

Allianz Global Investors Capital

NFJ Investment Group on Value Investing The Importance of Dividends

Thomas W. Oliver, CFA, CPA
Senior Vice President and Portfolio Manager
NFJ Investment Group

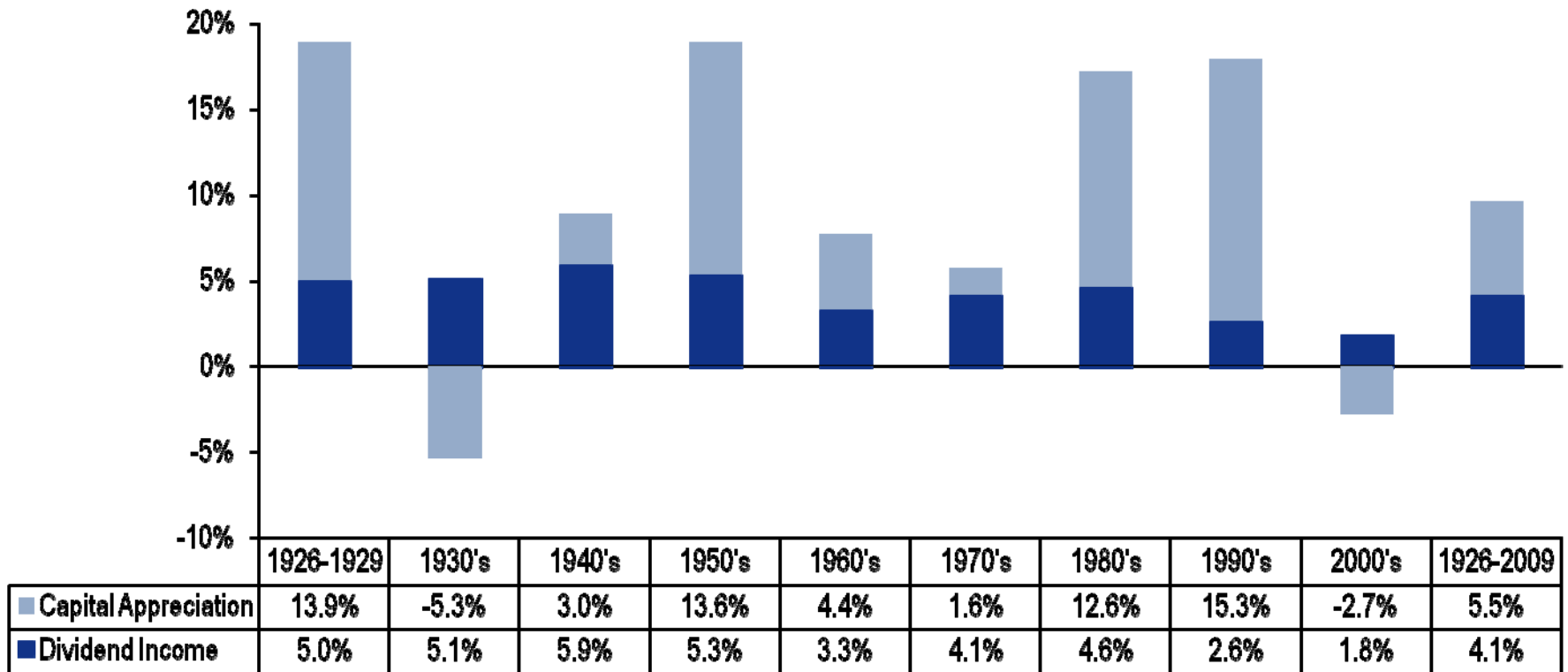
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Are Dividends Important?

