

Form ADV Part 2A Brochure

July 10, 2012



This brochure provides information about the qualifications and business practices of RCM CAPITAL MANAGEMENT LLC ("RCM"). If you have any questions about the contents of this brochure, please contact us at 415-954-5400. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about RCM also is available on the SEC's website at www.adviserinfo.sec.gov.

RCM is registered as an investment adviser under the Investment Advisers Act of 1940, as amended. Registration does not imply a certain level of skill or training.

The logo for Allianz Global Investors, featuring the word "Allianz" in a bold, sans-serif font above the words "Global Investors" in a smaller, sans-serif font, with a circular icon containing three vertical bars to the right.

Allianz
Global Investors

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ITEM 2. MATERIAL CHANGES

On July 28, 2010, the United State Securities and Exchange Commission published "Amendments to Form ADV" which amends the disclosure document that we provide to clients as required by SEC Rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require.

Our brochure dated March 29, 2012 is the annual update to our brochure. The last previous update was on June 13, 2011.

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ITEM 4. ADVISORY BUSINESS

RCM Capital Management LLC ("RCM") is an investment advisory firm which has been in operation since 1970, either directly or through its predecessors.

As of March 31, 2012, RCM had \$26.2 billion in discretionary assets under management. As of the same date, RCM had \$626 million in non-discretionary assets under management. These amounts reflect our total assets under management.

RCM is actively engaged in providing investment management and investment advisory services to institutions, collective investment vehicles (including mutual funds), and individual clients. The elements of such services may include one or more of the following:

1. Assisting the client in the development and subsequent modification of appropriate investment objectives, guidelines, and restrictions;
2. Determining an appropriate investment strategy, consistent with the investment objectives, guidelines, and restrictions established by the client, and reviewing and modifying such strategy through meetings and consultations with the client or its agents from time to time;
3. Implementing the investment strategy through purchase and sale of securities and/or other financial instruments, the exercise of options, warrants, and subscription rights, and the investment and re-investment of cash balances for the client's account;
4. Providing information and instructions to the custodian (or trustee) of the client's account so that transactions for the account are settled in an accurate and timely manner, and reconciling its records with those of the custodian (or trustee) on a periodic basis;
5. Monitoring the individual instruments held in the account so that the individual instruments and the overall portfolio remain consistent with the investment strategy for the account as well as the client's investment objectives, guidelines, and restrictions;
6. Valuing securities and other financial instruments held in the portfolio;
7. Evaluating proxy statements and proposed corporate actions, providing advice related to proxy voting and voting proxies; and
8. Furnishing reports to the client on a periodic basis concerning account activity and performance.

9. Providing non-discretionary investment advisory services.

RCM does not provide all of the services listed above to all clients.

RCM offers investment management and investment advisory services for equity, fixed income, and balanced accounts. In most instances, client accounts are managed on a fully discretionary basis, subject to that client's investment objectives, guidelines, and restrictions.

RCM is wholly owned by RCM US Holdings LLC ("US Holdings"). US Holdings is a Delaware limited liability company that is wholly owned by Allianz Asset Management Aktiengesellschaft ("AAM"). AAM acts as a holding company for the asset management businesses of and is owned by Allianz SE ("Allianz"). Allianz's principal executive offices are located at Koeniginstrasse 28, D-80802, Munich, Germany. Allianz acts as a reinsurance company and a holding company for the Allianz Group. The Allianz Group is one of the world's leading financial service providers, offering insurance and asset management products and services through property-casualty insurance, life and health insurance, and financial services business segments. Allianz engages in financial services operations through its subsidiaries with approximately 150,000 employees in over 70 countries around the world.

RCM also provides investment advisory and/or administration services to certain affiliates, including, but not limited to, Caywood-Scholl Capital Management, LLC ("Caywood-Scholl"), and Pallas Investment Partners, L.P. ("Pallas"). (See Item 10 below.) Finally, to assist existing or new clients who seek to liquidate portfolios not under RCM's management, we may liquidate the portfolio for such clients as an accommodation or for a negotiated fee.

RCM also participates as an investment adviser in managed account/wrap-fee programs sponsored by unaffiliated broker-dealers (the "Program Sponsor"). RCM also provides its affiliate Allianz Global Investors Managed Accounts LLC ("AGIMA") with model portfolios for AGIMA's wrap fee programs. (See response to Item 10 below.) Under managed account/wrap-fee programs, the Program Sponsor generally recommends an investment adviser to its clients based on the client's investment objectives. The client accounts are typically subject to a minimum investment of \$100,000 and are administered and serviced primarily by the Program Sponsor, which, in most cases is also registered as an investment adviser. When a Program Sponsor recommends RCM as an investment adviser, we typically provide continuous investment management services on a sub-advisory basis.

We cannot guarantee or assure you that your investment objectives will be achieved. We do not guarantee the future performance of any client's account or any specific level of performance, the success of any investment decision or strategy that we may use, or the success of our overall management of any account. The investment decisions we make for client accounts are subject to various market, currency, economic, political and business risks, and the risk that investment decisions will not always be profitable. Many of these risks are discussed in Item 8 below, which you should review carefully before deciding to engage our services.

