

For Immediate Release

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HIGH YIELD INVESTING—IT IS DIFFERENT THIS TIME!

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It is no secret that high yield corporate bonds currently provide investors with unprecedented opportunities. High yield bonds, also known as junk bonds or below investment grade issues, carry credit ratings of Ba1/ BB+ or lower from bond rating agencies, Moody's and S&P, respectively. Relative to Treasury issues, the yields on below investment grade bonds are at historic highs. Although spreads on the bonds have approached nearly double prior-cycle peaks, the default rate on high yield issues is in the single digits, indicating high yield bonds have been oversold.

But, is the reward potential for high yield bonds worth the risk?

“At these prices, it is difficult to identify an asset class with a more attractive risk/reward profile than high yield bonds,” stated Douglas G. Forsyth, CFA, Managing Director and Portfolio Manager for the Nicholas-Applegate Capital Management high yield strategy since its inception in 1994.

Although defaults are likely to rise due to the current economic crisis, they are unlikely to reach past recessionary cycle highs because of fundamental changes in the high yield market, according to Nicholas-Applegate analysis. Mr. Forsyth points to several reassuring differences in the high yield market today compared to market characteristics of ten years ago:

■ **Industry concentration**

The high yield index is broadly diversified with few industries representing more than 10% of the benchmark. This is in contrast to a 42% concentration among technology, media and telecommunications companies a decade ago.

■ **Stronger balance sheets**

Due to refinancings over the past several years, U.S. companies in general have lower debt-to-capital ratios, enhanced interest coverage and extended maturities.

■ **Record low prices relative to recovery rates**

The average bond price was 57% of par as of year end 2008 versus 75% of par during the last economic downturn. Bonds that are likely to default are trading at or below their recovery levels.

The Nicholas-Applegate high yield team maintains a discipline of identifying superior credits that position the portfolio to both protect on the downside and participate on the upside. The high yield

strategy has generated strong performance relative to its benchmark for periods ending December 31, 2008 and has added value in both up and down market cycles.

For a copy of our presentation on the dynamics of the high yield market, "The Case for High Yield," please contact susan.hunter@nacm.com

Nicholas-Applegate Capital Management, a subsidiary of Allianz Global Investors, is a diversified investment manager capitalizing on change. Founded in 1984, the firm creates innovative, disciplined investment solutions for institutional clients worldwide.

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High yield bonds are either rated in the lowest category of investment grade or below-investment-grade. Below-investment-grade bonds have a higher default risk than investment grade bonds, are generally uncollateralized and subordinated to other outstanding debt of the issuer, and are considered predominantly speculative.

Nicholas-Applegate Capital Management ("Nicholas-Applegate") claims compliance with the Global Investment Performance Standards (GIPS). Nicholas-Applegate is an investment advisory firm registered with the Securities and Exchange Commission. A complete list and description of the Firm's composites and presentations are available upon request by contacting (619) 687-2800, or writing Nicholas-Applegate Capital Management, 600 W. Broadway, 29th Floor, San Diego, CA 92101, Attn: Performance Measurement Manager.

Annualized performance net of fees for the US High Yield composite for the one-, three-, five-year and inception-to-date periods ending December 31, 2008 is: -20.0%, -3.0%, 0.4%, and 6.7%. Annualized performance for the strategy's relevant benchmark, the Merrill Lynch High Yield Master II Index, for the one-, three-, five- year and inception-to-date periods ending December 31, 2008 is: -26.4%, -5.6%, -0.9%, and 4.6%.

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 Part II of Form ADV. Where "net of fee"

performance is indicated, actual fees charged were used for performance calculations, unless otherwise indicated.

The US High Yield Composite consists of accounts that invest primarily in below investment grade corporate securities as rated by Standard & Poor's or Moody's credit rating services. The Merrill Lynch High Yield Master II index represents a broad set of High Yield issues. The Merrill Lynch High Yield Master II Index captures the performance of below investment-grade debt issued by corporations domiciled in the United States or Canada. Indexes may not represent the investment style of any Nicholas-Applegate strategy. Index calculations do not reflect fees, brokerage commissions or other expenses of investing. Investors may not make direct investments into any index. Bond index performance includes all payments to bondholders, if any.