- Large portion of equity market total return over the last 84 years
- Favorable risk/return profile
- Align shareholders and management

Dividend Return by Decade

Capital Appreciation and Dividend Yield Returns by Decade: S&P 500

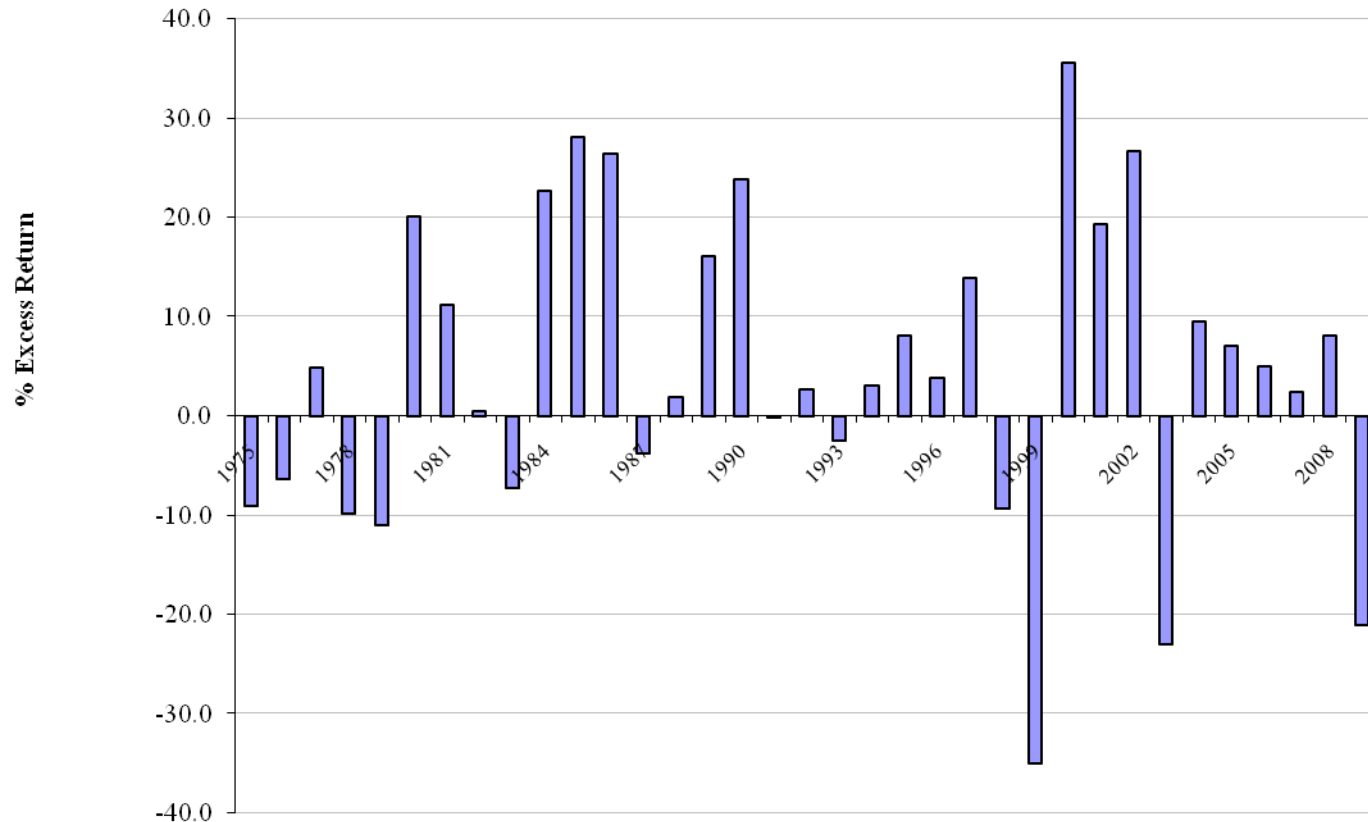


Source: Credit Suisse.

The Standard & Poor's 500 Composite Index (S&P 500) is an unmanaged index that is generally representative of the U.S. stock market. Unless otherwise noted, index returns reflect the reinvestment of income dividends and capital gains, if any, but do not reflect fees, brokerage commissions or other expenses of investing. It is not possible to invest directly in an index.

Consistency of Returns

Excess Return of S&P Dividend Payers vs. Non-Payers



Outperformed 24 of 37 years or 65% of the time

Source: Ned Davis Research, Annual Data 1973-2009.

Past performance is no guarantee of future results. There is no guarantee that these investment strategies will work under all market conditions and each investor should evaluate their ability to invest for a long-term especially during periods of downturn in the market.

