

# Allianz RCM BRIC Stars Fund

Final Short Form Report for the year ended 30th April 2011

## Fund Information

|                                  |  |               |
|----------------------------------|--|---------------|
| <b>Fund manager</b>              | Michael Konstantinov   |               |
| <b>Launch date</b>               | 25th March 2004 <sup>1</sup>   |               |
| <b>Fund benchmark</b>            | 25% MSCI Brazil,<br>25% MSCI Russia,<br>25% MSCI India and<br>25% MSCI China<br>(total return net)<br>rebasings annually<br>to 1st January |               |
| <b>Annual charge</b>             | 1.75%  |               |
|                                  | <b>ISA</b>   | <b>Direct</b> |
| <b>Initial charge</b>            | 3%   | 4%            |
| <b>Minimum investment</b>        | £1,000   | £500          |
| <b>Additional investment</b>     | £1,000   | £500          |
| <b>Regular savings plan</b>      | £200   | £50           |
| <b>Ex dividend dates</b>         | 1st May  |               |
| <b>Payment dates</b>             | 30th June  |               |
| <b>Share classes &amp; types</b> | A (Accumulation)<br>C (Accumulation)   |               |

<sup>1</sup> This relates to the 'C' share class. The 'A' share class launched on 22nd February 2006.

Please note: The information shown above is for the 'A' share class of the Fund.

## Total Expense Ratio

|                        |       |
|------------------------|-------|
| <b>30th April 2011</b> |       |
| 'A' Shares             | 1.94% |
| 'C' Shares             | 1.19% |

Total Expense Ratio represents all operating charges and expenses as a percentage of a Fund's net asset value. It includes the annual ACD fee as well as all the administrative expenses incurred by the Fund.

Dear Investor,

The report below, as prescribed by the Financial Services Authority (FSA), aims to provide clear and concise information enabling you to make an informed judgement on your investment, during the period covered. We continually strive to enhance the information we send to you and we would welcome any comments you may have. A long form version of the report and accounts can still be viewed at [www.allianzglobalinvestors.co.uk](http://www.allianzglobalinvestors.co.uk). Alternatively, call our Investor Services team on 0800 317 573 to request a copy. Thank you for your continued investment with Allianz Global Investors.

### Investment Objective & Policy

The Fund aims to achieve capital growth in the long term by investing mainly in the equity markets of Brazil, Russia, India and China.

The ACD will invest at least two thirds of the Fund's assets in equities and securities equivalent to equities (e.g. American Depositary Receipts, Global Depositary Receipts) issued by companies that have their registered office in the Federal Republic of Brazil, the Russian Federation, the Republic of India or the People's Republic of China ("BRIC countries"), or which generate a significant proportion of their sales and/or earnings in BRIC countries. The following may also be acquired and counted towards the two third limit; warrants, index certificates, certificates on adequately diversified equity baskets that apply to at least 10 equities and other transferable securities. Up to one third of the Fund's assets may

be invested outside the BRIC countries including developed economies and/or other emerging markets.

The ACD may also utilise deposits in the management of the portfolio. The Fund may also invest in collective investment schemes. Money market instruments may be acquired and their value, together with money market funds, may make up to a maximum of 20% of the the Fund's assets. Subject to any constraints imposed by the regulations of the Financial Services Authority, exceeding the above limits or failing to reach them is permitted if the overall market risk remains within the limits set out above.

### Risk Profile

**Equity Risk:** Equities are generally more risky than fixed interest securities. Considerable fluctuations in equity prices may mean that you do not get all your money back.

**Exchange Rates:** Exchange rate movements may cause the value of any overseas investments, and any revenue from them, to go up or down.

**Concentrated Portfolio:** Lower diversification and active stock selection may give rise to more risk and substantially increase the risk of loss.

**Smaller Companies:** Smaller companies may be riskier and less liquid than larger companies, which means that their share price may be more volatile.

**Emerging Markets and Liquidity:** Emerging markets tend to be more volatile than more established stock markets and therefore your money is at greater risk. Other risk factors such as political and economic conditions should also be considered. Restrictive dealing, custody and settlement practices may be prevalent. A counterparty may not pay or deliver on time or as expected. As a result, settlement may be delayed and the cash or securities could be disadvantaged. Securities of many companies in emerging markets are less

liquid and their prices more volatile than securities of comparable companies in more sizeable markets.

