

# Town of Hampton



## TRUSTEES OF THE TRUST FUNDS

November 22, 2010 3:00 p.m.

TRUSTEES: David W. Hamilton, Chairman  
Edward R. Buck, Vice Chair  
Warren J. Mackensen, Bookkeeper  
Norman Silberdick  
William A. Hartley

PUBLIC: Maury Friedman  
Michael Pierce  
Selectman Richard Nichols  
Stephen Demarais  
David T. Mayes

The meeting was called to order at 3:00 p.m. by Chairman Hamilton, followed by the Pledge of Allegiance.

---

### **Automatic External Defibrillator (AED) Expendable Trust Fund**

Chairman Hamilton recognized Mr. Maury Friedman relative to the AED Expendable Trust Fund. Mr. Maury spoke to the Trustees and said that Chief Sullivan has ordered four AEDs, three of which will be placed in public buildings and one in a police cruiser.

The Trustees reported that the original investment in this trust fund of \$6,845 has grown to \$7,376.53 at the end of October.

Mr. Nichols said that the Selectmen will be requesting disbursement of the total trust fund back to the Town so that the AEDs will be substantially paid for. Any cost above the trust fund amount, which is expected to be small, will be borne by the police department budget.

Mr. Friedman will see to it that the appropriate donors to the AED Trust Fund amount will be recognized for their contributions.

**MOVED** by Mr. Mackensen to release the total trust fund balance to the Town upon receipt of notification to do so from the Board of Selectmen.

**SECONDED** by Mr. Hamilton.

**VOTE: 5-0-0**

**Motion Passed**

---

### **Real Estate Trust Fund Request for Proposals**

The discussion continued from the previous meeting relative to the notion of putting the management of the Real Estate Trust Fund out to bid.

Mr. Silberdick was in favor of issuing a Request for Proposals because of the glaring issue of Mr. Mackensen's firm providing investment services for the Real Estate Trust Fund involving a mutual fund and exchange-traded fund portfolio. He felt that not all board members are competent to decide on mutual funds. The Trustees should open up the opportunity for other people and the Trustees should go through the bidding process.

Mr. Hamilton said that we need to explore all the options. He was concerned that the Board's only criterion is fees charged by the investment managers. He asked Mr. Hartley if he would be open to considering a firm like Merrill Lynch.

Mr. Hartley responded that large firms do not provide the diversification that the Real Estate Trust Fund should have, and that there are too few individuals in large firms like Merrill Lynch that are calling the shots. Mr. Hartley reminded the Trustees that he previously worked at Fidelity Investments and knows how large firms handle portfolios of this size. Mr. Hartley is in favor of the proposed 30-fund mutual fund portfolio because there are 30 funds being managed by over 30 people, which gives the Trustees significant diversification that is not being provided now. Mr. Hartley pointed out that a substantial amount of money in the equity portion of the current portfolio is invested mostly in 35 large cap growth and large cap value stocks.

Pressing his case, Mr. Hamilton again asked Mr. Hartley if the only criterion for evaluating proposals is fees. Mr. Hartley said "No," and added that there should be three criteria: fees, diversification and total return.

As a reminder, the Bookkeeper passed out the 2008 bidding process results, which showed the fees of the nine bidders (lowest to highest), as follows:

DHK Investment Advisers	0.37%
Charter Trust Company	0.39%
Cambridge Trust Company	0.45% - 0.50%
TD Wealth Management	0.50%
Citizens Bank	0.56%

Wachovia Securities	0.58%
Bessemer Trust	0.63%
Bank of America (U.S. Trust)	0.75%
Merrill Lynch	1.52%

Mr. Mackensen pointed out that Merrill Lynch's fees came in highest of all nine bidders. The selected bidder was TD Wealth Management with a fee of 0.5%, which was the fourth lowest bidder and the incumbent investment manager. The 2008 Trustees accepted TD Wealth Management's bid with a 3-2 vote.