Impact of Reinvested Dividends

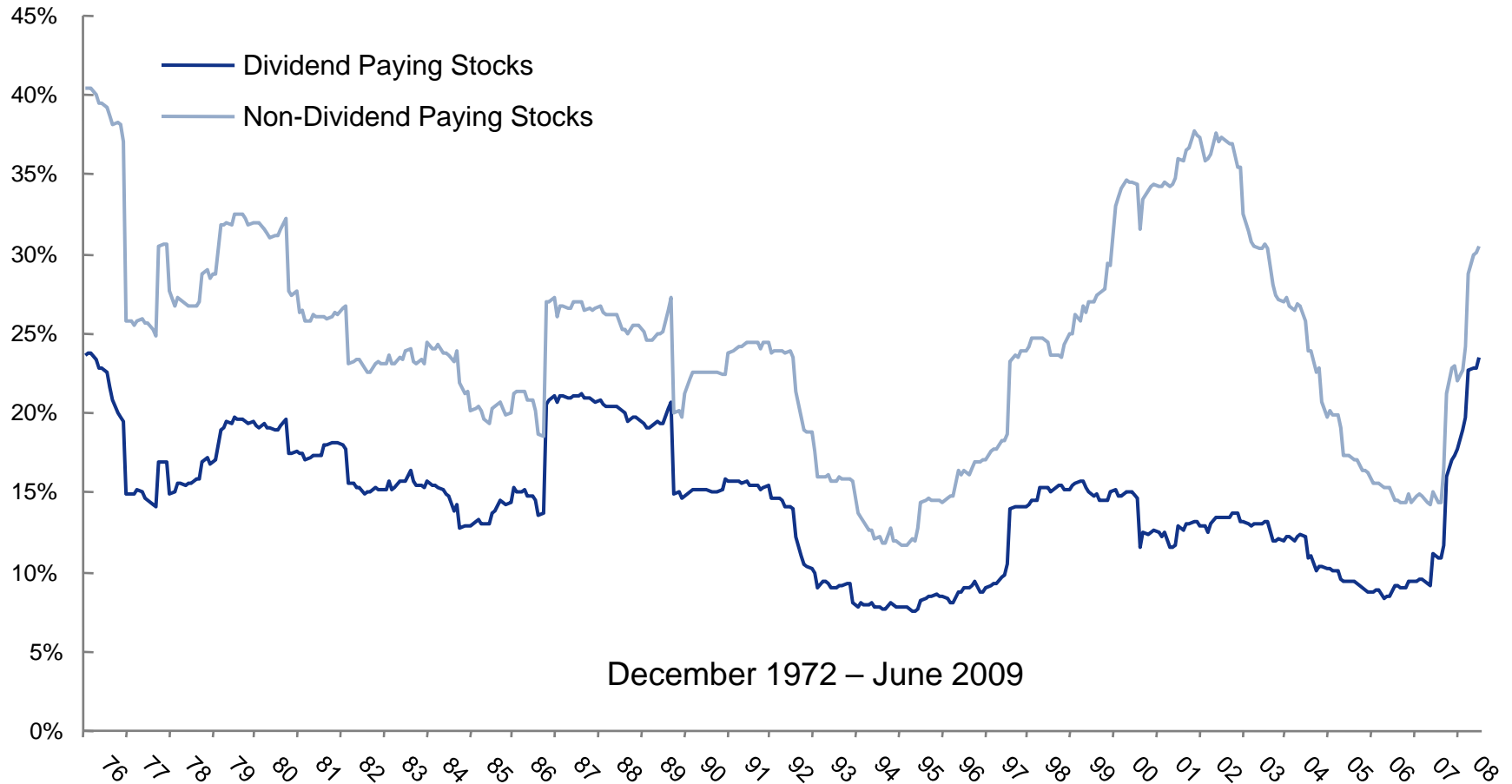
	Dividend-Paying S&P 500 Stocks	S&P 500 Stocks	Non-Dividend-Paying S&P 500 Stocks
Average Gain/Year	8.1%	6.6%	1.0%
Average Gain/Year in Bear Markets	-5.5%	-8.3%	-18.8%
Value of \$1 invested in 1972	\$18.78	\$10.94	\$1.45
Standard Deviation	25.1%	26.9%	36.8%

Source: Ned Davis Research, Monthly Data 1972-2009.

Past performance is no guarantee of future results. There is no guarantee that these investment strategies will work under all market conditions and each investor should evaluate their ability to invest for a long-term especially during periods of downturn in the market. Standard deviation is an absolute measure of volatility measuring dispersion about an average which, for an index, depicts how widely the returns varied over a certain period of time. The greater the degree of dispersion, the greater the risk.