#### Investment Review

**Performance Summary:** Over the year under review, from 1st May 2010 to 30th April 2011, the Funds 'A' class shares produced a total return of 3.14%, the 'C' class returned 3.91%. The Fund's benchmark, a customised BRIC Index consisting of 25% MSCI Brazil, 25% MSCI Russia, 25% MSCI India and 25% MSCI China, produced a total return of 5.19% over the period.\*

**Market Background:** The last few weeks have seen BRIC markets correcting on the back of ongoing inflation concerns and fears of further fiscal and monetary tightening. Despite the correction, the earnings growth for the BRIC equity markets remains strong with approximately 25% EPS growth for 2011. Hence, the market set back has increased the valuation discount to the 5 year average. We expect inflationary pressures to subside towards the middle of 2011 which should provide substantial support for BRIC equity prices. Russia outperformed during the

reporting period as it profited mainly from the strong increase in oil prices.

**Portfolio Review:** We positioned the Fund with an underweight in India and an overweight in Russia. That was on the back of high valuations in India and rising inflationary fears in 4Q 2010. On the other hand the increased outlook for global economic growth lead us to expect a higher oil price, which we translated into a significant overweight in Russia and Energy in 4Q 2010. After a strong rally, especially in the Russian oil names, we have trimmed the positions more recently and added to interesting stock ideas in the Chinese internet space.

**Outlook:** Our long-term outlook on the BRIC markets remains positive. The BRIC economies are continuing their growth path despite the turbulence in the developed world. The most important growth driver for all the BRICs is domestic demand. We believe that this decade is going to be the decade of the BRIC consumer and the global economic balance will shift towards Emerging Markets and especially the BRIC countries.

\* Source: Allianz Global Investors/Datastream. Fund performance based on end of day prices, net of fees and expenses, with net revenue re-invested in Sterling. Benchmark performance based on end of day prices.

## Performance Record

|            |                   | Highest Price (p) | Lowest Price (p) |
|------------|-------------------|-------------------|------------------|
| 'A' Shares | 2006 <sup>1</sup> | 125.9             | 83.4             |
|            | 2007              | 199.0             | 119.6            |
|            | 2008              | 202.7             | 72.9             |
|            | 2009              | 168.2             | 80.6             |
|            | 2010              | 190.1             | 155.3            |
|            | 2011 <sup>2</sup> | 194.0             | 174.5            |
| 'C' Shares | 2006              | 126.5             | 83.6             |
|            | 2007              | 200.9             | 120.1            |
|            | 2008              | 204.8             | 74.0             |
|            | 2009              | 172.4             | 82.1             |
|            | 2010              | 196.4             | 159.3            |
|            | 2011 <sup>2</sup> | 200.8             | 180.4            |

<sup>1</sup> For the period 22nd February 2006 to 31st December 2006

<sup>2</sup> For the period to 30th April 2011

## Summary of Fund Performance

| Share class | Net Asset Value          |                          | Net Asset Value per share |                        | Change % |
|-------------|--------------------------|--------------------------|---------------------------|------------------------|----------|
|             | 30th April 2011<br>£000s | 30th April 2010<br>£000s | 30th April 2011<br>(p)    | 30th April 2010<br>(p) |          |
| 'A' Shares  | 760,736                  | 730,730                  | 183.4                     | 177.9                  | 3.1      |
| 'C' Shares  | 141,760                  | 115,510                  | 191.3                     | 183.9                  | 4.0      |

## Summary of Distribution

| Share class | Payment date   | Net distribution per share (p) |
|-------------|----------------|--------------------------------|
| 'A' Shares  | 30th June 2011 | 0.0000                         |
| 'C' Shares  | 30th June 2011 | 0.7424                         |

Please note: Investors are reminded that the Fund distributes annually.

We believe that in China, given the current policy stance and economic conditions, its policymakers will still watch the inflationary development closely. However, we anticipate that inflationary pressure will subside towards the middle of 2011. We expect Brazil to return to its sustainable growth path of 4.5% in 2011 on the back of strong consumption and investment growth. In Russia, we see rising public investments and a significant rebound in the GDP growth resulting from higher oil prices. The ongoing regulatory reforms in major sectors should offer more transparency and long-term growth opportunities. India's GDP is expected to grow by 8.2% in 2011.