Chairman Hamilton asked Mr. Mackensen to read his motion:

**MOVED** by Mr. Mackensen to:

1. To adopt a proposed mutual fund and exchange-traded fund portfolio similar to the proposed portfolio that was discussed at the September 20, 2010, Trustees meeting, in lieu of the current TD portfolio that lacks broad equity diversification (only about 35 stocks in the \$5,948,000 equity portfolio).
2. To engage the services of National Advisors Trust Company, FSB, Overland Park, Kansas, as custodian and Agent for Trustee for the purposes of providing principal and income trust accounting services at their posted Agent for Trustee fee schedule (nominally 6.6 basis points for a \$15,900,000 portfolio – about \$10,500 per year).
3. To direct TD Wealth Management to sell all security positions in the Real Estate Trust Fund immediately.
4. To direct TD Wealth Management to wire the Real Estate Trust Fund sales proceeds and all cash to National Advisors Trust Company, FSB.
5. To terminate the services of TD Wealth Management upon completion of the wire transfer.
6. To accept the offer of Mackensen & Company to execute trades as directed by the Trustees, and to provide quarterly portfolio performance reporting services to the Trustees at no cost to the Real Estate Trust Fund or the Town. This offer stands irrespective of Mr. Mackensen serving as a Trustee.
7. To direct Mackensen & Company to implement the proposed mutual fund and exchange-traded fund portfolio asset allocation (place the trades) once the wire transfer has been received at National Advisors Trust Company, FSB.
8. To adopt a revised Investment Policy for the Real Estate Trust Fund that will accommodate the implementation of a mutual fund and exchange-traded fund portfolio.

9. To commit the Trustees to performing the Investment Manager functions stated in the Investment Policy.

**END OF MOTION**

Mr. Mackensen provided the following additional information to the Trustees prior to the meeting, portions of which were cited during the Trustees' meeting.

**Trust Reporting:** National Advisors Trust Company is recommended because they are a full-blown chartered trust company, as opposed to Schwab and Fidelity who have limited principal and income reporting capabilities. Mackensen & Company uses all three of these custodians for various clients and is experienced with all three entities. For the Hampton Real Estate Trust Fund, National Advisors Trust is the superior firm for the principal and income accounting needs of the Town.

**Disclosure:** Mr. Mackensen is a Charter Shareholder of National Advisor Holdings, Inc., the parent company of National Advisors Trust Company, FSB. He owns 0.25% (one-quarter of one percent) of the stock of National Advisor Holdings, Inc. He has never received any dividends from National Advisor Holdings, Inc., nor does he ever expect to. Neither Mr. Mackensen nor Mackensen & Company has ever been compensated in any way by National Advisors Trust or any of the mutual fund companies that are used in any portfolio.

**Background:** National Advisors Trust Company is an FDIC-insured federal savings bank chartered by the Office of Thrift Supervision in Washington, DC. National Advisors Trust Company is a "qualified custodian" under SEC definitions. The purpose of founding a national trust company in 2001 was to provide a service-oriented trust company that would serve the interests of clients, rather than the shareholders. There are about 120 shareholders of National Advisor Holdings, Inc., all of whom share this client service philosophy. Shareholders operate registered investment advisory businesses and are located in about 32 states. The National Advisors Trust Company headquarters is located in Overland Park (Kansas City), Kansas. This central U.S. location facilitates shareholder (and client) service by readily accommodating multiple time zones. There are over 30 employees at National Advisors Trust Company. The Trustees of the Trust Funds previously received a National Advisors Trust brochure for their review.

**SECONDED** by Mr. Buck.

Mr. Mackensen explained the rationale that his firm, Mackensen & Company, used in selecting the funds for the Trustees. Track records of funds in the top quintile (top 20%) of all funds were considered in each asset class. Then, the yield, total return, risk and consistency of performance were compared. Since exchange-traded funds (ETFs) are relatively new, they were considered even if they did not have a ten-year track record. In a number of asset categories, ETFs were chosen because of their very low expense ratio (cost) and decent performance.

Chairman Hamilton opened the floor to the public for questions and comments.

Mr. Pierce addressed the Trustees saying that the public will perceive that Mr. Mackensen has a conflict of interest in making his proposal. He was concerned about the Trustees playing the stock market.

Mr. Pierce also questioned why the Trustees could not simply open a Fidelity account themselves, i.e., why did the Trustees need National Advisors Trust Company?

Mr. Mackensen replied that all trust funds have a statutory requirement for principal and income accounting, which the basic Fidelity statement to which Mr. Pierce was referring did not provide. Mr. Mackensen said that he carefully reviewed the trust-format statements offered by Fidelity, Schwab and National Advisors Trust. All three of these custodians charge anywhere from five to 8.3 basis points for trust-format record keeping. National Advisors Trust is the only entity of the three that provides adequate principal and income accounting reports. They will charge the portfolio 6.6 basis points for this service.