Low Volatility of Dividends

36-Month Trailing Annualized Standard Deviation

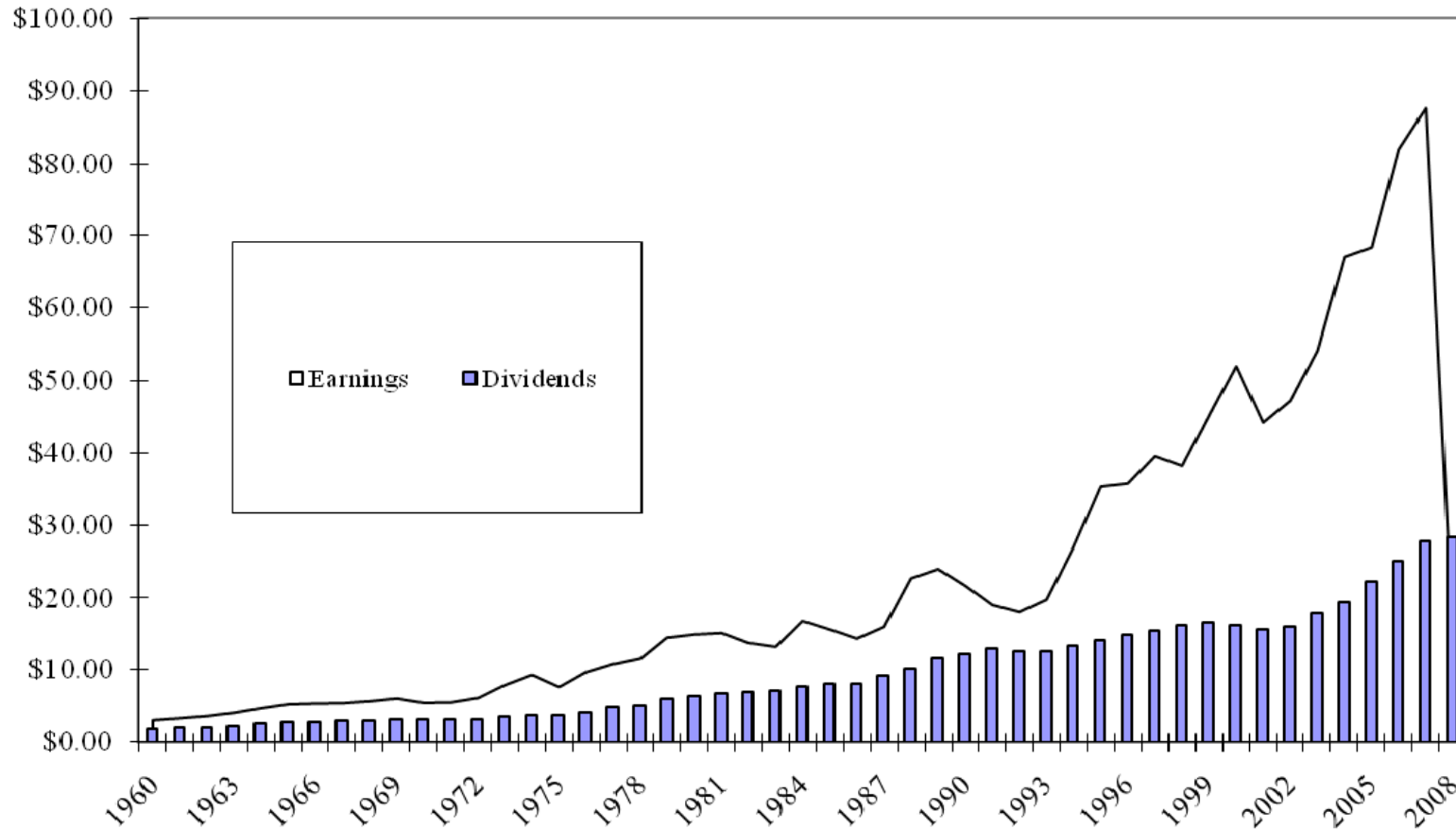


Source: Ford Equity Research and NFJ Research.