ITEM 5. FEES AND COMPENSATION

Fees may be calculated using the following methods:

1. **Advance.** The fee for each three-month period is the amount obtained by multiplying the market value of cash and securities in the portfolio as of the close of business on the date preceding the first day of each three-month period by one-fourth of the applicable annual fee rate(s).
2. **Arrears.** The fee for each three-month period is the amount obtained by multiplying the market value of cash and securities in the portfolio (including amounts accrued) as of the close of business on the last day of each three-month period by one-fourth of the applicable annual fee rate(s).
3. **Average Month-End Assets—Arrears.** The fee for each three-month period is the amount obtained by computing the average market value of cash and securities in the portfolio (including amounts accrued) as of the close of business on the last day of each month of the three-month period and multiplying the resultant average market value by one-fourth of the applicable annual fee rate(s).

If a client elects payment of fees under the advance method of calculation, in the event of termination, any management fees paid in advance will be prorated as of the date of termination and the unearned portion thereof will be returned to the client.

Other methods of calculation also may be available, where appropriate or upon a client's request.

RCM's fees ordinarily are calculated by RCM, based on RCM's valuation of the assets in the client's portfolio. In

certain instances, RCM and the client may agree that fees should be calculated based upon the custodian's valuation of the assets in the client's portfolio.

RCM's standard institutional fee schedules are as follows:

Domestic Large Cap Equity

| | |
|--|---------------|
| On the first \$20,000,000 or fraction thereof | .65% annually |
| On the next \$50,000,000 or fraction thereof | .55% annually |
| On the next \$100,000,000 or fraction thereof | .50% annually |
| On the next \$250,000,000 or fraction thereof | .45% annually |
| Negotiable over \$420,000,000 | |

Mid Cap Equity

| | |
|--|---------------|
| On the first \$20,000,000 or fraction thereof | .75% annually |
| On the next \$50,000,000 or fraction thereof | .70% annually |
| On the next \$100,000,000 or fraction thereof | .65% annually |
| On the next \$250,000,000 or fraction thereof | .52% annually |
| Negotiable over \$420,000,000 | |

Small Cap Equity

| | |
|--|---------------|
| On the first \$20,000,000 or fraction thereof | .85% annually |
| On the next \$50,000,000 or fraction thereof | .80% annually |
| On the next \$100,000,000 or fraction thereof | .75% annually |
| On the next \$250,000,000 or fraction thereof | .65% annually |
| Negotiable over \$420,000,000 | |

Global and International Small Cap Equity

| | |
|--|---------------|
| On the first \$20,000,000 or fraction thereof | .95% annually |
| On the next \$50,000,000 or fraction thereof | .90% annually |
| On the next \$100,000,000 or fraction thereof | .85% annually |
| On the next \$250,000,000 or fraction thereof | .70% annually |
| Negotiable over \$420,000,000 | |

Global Equity Sector Mandate

| | |
|---|----------------|
| On the first \$170,000,000 or fraction thereof | 1.00% annually |
| On the next \$250,000,000 or fraction thereof | .75% annually |
| Negotiable over \$420,000,000 | |

Private Client Group accounts

| | |
|--|----------------|
| On the first \$10,000,000 or fraction thereof | 1.00% annually |
| On the next \$10,000,000 or fraction thereof | .70% annually |
| On the next \$20,000,000 or fraction thereof | .50% annually |
| On the next \$20,000,000 or fraction thereof | .35% annually |
| On the next \$40,000,000 or fraction thereof | .30% annually |
| On sums exceeding \$100,000,000 | .25% annually |

Municipal

| | |
|---|---------------|
| On the first \$5,000,000 or fraction thereof | .50% annually |
| On the next \$5,000,000 or fraction thereof | .40% annually |
| On the next \$15,000,000 or fraction thereof | .30% annually |
| On sums exceeding \$25,000,000 | .25% annually |

U.S. Balanced

| | |
|--|---------------|
| On the first \$10,000,000 or fraction thereof | .65% annually |
| On the next \$10,000,000 or fraction thereof | .50% annually |
| On the next \$20,000,000 or fraction thereof | .45% annually |
| On the next \$20,000,000 or fraction thereof | .40% annually |
| On the next \$40,000,000 or fraction thereof | .30% annually |
| On the balance of assets | .25% annually |

Redwood

| | |
|---------------|---------------|
| On all assets | .75% annually |
|---------------|---------------|

Different fee schedules may be available for accounts with higher amounts of assets under management.

Other fee schedules are available for particular types of clients, (e.g., investment companies, nuclear decommissioning trusts, insurance companies, collective

investment trusts, individuals, offshore accounts, foreign accounts, sub-advisory relationships, and eleemosynary accounts), and for specialized types of portfolios (e.g., accounts that invest in both U.S. and foreign securities, accounts that invest primarily in securities and issuers in particular industries or regions, accounts that invest in specialized types of fixed income securities, and accounts that invest solely in short duration securities).

As explained in Item 4 above, RCM also participates as an investment adviser in wrap-fee programs. Wrap-fee clients usually receive a brochure detailing the wrap-fee program from the Program Sponsor prior to their selection of RCM as sub-adviser. Fees and features of each program offered by the various Program Sponsors vary and therefore, wrap-fee clients should consult the Program Sponsor's brochure for the specific fees and features applicable to their program. Generally, the Program Sponsor will pay a portion of the wrap-fee received from the client to RCM for investment management services provided to the Program Sponsor. In certain cases, the Program Sponsor monitors and evaluates performance, and executes the client's portfolio transactions. The Program Sponsor may provide custodial services, confirmation of transactions and monthly statements for the clients. RCM does not perform due diligence on the Program Sponsor as it is the responsibility of the Program Sponsor that chooses RCM as sub-adviser. Clients of the Program Sponsor are responsible for conducting their own review of the Program Sponsor.

