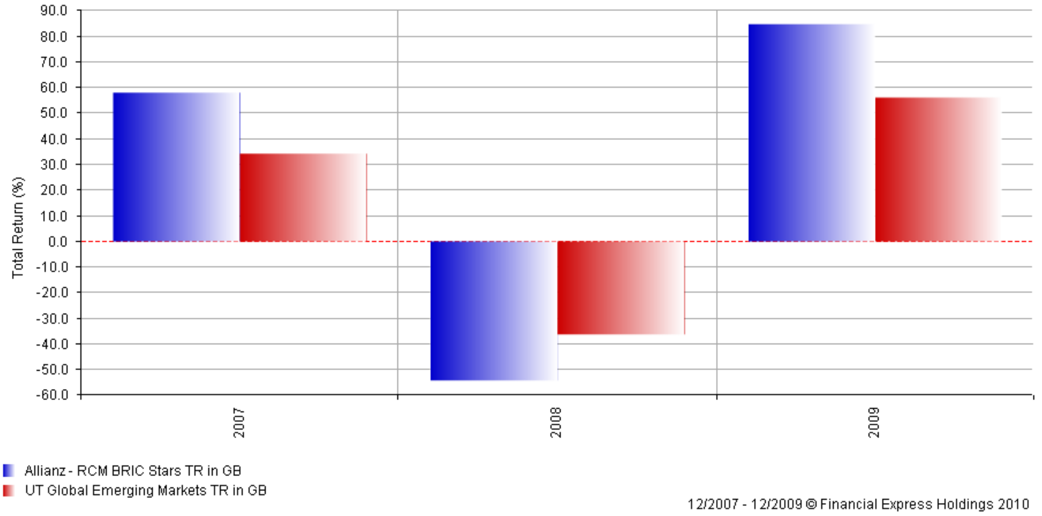
Performance & Risk Analysis (continued)

The fund has continued to perform well since March. The BRIC countries have performed excellently since last year. This is a positive sign and gives a better reason to hold on to the fund if performance continues to pick up in these markets.

It has outperformed the sector average two out of three discrete years since launch, see graph below.



This graph backs up our view that this fund should significantly over perform in rising markets and can significantly underperform in falling markets.

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Performance & Risk Analysis (continued)
The fund remains very volatile compared to the global emerging markets sector. Over three years volatility was 39.4 compared to 32.2. The reasons would be because of their overweight position in Russia which has been very volatile, but this is to be expected due to it only investing in the four countries. 3 year Beta: 0.98 - almost perfectly correlated with funds benchmark (25% in each country). 3 year Alpha: 2.32 - this has added some value from their stock picking skills. The Allianz RCM BRIC fund blends in well into our global speculative portfolio. It offsets the other two funds in the portfolio, being more focused since it only invests in four emerging market economies. Being solely in these four economies alone as a fund will add more risk to the portfolio but would potentially see higher short term returns, but also see periods of underperformance when markets are in falling as they are currently.
Performance since last review: Date: 11 March 2010 Performance: -9.75% (sector -5.66%) Status: Good
Approved? Yes
Ideal fund? Yes
Reason for Approval
The fund compliments the global speculative portfolio with its focused approach and its ability to outperform in rising markets. If more difficult markets are projected then at some point in future we may look to switch to a more diverse fund.
Category
Speculative Focused