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Consistency of Dividends

S&P 500 Earnings & Dividends



Source: NFJ Research.

Standard & Poor's, 1960-2008

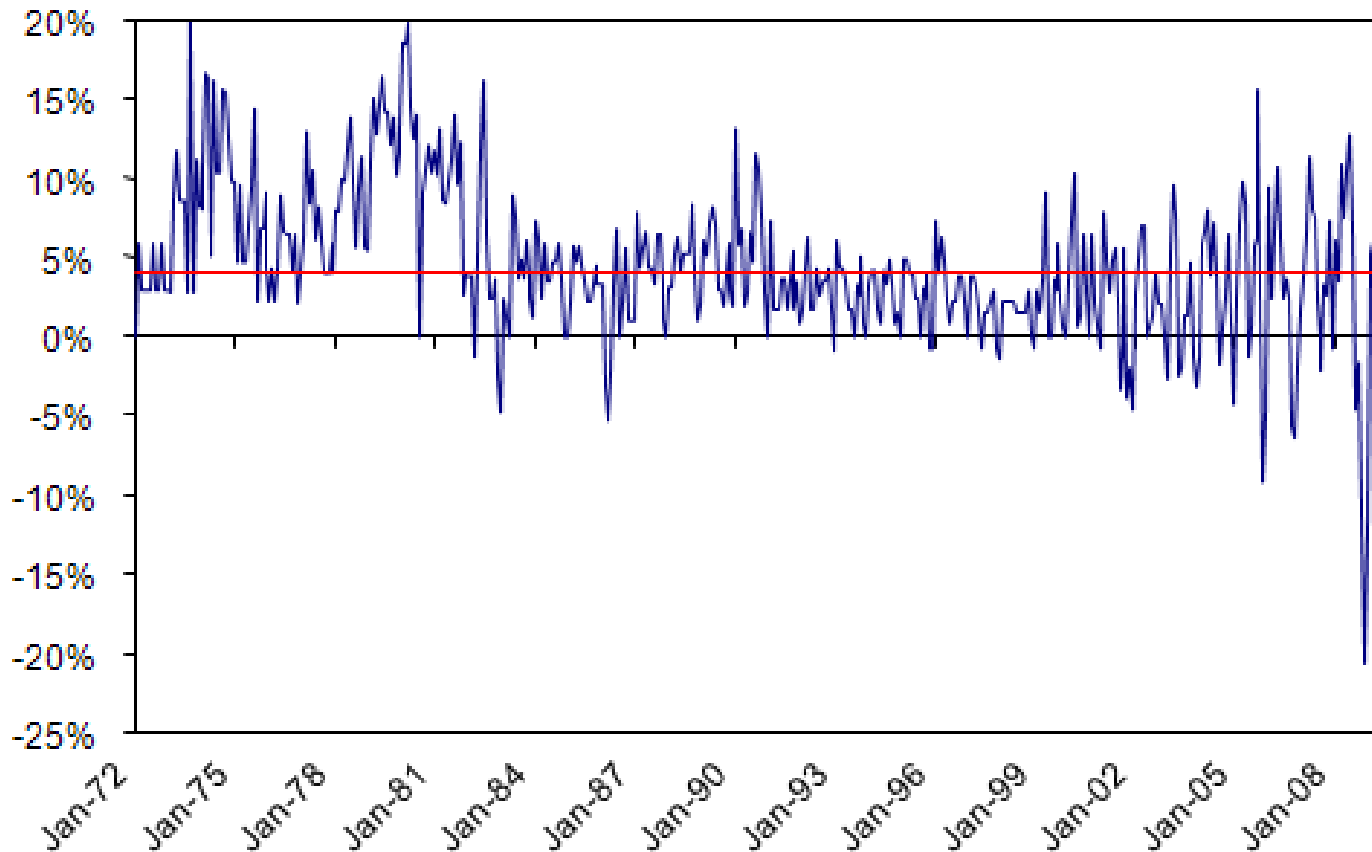
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Secular Demand for Dividends

- Many Baby Boomers hunt for yield
- Less volatility/more defensive
- Dividends are perceived as a measure of quality
- S&P dividend yield near deepest discount to treasuries in history

Dividends and Inflation

CPI-U (month over month, annualized)