Mr. Nichols agreed with the Mr. Pierce's points about public perception. Mr. Nichols further inquired about the ability of the Trustees to react to market changes if the Trustees only meet once per month.

Mr. Mackensen responded that mutual fund managers are the persons who respond to daily market changes, and the Trustees' responsibility is to select a diversified portfolio of mutual funds covering most market sectors. No one knows which sector is going to do well and which ones will not at any given time.

Mr. Mackensen also responded that there may be perceptions of conflict of interest, but the reality is that Mackensen & Company and Warren J. Mackensen himself will not garner any fees or benefits from using his firm's portfolio management system to keep the books for the Real Estate Trust Fund. He has been using his portfolio management system to keep the books for fourteen trust funds during the last four years. Actually, his firm will incur additional unreimbursed employee payroll costs due to his staff spending time on the Real Estate Trust Fund portfolio reviews.

Mr. Nichols continued by citing his concerns about interest rate risk.

Mr. Hartley responded by saying that the proposed mutual fund portfolio will change over time when circumstances so dictate. If there was a world calamity, the Trustees (after properly posting the meeting) would meet to address the issue. Mr. Hartley emphasized that the proposed portfolio is superior to the current portfolio in that there are over thirty managers for this 100-year money. The responsibility of the Trustees is to make decisions on these sorts of matters. Finally, Mr. Hartley said that he does not see the alleged conflict of interest because we are increasing the managers from one (TD Wealth Management) to over thirty. Mr. Mackensen is

not managing the portfolio, the Trustees are. Mr. Mackensen is merely placing trades at the direction of the Trustees.

Mr. Silberdick shared Mr. Pierce's conflict of interest concern. He said that Mr. Mackensen would have crowing rights for his firm.

Mr. Buck said that he was ready to move ahead with the proposal. The big advantage and benefit for the Town is the increased diversification that would be garnered.

Mr. Hartley drew everyone's attention to the colored handout entitled "The Importance of Diversification," which was developed by Allianz Global Investors. Mr. Mackensen provided the public with copies of the handout to support the point. Mr. Hartley pointed out that long-term bonds were at the top of the list of asset classes in 2008 and produced a 24% total return. In 2009, long-term bonds were dead last with a total return of -13%. His point was that diversification was critically important and that no one can predict the markets. He said that the Trustees will make long-term adjustments as needed. The proposed portfolio will produce decent returns that are safe and secure.

With regard to the unsolicited proposal from Advisors Asset Management, Chairman Hamilton said that he was not interested in giving the proposal serious consideration as it only addressed the fixed income portion of the portfolio. He felt that the Trustees should put the Real Estate Trust Fund out to bid, but by the time the process was completed, it would be election time for Trustees (March 2011).

Mr. Hamilton went on to say that he has concerns with the perception of a conflict of interest inherent in Mr. Mackensen's firm serving as the investment advisor to the Trustees, despite the fact that his firm is not being compensated. He also indicated that he does not feel qualified to make mutual funds selections.

With the discussion complete, Chairman Hamilton called for a vote:

**VOTE: 3-2-0**

**Motion Passed**

Further discussion about issuing a Request for Proposals was tabled.

Further discussion about the Advisors Asset Management (unsolicited) proposal was also tabled.

Mr. Hartley provided a Morningstar (mutual fund research) report to the Trustees that listed the thirty funds in the proposed portfolio. Mr. Mackensen asked Mr. Hartley to provide the same type of report each quarter, to which Mr. Hartley assented. Mr. Hartley went on to say that the information in the Morningstar report is publicly available in the library and that it is not difficult to do. Details on each mutual fund are also in the library.

Chairman Hamilton inquired as to what changed Mr. Hartley's and Mr. Buck's minds between the October meeting and the November meeting such that they changed their votes from "opposed" to "in favor" of the mutual fund portfolio.

Mr. Hartley responded that he voted "No" in October only because he had insufficient time to evaluate the proposal (offered in October) and to perform his own independent analysis. With that analysis now complete, he was now in favor of the proposal.

Mr. Buck responded that he was in favor of the diversification provided by the October proposal, but he needed more time to review it carefully. He has now completed that review.

