

3Q2014 IAC Meeting Materials

IAC Meeting – November 18, 2014

PIMCO Review Presentation



PIMCO Review

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Agenda

- ▶ Organizational changes at PIMCO
- ▶ Impact on PIMCO Investment Process
- ▶ Additional SBI Considerations
 - SBI Separate Account
 - SBI Performance
 - PIMCO Assets Under Management
- ▶ Summary
- ▶ Staff Assessment

Organizational Changes at PIMCO

- ▶ Mohamed El-Erian, former co-CIO, leaves PIMCO in January 2014
 - PIMCO appoints six deputy CIO's
- ▶ Bill Gross PIMCO CIO and co-founder, leaves PIMCO to join Janus Capital on September 26th 2014
 - Dan Ivacsyn appointed as group CIO
 - Five appointed as divisional CIO's

Organizational Changes at PIMCO

- ▶ Saumil Parikh selected to lead SBI account
- ▶ PIMCO Investment Committee member since 2005
- ▶ Manages \$45 billion across total return and moderate duration portfolios since 2007
- ▶ Dedicated PM resources
 - Assisted by one PM and three associate PM's for his portfolios only
 - Support team similar in structure to Bill Gross' support team

Impact on PIMCO Investment Process

- ▶ PIMCO's investment process will remain largely unchanged
- ▶ 'Top down' investment committee sets market views
- ▶ 'Bottom up' sector specialists and analysts perform fundamental analysis
- ▶ Generalist PM's implement market views and sector/security ideas across accounts

Impact on PIMCO Investment Process

Investment Committee

- ▶ Key themes developed by the committee, not individual portfolio managers
 - I. Committee gathers market intelligence
 - II. Designs a set of market views
 - III. Translates views into portfolio targets through a model portfolio

Impact on PIMCO Investment Process

- ▶ PIMCO continues to maintain a deep pool of talent in analyst staff
- ▶ Generalist portfolio manager receives input and strategic ideas from sector specialists.
- ▶ Sector specialists determine relative value within sectors
- ▶ Fundamental analysts conduct traditional bottom-up credit analysis

Additional SBI Considerations

SBI Separate Account

- ▶ Roughly \$1.5 billion invested through separate account in PIMCO total return strategy
- ▶ Conservative custom separate account guidelines
 - Derivatives contracts require liquid collateral, exchange traded, and must total less than 50% of portfolio value

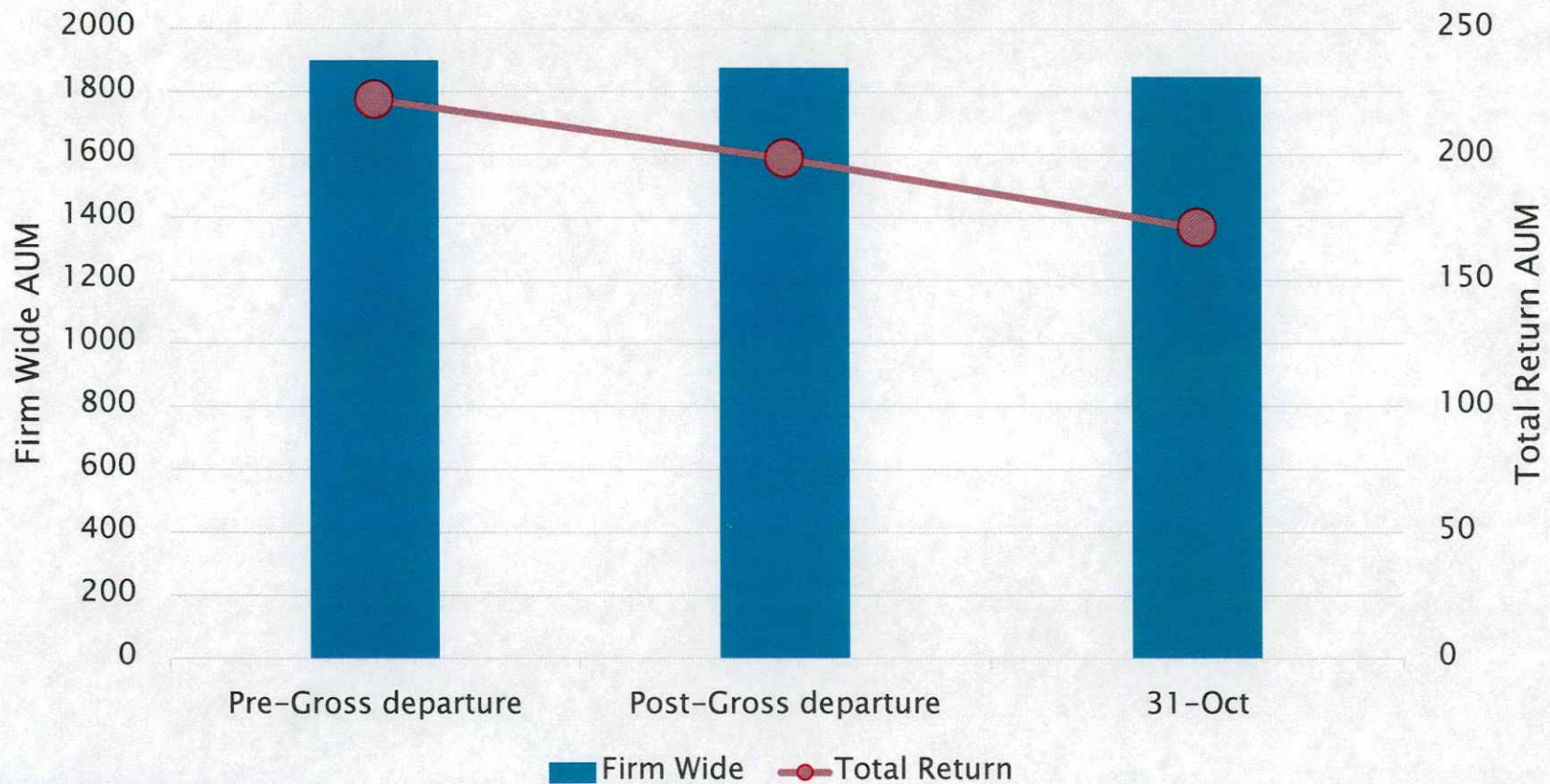
Additional SBI Considerations

SBI Investment Performance

	Last Qtr	YTD	Last Year	Last 3 Yrs	Last 5 Yrs	Incep Date	Since Incep
PIMCO	0.20	3.38	2.87	4.09	5.75	10/1/08	7.17
Barclays Agg.	0.17	4.10	3.96	2.43	4.12	10/1/08	5.17

Additional SBI Considerations

PIMCO Assets Under Management (\$billions)



Summary

- ▶ Despite Bill Gross' departure, PIMCO continues to have significant investment resources with talented staff
- ▶ PIMCO returning to historical organizational structure
- ▶ PIMCO's investment process is not anticipated to change
- ▶ SBI's separate account is distinct from the mutual or commingled funds and insulates SBI from outflows
- ▶ Callan and PCA provided input into review process

Staff Assessment

- ▶ No action at this time
- ▶ Staff will continue to monitor PIMCO and the new management team
 - On-site due diligence visit next quarter
- ▶ Staff will formalize a refreshed short list of potential replacements

Questions?