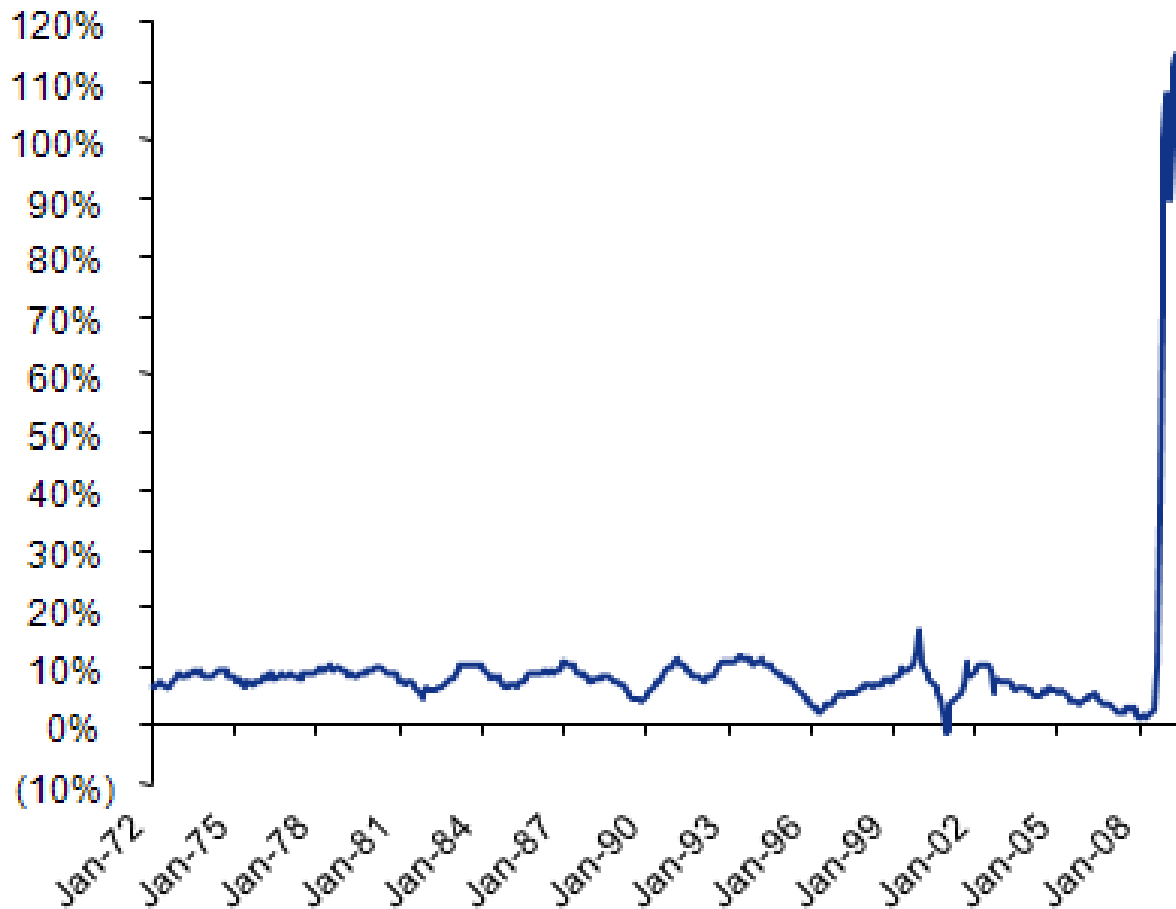


Source: NFJ Research.

The Consumer Price Index (CPI) is an unmanaged index representing the rate of inflation in U.S. consumer prices as determined by the U.S. Department of Labor Statistics. There can be no guarantee that the CPI or other indexes will reflect the exact level of inflation at any given time.

