

15 July 2010

LONDON

Andreas Utermann, Global CIO at RCM, a company of Allianz Global Investors comments:

“At present the market fears a double dip recession and the associated risk of deflation. We continue to believe that the second half of 2010 will be quite difficult in terms of macroeconomic news. Expectations in 2009 and the early part of 2010 had run ahead of themselves both in terms of earnings and growth expectations. More importantly, the comparables will be more difficult, given that the strong recovery from the macroeconomic environment of 2008 and early 2009 is now wearing off. It is essential we return to a more normal growth path.

“There is however considerable uncertainty as to what that growth path will look like. Is it going to be a more traditional recovery, will it be an anaemic recovery in the West and a continued strong recovery in the emerging markets, or are we going to see a double dip led by the United States and Europe?

“We believe that risk appetite is likely to rise again shortly given the meagre returns that are available on risk-free assets or what are considered ‘risk-free’ at the moment. As a result of this, the market will recover and risk appetite will increase until such a time that asset prices have risen sufficiently for the market to start being concerned about inflation. The market will then become worried about potential increases in interest rates which will lead to a reversal of the risk trade and we will probably return to the fear of a double dip recession again by the close of the year. While this doesn’t sound very rational, that’s the market psychology in play at the moment.

“Concerns about sovereign debt will remain, particularly in Europe and will continue to rattle markets. It remains our view that an outright default by Greece or any of the other Southern European countries, is very unlikely. However it is possible, even probable, that we will see some form of debt restructuring in Greece once it is clear that the deficit reduction measures that Greece has put in place are more or less working.

“Earnings growth in the second half of 2010 is likely to disappoint slightly, feeding concerns about the double dip recession. In our view, this will definitely provide a buying opportunity for equities.

“Finally, we see the recent developments around the renminbi as very positive and a pre-condition for the reduction of global imbalances – trade deficits in the West and trade surpluses in the East. These imbalances were one of the major causes for the low interest rates of the late 1990s and early 2000s which led to excess borrowing and ultimately to the financial crisis”.

- Ends -

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Photographs

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Awards

- RCM Highly Commended for Equities Manager of the Year, at the European Pensions awards 2010.
- RCM named winner of Active North American Equity at Pensions & Investment Provider awards 2009. RCM US Large Cap Select Growth is managed by Scott Migliori, CIO for US Equities, RCM.
- RCM named No.1 leading fund management firm for SRI Research by Thomson Reuters Extel 2009.
- Global CIO of RCM, Andreas Utermann, named CIO of the Year by Funds Europe magazine 2008.
- Winner of European Investment Trust of the Year by Investment Week magazine, 2008, for the RCM-managed Charter European Trust.
- Allianz RCM Global EcoTrends Fund named winner Best Climate Change Investment fund 2008, by Holden & Partners/ Incisive Media.

About RCM (all data source RCM as at 31/03/10)

RCM is a global asset management company providing active investment strategies. The firm operates from six offices—San Francisco, London, Frankfurt, Hong Kong, Tokyo and Sydney—with assets under management of over \$146 billion worldwide. At RCM we believe that by generating and exploiting an information advantage, we will be able to deliver superior and consistent investment results for the benefit of our clients—a philosophy we call RCM informed. RCM is a company of Allianz Global Investors, a pre-eminent global asset management group committed to helping clients achieve sustainable success. As a company of Allianz Global Investors, RCM offers a distinctive investment philosophy and culture, while benefiting from the scale and substantial resources of our parent; including business support, industry best-practices and financial investment.

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