The main driver remains acceleration in domestic demand, especially consumption and infrastructure led investment. Long term growth will be driven by reforms in infrastructure, fiscal, and financial sectors. A potential risk factor for the Indian market remains inflation. Inflation is mainly food price driven and we expect it to subside also in India towards the middle of 2011. This should bring investors' interest back towards the superior earnings growth in BRIC.

27th May 2011

The contents of this Investment Review are based on the views of the manager at the time of writing, which may be subject to change.

## Classification of Investments

| Ten Largest Holdings as at 30th April 2011                     | (%)          |
|--|--------------|
| Gazprom ADR<br>(Representing 4 ordinary shares)                | 8.95         |
| Petroleo Brasileiro Petrobras Sponsored ADR                    | 4.96         |
| Cia Vale Rio Doce ADR  | 4.32         |
| Sberbank of Russia   | 3.88         |
| Industry & Commerce Bank                                       | 3.05         |
| Banco Itau Financeira ADR<br>(Representing 50 ordinary shares) | 2.46         |
| Infosys Technologies   | 2.41         |
| Reliance Industries  | 2.37         |
| Banco Bradesco Sponsored ADR                                   | 2.26         |
| AIA  | 2.25         |
| <b>Total</b>   | <b>36.91</b> |

| Geographical Breakdown as at 30th April 2011 | (%)           |
|--|---------------|
| Brazil                                       | 23.30         |
| China  | 18.01         |
| Hong Kong                                    | 3.60          |
| India  | 17.82         |
| Israel                                       | 0.00          |
| Japan  | 0.00          |
| Luxembourg                                   | 1.06          |
| Russia                                       | 23.50         |
| South Africa                                 | 0.00          |
| United Kingdom                               | 0.70          |
| United States of America                     | 7.02          |
| Net other assets                             | 4.99          |
| <b>Net Assets</b>                            | <b>100.00</b> |

| Ten Largest Holdings as at 30th April 2010      | (%)          |
|---|--------------|
| Petroleo Brasileiro Petrobras<br>Sponsored ADR  | 4.85         |
| Gazprom ADR<br>(Representing 4 ordinary shares) | 4.77         |
| Cia Vale Rio Doce ADR                           | 4.30         |
| Infosys Technologies                            | 3.95         |
| Reliance Industries                             | 3.82         |
| Sberbank of Russia                              | 3.24         |
| Rosneft   | 3.00         |
| China Construction Bank                         | 2.97         |
| China Mobile                                    | 2.77         |
| CNOOC   | 2.54         |
| <b>Total</b>                                    | <b>36.21</b> |

| Geographical Breakdown as at 30th April 2010 | (%)           |
|--|---------------|
| Brazil                                       | 25.41         |
| China  | 16.91         |
| Hong Kong                                    | 2.10          |
| India  | 21.92         |
| Israel                                       | 0.08          |
| Japan  | 1.82          |
| Luxembourg                                   | 0.81          |
| Russia                                       | 25.59         |
| South Africa                                 | 0.92          |
| United Kingdom                               | 0.73          |
| United States of America                     | 1.14          |
| Net other assets                             | 2.57          |
| <b>Net Assets</b>                            | <b>100.00</b> |

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## Further Information

The information in this report is designed to enable shareholders to make an informed judgement on the activities of the Fund during the period covered by the report and the results of those activities at the end of the period.

More information on the performance and make-up of this Fund is available on our Fund factsheets, which you can view via our Literature Library on

[www.allianzglobalinvestors.co.uk](http://www.allianzglobalinvestors.co.uk). You can also request a valuation at any time by calling 0800 073 2001. Alternatively, our Investor Services team will be happy to respond to any issues you may wish to raise with them regarding product information and Fund performance. If you have invested via a financial adviser, you should contact them first if you wish to discuss your investment in greater detail.

[www.allianzglobalinvestors.co.uk](http://www.allianzglobalinvestors.co.uk)

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Investors are reminded that the value of shares within an OEIC fund, and the income from them, may go down as well as up and is not guaranteed. An investor may not get back the amount invested. The past is no guide to future performance.

The opinions expressed here are believed to be accurate and reliable, however these opinions may change without notice. Although the information is believed to be reliable, Allianz Global Investors does not guarantee the timeliness, accuracy or suitability of such information in any way and anyone who acts on the information does so at their own risk. Allianz Global Investors only provides information on our own products and does not give advice based on personal circumstances.

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