RCM's compensation from the Program Sponsors vary, but is generally between .35% and 1% of assets under management in the program, dependent upon the style of management and the size of the program. In some cases, fees may be negotiated. Trade executions are generally executed only with the Program Sponsor. The fees for a managed account/wrap fee program may result in higher cost than a client may otherwise incur by paying RCM's standard fees and negotiating separate arrangements for trade execution, custodial and consulting services.

In addition, and to the extent permitted by law, RCM may enter into other performance-related fee arrangements, provided that all applicable regulatory requirements are met. Performance-related fee arrangements vary depending on the particular client's needs and individual circumstances.

RCM serves as investment manager to Tech Alpha Fund, Ltd., a Cayman Islands Exempted Company, and RCM Tech Alpha Partners US, L.P., a Delaware limited partnership, each of which are part of a master feeder structure collectively known as the Tech Alpha Fund. The Tech Alpha Fund pays RCM an investment management fee equal to 1.5% per annum of the assets under management of the fund and performance fee based on a percentage of any profits. RCM also serves as an investment manager to RCM Health Care Alpha Partners US, L.P., which pays RCM an investment

management fee equal to 1.5% per annum of the assets under management of the fund and a performance fee based on a percentage of any profits.

It is RCM's general policy to charge fees to clients in accordance with the fee schedule in effect at the time the client first entered into an investment management or investment advisory relationship with RCM. However, in certain circumstances, fees may be subject to negotiation, and fees may be modified for particular clients. The reasons for such modifications may include, without limitation, the type of product provided, the complexity and level of service provided, the number of different accounts and the total assets under management for that client and related clients, the particular type of client, constraints imposed by substantial potential capital gains, required attendance at client meetings, other services provided by the adviser, other administrative services provided, or other circumstances or factors that RCM deems relevant. A different fee schedule may apply if an account receives services that are more limited than full discretionary investment management, or if an account has specialized investment objectives, guidelines and restrictions. Certain accounts of persons affiliated with RCM may be managed without fees or at reduced fees.

When RCM and/or certain of its affiliates manage multiple accounts for a particular client, or for a related group of clients, fee calculation may be based on the total assets under management or a relationship fee discount may be available. Assets invested in investment companies generally are not considered for these purposes, although consideration of such assets in fee calculations may occur in special circumstances deemed appropriate by RCM. If only non-advisory services are provided, and if the account is related to other accounts, RCM may perform the non-advisory services as an accommodation.

Holdings in a client's account may include investment companies or other collective investment vehicles advised by RCM. A separate management fee may be charged by such investment companies or collective investment vehicles. The fees charged with respect to such vehicles are disclosed in their relevant governing documents.

To the extent that a client's assets are invested in a cash investment fund of the client's trustee or custodian, the client should be aware that the trustee or custodian may also charge management or transactional fees with respect to such assets.

You may choose to be billed directly for fees, or may authorize us to directly deduct fees from your account. If we can deduct fees directly from your account, your custodian should send a quarterly statement directly to you, showing transactions in the account, including our fees. We will receive paper or electronic copies of the custodian's statements. We urge you to carefully review these

statements, where applicable, and compare the official custodial records to any account statements we may send to you.

ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As noted in Item 5, to the extent permitted by law, RCM may enter into performance-related fee arrangements with certain clients, provided that all applicable regulatory requirements are met. We manage accounts that pay a performance-related fee and accounts that pay asset-based fees. Performance-related fee arrangements vary depending on the particular client's needs and individual circumstances. Performance-related fees may create an incentive for us to make investments that are riskier or more speculative than would be the case in the absence of a performance-related fee arrangement. They may also create an incentive for us to favor certain accounts over others. In addition, under certain circumstances, we may receive compensation under a performance-related fee arrangement that is larger than what we otherwise might receive under asset-based fee arrangements.

We have written compliance policies and procedures designed to mitigate or manage these conflicts of interest, including policies and procedures to seek fair and equitable allocation of investment opportunities (including IPOs) and trades (see Item 12 below) among all client accounts. Senior investment personnel review weekly performance reports on all of our client accounts, including those that pay performance-related fees and those that do not, and review the reports for, among other things, potential performance differences between these accounts. The reviews are part of the way we manage potential conflicts that could create incentives for our investment personnel to favor one account over another. There is no guarantee that any such policies or procedures will cover every situation in which a conflict of interest arises.

ITEM 7. TYPES OF CLIENTS

RCM provides investment management and investment advisory services to, among others, investment companies, pension and profit-sharing plans, foundations, endowment funds, corporations, nuclear decommissioning trusts, individuals, insurance companies, partnerships, other business entities, trusts, collective investment vehicles, estates, charitable organizations, managed account/wrap fee programs, governmental entities, quasi-governmental

entities, and supranational entities. Some of these entities receive RCM's services on a sub-advisory basis.

RCM generally requires \$10 million minimum assets for the establishment of an institutional investment management or investment advisory account, although exceptions may be made if circumstances warrant on a case by case basis. Individual accounts for private clients may be opened at smaller asset levels. Accounts also may be opened at smaller asset levels if growth is expected within a reasonable time frame, if a relationship exists between that account and an existing account, if an account will be invested solely in a commingled investment product, if the account is one of several accounts referred to RCM by the same person or entity, or for other reasons RCM deems appropriate.

Clients generally are required to enter into a written investment management or investment advisory agreement prior to the establishment of the client's account.