Dividends and Inflation

Monetary Base Growth (year over year)

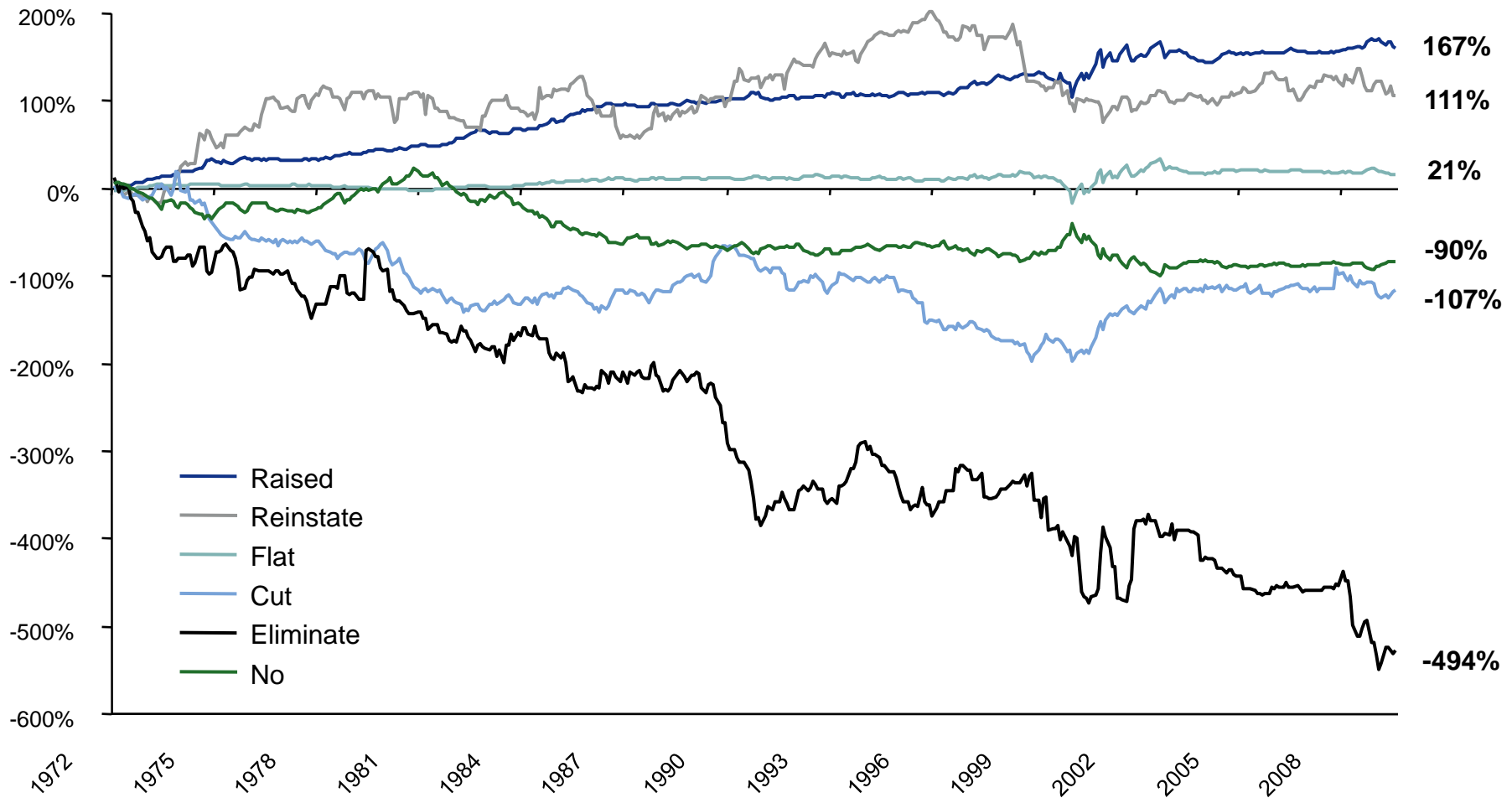


Source: NFJ Research.