Chairman Hamilton recognized Mr. Nichols who expressed his concern regarding custodial risk, meaning the risk associated with moving the \$15.8 million from TD Wealth Management to National Advisors Trust Company.

Mr. Mackensen responded to Mr. Nichols saying that the move to National Advisors Trust actually reduces custodial risk because National Advisors Trust is a non-custodial bank (does not accept deposits) and National Advisors Trust does not make loans. Accordingly, it will never have any bad loans to bring it down. Mr. Hartley added that National Advisors Trust has over \$6 billion in assets.

---

### **Real Estate Trust Fund Contract**

The Trustees reviewed the contract with TD Wealth Management, which specifies a 30-written termination notice. The Trustees reviewed a draft termination letter to TD Wealth Management and made minor changes.

**MOTION** by Mr. Buck to send the letter to TD Wealth Management.

**SECONDED** by Mr. Silberdick.

Mr. Hamilton will be unavailable on November 23 to sign the letter. The Trustees agreed that Mr. Buck, as Vice Chair, will sign the letter on behalf of the Board of Trustees.

**VOTE: 5-0-0**

**Motion Passed**

---

### **Real Estate Trust Fund Investment Policy**

Mr. Mackensen went through the Investment Policy page by page and pointed out all of the proposed changes that will better accommodate the mutual fund portfolio. The significant changes were:

- Allowing the Trustees to serve in the role of Investment Manager.

- Broadening the acceptable range of the fixed income portion of the portfolio to 35% to 70% (was 35% to 65%).
- Specifying that the income from the Real Estate Trust Fund shall be paid quarterly or more often to the Town. In actual practice, the income is now distributed monthly.
- Adding emerging markets and sovereign debt as permitted asset classes due to the use of mutual funds that may purchase these securities.
- Adding corporate bonds, municipal bonds and high-yield bonds as permitted security types.
- Specifying a conservative benchmark against which the mutual fund and exchange-traded fund portfolio will be measured. The benchmark comprises:
  - 30% Vanguard S&P 500 Index Fund
  - 5% iShares Russell 2000 Index Fund
  - 5% Vanguard International Stock Index Fund
  - 60% Vanguard Total Bond Market Index Fund
- Clearly delineating the specific responsibilities of the Trustees as Investment Manager and Mackensen & Company as Investment Advisor.

**MOTION** by Mr. Hartley to adopt the revised Investment Policy.

**SECONDED** by Mr. Silberdick.

**VOTE: 5-0-0**

**Motion Passed**

The Trustees signed the adoption page of the Investment Policy.

A copy of the new Investment Policy will be sent to the Attorney General's office by the Bookkeeper, per the RSA requirements.

---

### **Minutes of the Last Meeting**

The minutes from the meeting of October 18, 2010, were reviewed.

**MOVED** by Mr. Hamilton to approve the minutes.

**SECONDED** by Mr. Silberdick.

**VOTE: 5-0-0**

**Motion Passed**

---

### **Town Report**

The Trustees reviewed the first draft of the Trustees' portion of the Town report. Minor edits were made. The report cannot be finalized until January because the report needs year-end numbers and annual percentages.

---

### **Real Estate Trust Fund Trend Graphs**

The Trustees reviewed graphs showing the month-end market values of the Real Estate Trust Fund since late 2005. The Real Estate Trust Fund continues to make progress.

---

### **Real Estate Trust Fund Disbursements Review**

The Trustees reviewed the 2010 Cash Basis Income, Fees & Distributions Summary spreadsheet provided by the Bookkeeper showing the accumulated income and distributions to the Town as of the end of last month.

---

### **Real Estate Trust Fund Fee Calculation**

The Bookkeeper informed the Trustees that the recent fees for the Real Estate Trust Fund were computed correctly by TD Wealth Management. The fee was \$6,453.84 for the month of October.

---

### **Annual Audit**

Mr. Nichols reported that the Town audit for 2009 is completed, including the audit of the trust funds.

---

### **Smaller Trust Funds and Capital Reserve Funds**

The Trustees reviewed financial documentation on the smaller trust funds and capital reserve funds for the prior month. There were no comments.

---

### **Town Roads Capital Reserve Fund**

The Trustees received a request from the Board of Selectmen requesting a disbursement of \$40,000 to the Town for the paving of Town roads per Article 13 of the 2010 Town Warrant.