RCM will not enter into an investment management or investment advisory relationship with any prospective client whose investment objectives, guidelines, and restrictions are deemed to be incompatible with RCM's basic investment philosophy or strategies, or if the prospective client's investment objectives, guidelines, and restrictions are deemed to be unduly restrictive.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

RCM's security analysis methods vary by type of mandate (equity, fixed income or balanced). In general, RCM seeks for its clients the most favorable returns available on a risk-adjusted basis.

For taxable clients, which include, among others, nuclear decommissioning trusts, insurance companies, corporations, and individuals, RCM evaluates investment returns and investment alternatives on a pre-tax and after-tax basis. This may lead to holding securities with large unrealized gains where the near-term prospects appear to be less favorable than alternative investments but where longer-term growth prospects appear favorable.

For balanced accounts, RCM evaluates the trade-offs between equity and fixed income securities on a regular basis and adjusts asset allocations in balanced portfolios accordingly. For the management of the fixed-income portion of its balanced account mandates, RCM has retained the service of its affiliate, the Pacific Investment Management Company LLC ("PIMCO").

METHODS OF ANALYSIS

Equity Research

RCM maintains a research staff that monitors a broad universe of stocks for comparative purposes (the "Research Department"). It makes use of contacts at several levels within companies, and, where appropriate, with a company's competitors, end-users and suppliers. The Research Department's analysts follow a global universe of companies to determine whether they are good candidates for investment, and communicate recommendations to the appropriate portfolio management team. RCM may also receive proprietary research from, and provide proprietary research (including Grassrootssm Research Reports) to its affiliate, Caywood-Scholl, as well as Pallas and certain other investment management affiliates. (See response to Item 10 below.)

Substantial emphasis is placed on the Research Department's own fundamental research. However, RCM also uses outside research in two ways. First, the opinions of a broad group of industry and company specialists are considered to supplement the analysis of RCM's research staff. As described in Item 12, this research information may be provided by brokers who execute portfolio transactions for RCM's clients. Second, "street" opinions and estimates on stocks, groups and economic data are monitored.

In addition to its fundamental traditional research activities, RCM utilizes research produced by Grassrootssm Research, a division within the Allianz Global Investors group of companies. Grassrootssm Research augments our own traditional research methods by seeking to verify (or disprove) market information pertaining to various companies and/or industries and by identifying and analyzing marketplace trends. RCM believes that Grassrootssm Research provides a valuable complement to its traditional research methodology.

RCM maintains staff in its Grassrootssm Research unit. There are also freelance journalists and field force personnel located throughout the world, including Eastern and Western Europe, Asia, Australia, Latin America, as well as the United States who collect data and other information through interviews conducted with consumers, suppliers, service providers, trade sources, polls, government agencies, etc. The journalists prepare research reports which the Grassrootssm employees then edit and finalize. The freelance journalist and field force personnel typically work as independent contractors and are compensated by broker-dealers who provide research services to RCM in exchange for commissions generated by RCM's clients. (See response to Item 12 below.)

RCM also may utilize from time to time the research services of doctors representing medical specialties likely to be affected by medical, technological and economic developments in medicine, health care and related areas.

These doctors may serve as independent contractors and be compensated by broker-dealers who provide research services to RCM in exchange for commissions generated by RCM clients. (See response to Item 12 below.)

RCM also employs a quantitative analyst who contributes to the overall investment efforts of the firm. The analyst's main focus is to provide risk and performance analyses of portfolios to assist in future investment decisions.

Short and Medium Duration Research

RCM's fixed income investment management services are concentrated in the construction and maintenance of short to medium duration portfolios. RCM typically emphasizes holding high quality credits due to the capital preservation mandate dictated by most of RCM's fixed income clients. For taxable portfolios, investments include municipal securities and other securities issued by the United States government or agencies thereof. For portfolios not subject to tax, investments include corporate bonds, municipal bonds (particularly taxable municipals), and other securities issued by the United States government or agencies thereof. RCM uses proprietary research for both credit analysis and quantitative bond analysis. The research effort is focused on adding value from the following components of portfolio structure: duration, yield curve, fixed income sector selection, and individual security selection. Rigorous risk management strategies are included in all aspects of the portfolio management process.

INVESTMENT STRATEGIES

Equity Account Management

RCM's equity products include small, mid and large capitalization growth securities, large cap value securities, and global securities. RCM also offers equity investments in specialized sectors, such as technology, health care, and biotechnology. These products are offered to both institutional and individual clients and both tax-exempt and taxable clients. The equity management process is overseen by the Equity Management Group, which includes senior representatives of the firm's portfolio management team and research department.

Growth Equity and Municipal Bond Account Management

RCM's primary equity products emphasize a team approach to asset management. The team(s) takes advantage of all the global resources at RCM to select securities. The objective is to develop for each client a diversified, yet concentrated portfolio of high quality growth companies selling at reasonable prices. RCM may also, from time to time, invest in cyclical and semi-cyclical companies.

New purchase ideas are primarily generated by RCM's fundamental research department, Grassrootssm, and the

portfolio management teams (domestic and international). External research is also used to generate ideas.

Before purchase, all companies are evaluated for their growth and quality characteristics. All stocks are evaluated on their valuation characteristics. RCM seeks to invest in companies that offer long-term sustainable growth in earnings, revenues, and/or cash flow, have strong management and financial statements, and offer good relative and absolute risk-adjusted return characteristics.