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Dividends and Inflation

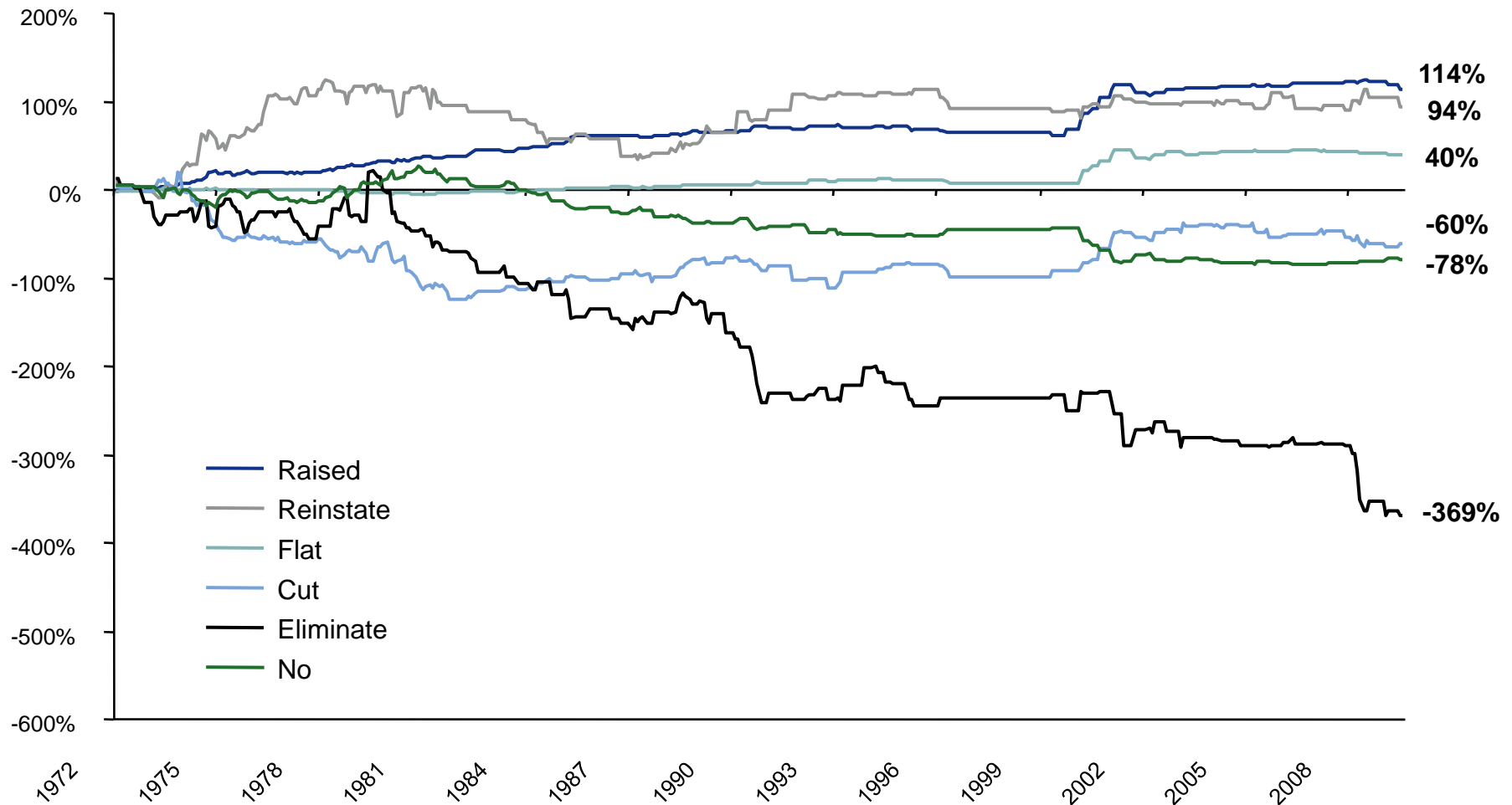
All Months – 1972 to July 31, 2009



Source: NFJ Research, Empirical Research Partners Research.

Dividends and Inflation

Only Periods with CPI less than 4%



Source: NFJ Research, Empirical Research Partners Research

Why Dividends?

- Dividends have been a large part of equity market total return
- There are historical precedents for dividend outperformance
- Dividend-paying stocks have historically held up in down markets
- Dividend-paying companies have lower variability of returns than non-dividend paying companies

There is no guarantee that dividend-paying stocks will continue to pay dividends.

Why Dividends?

- Dividends tend to be a measure of quality
 - They represent a conservative estimate of what cash flow is sustainable
 - When earnings are unreliable, look to the dividend
- Dividends align the interest of management with shareholders
- There is currently an element of scarcity with dividend paying companies (especially Small-Cap)
- Dividend stocks can benefit from the aging population demographic

“There is no investment potion for this new environment other than steady income-producing bond and equity investments in companies with strong balance sheets and high dividend yields.”

Bill Gross, *Investment Outlook*, August 2009