**MOVED** by Mr. Mackensen to disburse the funds, \$39.39 from accumulated income and \$39,960.61 from principal.

**SECONDED** by Mr. Hamilton.

**VOTE: 5-0-0**

**Motion Passed**

Mr. Silberdick suggested that the remaining Town Roads Capital Reserve Fund (approximately \$11,273 after the \$40,000 disbursement) be moved from the Vanguard Money Market Fund to the Vanguard GNMA Admiral Shares Fund to improve the investment return in view of the indefinite nature of the remaining Town Roads monies.

**MOVED** by Mr. Silberdick to transfer the funds as suggested above.

**SECONDED** by Mr. Buck.

**VOTE: 5-0-0**

**Motion Passed**

---

### **Department of Public Works Capital Reserve Fund**

The Bookkeeper received one check from the Town for \$367,850. Of this amount, \$340,000 was to be placed into the DPW Capital Reserve Fund as voted at Town Meeting on March 9, 2010, Article 12.

---

### **Cemetery Burial Trust Fund**

The remaining portion of the check in the amount of \$27,850 was to be added to the Cemetery Burial Trust Fund as voted at Town Meeting on March 9, 2010, Article 19. This amount represents 2009 revenues received from the sale of graves.

---

### **Account Application**

The Bookkeeper circulated an account application to open a new account for the Real Estate Trust Fund at National Advisors Trust Company, which the Trustees duly signed.

He also circulated a Distribution Request Form to facilitate monthly income disbursements from the Real Estate Trust Fund to the Town.

---

### **Investment Advisor Agreement**

The Trustees signed an Investment Advisor Agreement with Mackensen & Company to authorize placing security trades at the direction of the Trustees. The Agreement specifies that Mackensen & Company will not receive any compensation in any form for its services.

---

### **Technical Assistance Request**

The Bookkeeper provided the Trustees with the response from Terry Knowles at the Attorney General's office with regard to the four questions posed by the Trustees' request for technical assistance on June 23, 2010. Since the Board of Selectmen vote 3-2 against borrowing from the Real Estate Trust Fund, the responses to the technical assistance request were moot. The Bookkeeper was asked to file the reply with the Trustee permanent records.

---

### **Next Meeting**

The next meeting of the Trustees is scheduled for December 13, at 3:00 p.m.

**MOVED** by Mr. Silberdick to adjourn.

**SECONDED** by Mr. Hamilton.

**VOTE: 5-0-0**

**Motion Passed**

The meeting adjourned at 5:08 p.m.