Companies are sold if RCM believes that their growth or quality has been impaired, or when it believes that the risk-adjusted return characteristics are no longer attractive.

The portfolio management teams construct the portfolios in line with specific client investment objectives, guidelines and restrictions. The portfolio managers make stock selection and industry decisions with significant input from the analyst teams. The resulting portfolios are diversified, yet concentrated, and are composed of issuers that RCM believes are high quality growth companies offering above average risk-adjusted return prospects.

For those clients who choose to be fully invested at all times, cash positions generally will average between 2% to 5% or less, except when additional cash is necessary for transaction settlement or until reinvestment decisions are made. For other clients, whose investment objectives, guidelines, and restrictions permit higher cash levels, RCM may, from time to time, increase the cash levels in the account to the extent that market conditions warrant. Cash levels also may be increased in anticipation of expected client withdrawals. The percentage of each type of investment in a particular account is likely to vary, based on a number of factors, including, but not limited to, market conditions, relative investment opportunities, and each client's particular investment objectives, guidelines, and restrictions.

The investment process for domestic large-cap equity accounts is coordinated through the Large Cap Portfolio Management Team (the "Large Cap PMT"). The Large Cap PMT draws upon the expertise of senior portfolio managers, portfolio managers, assistant portfolio managers, senior portfolio associates, portfolio associates and assistants, economists, a product specialist, and quantitative specialists. The Large Cap PMT meets daily, and has frequent interactions with RCM's research analysts, Grassrootssm analysts, and the equity traders.

The Large Cap PMT makes investment decisions through a disciplined voting procedure. Votes are recorded and securities are re-voted at frequent intervals. While the portfolio manager for each account retains the ultimate authority over individual buy and sell decisions for that account, buy and sell decisions by individual portfolio managers that differ from the Large Cap PMT's conclusions

are discussed at the Large Cap PMT portfolio construction meeting. Dispersion is also controlled using quantitative methods.

The investment process for mid-cap and small-cap products involves teams of portfolio managers, assistant portfolio managers and portfolio associates, and certain research analysts who manage smaller sector portfolios in some mid-cap accounts.

The Mid Cap and Small Cap Portfolio Management Teams (the “Small Cap PMT” and “Mid Cap PMT”) meet daily and, as a group, interact frequently with research analysts, Grassrootssm analysts, and the equity traders. The small cap and mid cap investment processes utilize a bottom-up approach to investing. Individual stock holdings, and to a certain extent industry weightings, will differ among mid and small capitalization accounts. Variances are reviewed regularly for appropriateness. As part of this process, and subject to the supervision of the portfolio managers, the assistant portfolio managers play an active role in originating investment ideas and in initiating transactions in the portfolio management teams.

The Private Client Group employs a team approach to investment management. The Private Client Group interacts daily with the Large Cap PMT, RCM research analysts, and Grassrootssm Research, and regularly with the Small Cap PMT, Mid Cap PMT, and the firm’s fixed-income PMT. The equity investment approach is to seek to identify companies with above average earnings growth prospects that can be held for a considerable period of time in order to defer payment of capital gains taxes. Tax consequences can be critical to an investor’s overall return and, as appropriate, investment performance is evaluated on both a before-tax and after-tax basis.

RCM’s investment approach for fixed income portfolio management is to develop high quality intermediate maturity bond portfolios to produce consistent after-tax income while protecting assets from interest rate, event and credit risk. Our investment process for municipal portfolios includes a top-down analysis of the interest rate cycle in conjunction with analysis of municipal bond market valuation and trends. RCM will incorporate Treasury, agency and taxable municipal securities in taxable portfolios when the tax-exempt municipal market appears overvalued, or when dictated by a client’s unique tax situation. We also take structural stresses in the municipal market, such as the threat of federal tax reform into consideration when we are evaluating the outlook for taxable and tax-exempt bonds. For accounts not subject to tax, RCM emphasizes high quality intermediate maturity corporate bond portfolios.

Asset allocation and buy opportunities are determined by the forward supply of municipals and by the relative value offered by municipal bonds versus taxable alternatives. Sector yields and potential returns are evaluated on an

after-tax basis, using client-specific tax rates. We will incorporate Treasury and agency securities in taxable portfolios when the municipal market appears overvalued. We also take into consideration structural stresses in the municipal market, such as the threat of federal tax reform. These considerations together drive our buy and sell decisions.

In some instances, RCM may also invest a portion of a client’s portfolio in a broader range of fixed-income securities either directly or through a commingled investment vehicle. RCM may receive sub-advisory services with respect to such investments from PIMCO, a Newport Beach, California based investment manager and an Allianz Affiliate (See Item 10 below for a description of Allianz Affiliates.) and/or Caywood-Scholl Management LLC.

Disciplined Equity Account Management

The Disciplined Equities Group manages the Disciplined U.S. Core Equity and Disciplined U.S. Value Equity products using an investment management process that combines quantitative screening with fundamental company research (including GrassrootsSM Research). It is a four-step bottom-up stock selection investment process which includes: (1) initial idea generation using a screening strategy, (2) valuation and stock selection using in-depth company research, (3) portfolio construction and risk control that builds a diversified portfolio that generates performance mainly from bottom-up stock selection, and (4) monitoring and review that aims to improve the overall investment process.

Except in the case of private client or wrap accounts, where the client may require that all trading be directed to one or more specified brokers, all trading activity for RCM’s equity accounts is conducted through its Equity Trading Department. RCM believes that the use of professional trading expertise for equity securities can enhance performance.

In addition to the stock selection processes described above, each of RCM’s portfolio management teams receive macroeconomic input from the firm’s Global Policy Council (“GPC”). The GPC is comprised of senior investment professionals and analysts located around the globe at the offices of certain Allianz Advisory Affiliates (See Item 10 for a description of Allianz Advisory Affiliates). The GPC reviews macro economic scenarios for all the major regions of the world and presents analyses of the dynamic processes that drive stocks, bonds and other markets. Based on these analyses, the GPC forecasts the short, intermediate and long-term outlooks for all the major markets and their respective submarkets. The GPC develops investment strategies to determine allocations across broad asset classes and global markets and reflect sector, theme and style priorities.

TYPES OF INVESTMENTS

RCM provides investment management and investment advisory services with respect to a broad range of equity instruments and a more limited range of fixed-income instruments. Some of these instruments include, but are not limited to, exchange-traded and over-the-counter securities; foreign securities; American Depositary Receipts and similar depositary instruments; securities issued by investment companies (and similar foreign issuers); privately placed securities in public or private entities; securities that are eligible for resale pursuant to SEC Rule 144A; commercial paper; securities issued by the United States and foreign governments and municipalities; currency exchange transactions; purchase of when-issued and delayed delivery securities; purchase and sale of options contracts with respect to interest rates, securities, and financial indexes; forward currency contracts and swap and related cap, floor and collar transactions with respect to interest rates; and other derivative instruments. Particular clients may receive investment management or investment advisory services with respect to one or more of the foregoing categories of instruments.

RCM may also buy and sell, among other things, interest rate futures contracts, options on interest rate futures contracts, and options on fixed income securities for the purpose of hedging against changes in the value of securities positions due to anticipated changes in interest rates. RCM may engage in foreign currency exchange transactions by means of buying or selling foreign currencies on a spot basis, enter into foreign currency forward contracts, and buy and sell foreign currency options or foreign currency futures, and RCM may enter into foreign currency exchange transactions for the purpose of hedging against foreign currency exchange risk. RCM may enter into foreign currency forward contracts and buy and sell foreign currency forward contracts and buy and sell foreign currencies or foreign currency options for purposes of increasing exposure to a particular foreign currency or to shift exposure to foreign currency fluctuations from one country to another. RCM may enter into swap agreements for purposes of attempting to obtain a particular investment return at a lower cost than a direct investment in an instrument. Further, RCM may purchase and sell securities on a when-issued or delayed delivery basis, sell securities short, enter into forward commitments to purchase securities and lend securities to brokers, dealers and other financial institutions to earn income.

Investing in securities involves risk of loss that clients should be prepared to bear.

General. The value of your account changes with the value of its investments. Many factors can affect those values. Your account may be subject to additional risks other than

those described below because the types of investments in your account can change over time. There is no guarantee that we will be able to achieve your investment objective. It is possible to lose money by investing.

Common Stocks and Other Equity Securities. Common stock represents an ownership interest in a company. Common stock may take the form of shares in a corporation, membership interests in a limited liability company, limited partnership interests, or other forms of ownership interests. The value of a company's stock may fall as a result of factors directly relating to that company, such as decisions made by its management or lower demand for the company's products or services. A stock's value may also fall because of factors affecting not just the company, but also companies in the same industry or sector, or in a number of different industries or sectors, such as increases in production costs. The value of a company's stock may also be affected by changes in financial markets that are relatively unrelated to the company or its industry, such as changes in interest rates or currency exchange rates or adverse circumstances involving the credit markets. In addition, a company's stock generally pays dividends only after the company invests in its own business and makes required payments to holders of its bonds, other debt and preferred stock. For this reason, the value of a company's stock will usually react more strongly than its bonds, other debt and preferred stock to actual or perceived changes in the company's financial condition or prospects.

Stocks of smaller companies may be more vulnerable to adverse developments than those of larger companies. Stocks of companies that we believe are fast-growing may trade at a higher multiple of current earnings than other stocks. The value of these stocks may be more sensitive to changes in current or expected earnings than the values of other stocks. Seeking earnings growth may result in significant investments in sectors that may be subject to greater volatility than other sectors of the economy.

Companies that we believe are undergoing positive change and whose stock we believe is undervalued by the market may have experienced adverse business developments or may be subject to special risks that have caused their stocks to be out of favor. If our assessment of a company's earnings growth or other prospects is wrong, or if our judgment of how other investors will value the company is wrong, then the price of the company's stock may fall or may not approach the value that we have placed on it.

Different types of equity securities provide different voting and dividend rights and priority in the event of the bankruptcy and/ or insolvency of the issuer. In addition to common stocks, equity securities include, without limitation, preferred stocks, convertible securities and warrants. Equity securities other than common stocks are subject to many of the same risks as common stocks,

although possibly to different degrees. We may invest in, and gain exposure to, common stocks and other equity securities through purchasing depositary receipts.

Equity-related instruments are securities and other instruments, including derivatives such as equity-linked securities, whose investment results are intended to correspond generally to the performance of one or more specified equity securities or of a specified equity index or analogous “basket” of equity securities. To the extent that an account invests in equity-related instruments whose return corresponds to the performance of a non-U.S. securities index or one or more non-U.S. equity securities, investing in these equity-related instruments will involve risks similar to the risks of investing in non-U.S. securities. In addition, a client’s account bears the risk that the issuer of an equity-related instrument may default on its obligations under the instrument. Equity-related instruments are often used for many of the same purposes as, and share many of the same risks with, other derivative instruments such as swap agreements, participation notes and zero-strike warrants and options, as discussed below. Equity-related instruments may be considered illiquid.