Respectfully submitted,

*Warren J. Mackensen*

Warren J. Mackensen, Bookkeeper

# The Importance of Diversification



From year to year, there's no telling which asset classes will be the best performers—a strong argument for portfolio diversification. The chart below ranks the best to worst performing asset classes from top to bottom for the years 2000 to 2010.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2Q 2010
Commodities	31.84%	Small-Cap Value 14.02%	Commodities 25.91%	Small-Cap Growth 48.54%	Real Estate 33.17%	Commodities 21.36%	Real Estate 36.14%	Commodities 16.23%	Long-Term Bonds 24.03%	High Yield Bonds 57.51%	Long-Term Bonds 13.20%
Real Estate	31.04%	Real Estate 12.36%	Unhedged Foreign Bonds 22.99%	Small-Cap Value 46.03%	Small-Cap Value 22.25%	International Stocks 14.01%	International Stocks 26.88%	Large-Cap Growth 11.82%	Unhedged Foreign Bonds 12.00%	Large-Cap Growth 37.21%	Emerging Market Bonds 5.37%
Small-Cap Value	22.80%	Interm-Term Bonds 8.44%	Long-Term Bonds 16.79%	International Stocks 39.17%	International Stocks 20.70%	Real Estate 13.99%	Small-Cap Value 23.48%	International Stocks 11.62%	Short-Term Bonds 6.61%	Small-Cap Growth 34.47%	Interm-Term Bonds 5.33%
Long-Term Bonds	20.27%	Short-Term Bonds 8.30%	Emer. Market Bonds 13.12%	Large-Cap Value 30.03%	Large-Cap Value 16.49%	Emer. Market Bonds 10.73%	Large-Cap Value 22.21%	Unhedged Foreign Bonds 10.81%	Interm-Term Bonds 5.24%	International Stocks 32.46%	Real Estate 5.28%
Emer. Market Bonds	14.41%	High Yield Bonds 4.48%	Interm-Term Bonds 10.26%	Large-Cap Growth 29.75%	Small-Cap Growth 14.31%	Large-Cap Value 7.05%	Small-Cap Growth 13.35%	Long-Term Bonds 9.81%	Cash 1.80%	Emer. Market Bonds 28.18%	High Yield Bonds 4.74%
Interm-Term Bonds	11.63%	Long-Term Bonds 4.21%	Short-Term Bonds 5.76%	High Yield Bonds 28.15%	Unhedged Foreign Bonds 12.04%	Long-Term Bonds 6.50%	High Yield Bonds 11.77%	Short-Term Bonds 7.32%	Emer. Market Bonds -10.91%	Real Estate 28.51%	Short-Term Bonds 1.87%
Short-Term Bonds	8.00%	Cash 4.09%	Real Estate 3.60%	Real Estate 27.75%	Emer. Market Bonds 11.73%	Large-Cap Growth 5.27%	Emer. Market Bonds 9.88%	Small-Cap Growth 7.04%	High Yield Bonds -26.39%	Small-Cap Value 20.58%	Unhedged Foreign Bonds 0.38%
Large-Cap Value	7.02%	Emer. Market Bonds 1.36%	Cash 1.70%	Emer. Market Bonds 25.65%	High Yield Bonds 10.87%	Small-Cap Value 4.70%	Large-Cap Growth 9.09%	Interm-Term Bonds 6.97%	Small-Cap Value -28.92%	Large-Cap Value 19.69%	Cash 0.05%
Cash	5.95%	Unhedged Foreign Bonds -3.58%	High Yield Bonds -1.89%	Commodities 23.93%	Commodities 9.15%	Small-Cap Growth 4.15%	Unhedged Foreign Bonds 5.94%	Emer. Market Bonds 6.28%	Commodities -35.65%	Commodities 18.91%	Small-Cap Value -1.64%
Unhedged Foreign Bonds	-2.48%	Large-Cap Value -5.59%	Small-Cap Value -11.42%	Unhedged Foreign Bonds 18.63%	Long-Term Bonds 7.70%	Cash 3.00%	Cash 4.76%	Cash 4.74%	Large-Cap Value -36.85	Interm-Term Bonds 5.93%	Small-Cap Growth -2.31%
High Yield Bonds	-5.12%	Small-Cap Growth -9.23%	Large-Cap Value -15.52%	Interm-Term Bonds 4.10%	Large-Cap Growth 6.30%	High Yield Bonds 2.74%	Interm-Term Bonds 4.33%	High Yield Bonds 2.19%	Large-Cap Growth -38.44%	Unhedged Foreign Bonds 1.90%	Large-Cap Value -5.12%
International Stocks	-13.95%	Commodities -19.51%	International Stocks -15.64%	Long-Term Bonds 2.48%	Interm-Term Bonds 4.34%	Interm-Term Bonds 2.43%	Short-Term Bonds 3.96%	Large-Cap Value -0.17%	Small-Cap Growth -38.54%	Short-Term Bonds 0.78%	Large-Cap Growth -7.65%
Large-Cap Growth	-22.43%	Large-Cap Growth -20.42%	Large-Cap Growth -27.89%	Short-Term Bonds 1.90%	Cash 1.24%	Short-Term Bonds 1.67%	Commodities 2.07%	Small-Cap Value -9.77%	Real Estate -39.20%	Cash 0.16%	Commodities -9.60%
Small-Cap Growth	-22.44%	International Stocks -21.21%	Small-Cap Growth -30.27%	Cash 1.07%	Short-Term Bonds 0.91%	Unhedged Foreign Bonds -9.24%	Long-Term Bonds 1.85%	Real Estate -17.88%	International Stocks -43.38%	Long-Term Bonds -12.92%	International Stocks -12.93%

Data as of 6/30/10. Past performance is no guarantee of future results. Each Index reflects a group of unmanaged securities. It is not possible to invest directly in an unmanaged index. Diversification does not ensure a profit or eliminate the risks of investing. This chart is not indicative of the past or future performance of any Allianz Global Investors product. Please see other side for additional information. Please see reverse side for explanation of breakdowns.