Credit Risk. Client accounts may be subject to credit risk. This is the risk that the account could lose money if the issuer or the guarantor of a fixed income security (including a security purchased with securities lending cash collateral, if your account engages in securities lending), or the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling, or is perceived (whether by market participants, ratings agencies, pricing services or otherwise) as unable or unwilling, to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in their credit ratings.

Currency Risk. Client accounts may invest directly in foreign (non-U.S.) currencies and in securities that trade in, or receive revenues in, foreign (non-U.S.) currencies, and are subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. Currency rates may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or non-U.S. governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the U.S. or abroad. As a result, investments in foreign currency-denominated securities may reduce the return of your account.

Derivatives Risk. Derivatives are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate or index. We discuss below

some of the types of derivatives that client accounts may use. Client accounts may (but are not required to) use derivatives as part of a strategy designed to reduce exposure to other risks, such as risks associated with changes in interest rates or currency risk. Client accounts may also use derivatives for leverage, which increases opportunities for gain but also involves greater risk of loss due to leveraging risk, and to gain exposure to issuers, indices, sectors, currencies and/or geographic regions. A client account’s use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments, and the use of certain derivatives may subject an account to the potential for unlimited loss. To the extent an account writes call options on individual securities that it does not hold in its portfolio (“naked” call options), it is subject to the risk that a liquid market for the underlying security may not exist at the time an option is exercised or when the account otherwise seeks to close out an option position; naked call options have speculative characteristics and the potential for unlimited loss. Derivatives also involve the risk of mispricing or improper valuation, the risk of ambiguous documentation, and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. In addition, an account’s use of derivatives may increase or accelerate the amount of taxes payable by the account holder. By investing in a derivative instrument, an account could lose more than the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that we will engage in these transactions to reduce exposure to other risks when that would be beneficial or that, if used, these strategies will be successful.

Finally, federal legislation has been recently enacted in the U.S. that provides for new clearing, margin, reporting and registration requirements for participants in the derivatives market. While the ultimate impact is not yet clear, these changes could restrict and/or impose significant costs or other burdens upon an account’s participation in derivatives transactions.

Examples of derivative instruments that we may buy, sell or otherwise utilize include, among others, option contracts, futures contracts, options on futures contracts, forward contracts, warrants and swap agreements, including swap agreements with respect to securities indexes. An account may purchase and sell (write) call and put options on securities, securities indexes and foreign currencies. An account may purchase and sell futures contracts and options thereon with respect to securities, securities indexes, interest rates and foreign currencies.

The following provides further discussion of risks relating to derivative instruments that we may use, subject to any restrictions applicable to a particular account.

- **Management Risk.** Derivative products are highly specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions.
- **Counterparty Credit Risk.** The use of a derivative instrument involves the risk that a loss may be sustained as a result of the failure of another party to the contract (usually referred to as a “counterparty”) to make required payments or otherwise comply with the contract’s terms.
- **Liquidity Risk.** Liquidity risk exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.
- **Leveraging Risk.** Because many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, reference rate or index can result in a loss substantially greater than the amount invested in the derivative itself. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment. When an account uses derivatives for leverage, investments will tend to be more volatile, resulting in larger gains or losses in response to market changes. Leveraging risk may be especially applicable to accounts that may write uncovered (or “naked”) options.
- **Basis Risk.** Basis risk is the risk that the value of a derivative instrument does not react in parallel with the value of the underlying security.
- **Lack of Availability.** Because the markets for certain derivative instruments (including markets located in non-U.S. countries) are relatively new and still developing, suitable derivatives transactions may not be available in all circumstances for risk management or other purposes. Upon the expiration of a particular contract, we may wish to retain an account’s position in the derivative instrument by entering into a similar contract, but may be unable to do so if the counterparty to the original contract is unwilling to enter into the new contract and no other suitable counterparty can be found. There is no assurance that we will engage in derivatives

transactions at any time or from time to time. An account’s ability to use derivatives may also be limited by certain regulatory and tax considerations.

- **Market and Other Risks.** Like most other investments, derivative instruments are subject to the risk that the market value of the instrument will change in a way detrimental to the account’s interest. If we incorrectly forecast the values of securities, currencies or interest rates or other economic factors in using derivatives, the account might have been in a better position if we had not entered into the transaction at all. While some strategies involving derivative instruments can reduce the risk of loss, they can also reduce the opportunity for gain or result in losses by offsetting favorable price movements in other investments. The account may also have to buy or sell a security at a disadvantageous time or price.

Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives. Many derivatives, in particular privately negotiated derivatives, are complex and illiquid and thus often valued subjectively. Improper valuations can result in increased cash payment requirements to counterparties or a loss of value to the account. Also, the value of derivatives may not correlate perfectly, or at all, with the value of the assets, reference rates or indexes they are designed to closely track. In addition, our use of derivatives may accelerate and/or increase the amount of taxes payable. Derivative instruments are also subject to the risk of ambiguous documentation.

There are significant differences between the securities and derivatives markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve the intended result. A decision as to whether, when and how to use derivatives involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. In addition, derivatives strategies that are successful under certain market conditions may be less successful or unsuccessful under other market conditions.

Emerging Markets Risk. Client accounts that invest in non-U.S. securities may experience more rapid and extreme changes in value than a portfolio that invests exclusively in securities of U.S. issuers or securities that trade exclusively in U.S. markets. Non-U.S. investment risk may be particularly high to the extent that the account invests in emerging market securities, that is, securities of issuers tied economically to countries with developing economies. See “Non-US Investment Risk” below. These securities may present market, credit, currency, liquidity, legal, political, technical and other risks different from, or greater than, the

risks of investing in developed countries. In addition, the risks associated with investing in a narrowly-defined geographic area are generally more pronounced with respect to investments in emerging market countries. An account may also be subject to Emerging Markets Risk if it invests in derivatives or other securities or instruments whose value or returns are related to the value or returns of emerging market securities.

Focused Investment Risk. Focusing an account's investments in a small number of issuers, industries, foreign currencies or regions increases risk. If an account invests a significant portion of its assets in a relatively small number of issuers, it may have more risk because changes in the value of a single security or the impact of a single economic, political or regulatory occurrence may have a greater adverse impact on the account's value. Some of those issuers also may present substantial credit or other risks. In addition, the account may be subject to increased risk to the extent it focuses its investments in securities denominated in a particular foreign currency or in a narrowly-defined geographic area outside the United States. Similarly, if the account focuses its investments in a certain type of issuer, it will be particularly vulnerable to events affecting that type of issuer. Also, the account may have greater risk to the extent it invests a substantial portion of its assets in a group of related industries (or "sectors"). The industries comprising any particular sector and investments in a particular foreign currency or in a narrowly-defined geographic area outside the United States may share common characteristics, are often subject to similar business risks and regulatory burdens, and react similarly to economic, market, political or other developments. An account may from time to time invest a substantial portion of its assets in certain sectors, and during these periods will be subject to a greater extent to the risks associated with these sectors.

Industry Concentration. Market conditions, interest rates, and economic, regulatory or financial developments could significantly affect a single industry or a group of related industries, and the securities of companies in that industry or group of industries could react similarly to these or other developments. See "Focused Investment Risk" above.

- **Eco-Sectors Related Risk.** To the extent an account focuses its investments in companies that have exposure, directly or indirectly, to one or more of the EcoEnergy, Pollution Control and Clean Water sectors that comprise the Eco-Sectors, events or factors affecting companies in the Eco-Sectors will have a greater effect on, and may more adversely affect, the account than they would with respect to an account that is more diversified among a number of unrelated sectors and industries. Companies in the Eco-Sectors may be particularly susceptible to factors such as environmental protection regulatory actions, other

international political and economic developments, changes in government subsidy levels, environmental conservation practices, changes in taxation and other government regulations, and increased costs associated with compliance with environmental or other regulations. There are substantial differences between the environmental and other regulatory practices and policies in various jurisdictions, and any given regulatory agency may make major shifts in policy from time to time. Other economic and market developments that may significantly affect companies in the Eco-Sectors include, without limitation, inflation, rising interest rates, fluctuations in commodity prices, raw material costs and other operating costs, and competition from new entrants into the Eco-Sectors. The Eco-Sectors, on the whole, are newly developing and strongly influenced by technological changes. The Eco-Sectors can be significantly affected by the level and volatility of technological change in industries focusing on energy, pollution and environmental control. In particular, technological advances can render an existing product, which may account for a substantial portion of a company's revenue, obsolete. Product development efforts in the Eco-Sectors may not result in viable commercial products, and companies in the Eco-Sectors typically bear high research and development costs, which can limit their ability to maintain operations during periods of organizational growth or instability. Many companies in the Eco-Sectors are in the early stages of operation and may have limited operating histories and smaller market capitalizations on average than companies in other sectors. As a result of these and other factors, the value of investments in companies in the Eco-Sectors tends to be considerably more volatile than that of companies in more established sectors and industries. Each of the sectors that comprise the Eco-Sectors is susceptible to particular risks. Companies in the EcoEnergy sector may be adversely affected by substantial and/or abrupt variations in the use or prices of oil and other fossil fuels. Changes in energy conservation practices and the demand for renewable energy may also significantly impact the EcoEnergy sector. Companies in the Pollution Control sector are particularly susceptible to changes in regulatory controls on, and international treaties with respect to, the production or containment of pollutants. Changes in market practices and regulatory conditions surrounding recycling and other waste management techniques may significantly affect the demand for products and services of companies in the Pollution Control sector.

Scientific developments, such as breakthroughs in the remediation of global warming or changing sentiments about the deleterious effects of pollution, may also affect practices with respect to pollution control, which could in turn impact companies in the Pollution Control sector. Companies in the Clean Water sector are susceptible to changes in investment in water purification technology globally, and a slackening in the pace of new infrastructure projects in developing or developed countries may constrain such companies' abilities to grow in global markets. Other reductions in demand for clean water, such as significant decreases in world population or increased availability of potable water in arid regions, may reduce demand for products and services provided by companies in the Clean Water sector. To the extent an account invests in companies that may share common characteristics, are often subject to similar business risks and regulatory burdens, and whose securities may react similarly to various events and other factors, the account may be subject to focused investment risk. See "Focused Investment Risk" above. See also "Non-U.S. Investment Risk" and "Emerging Markets Risk."

- **Natural Resources.** Funds that concentrate their investments in companies in the natural resources industries (including, but not limited to, the industry sub-sectors involving cyclical commodities, energy, paper and forest products, precious metals and utilities) will be subject to the risks particularly affecting natural resources companies. The natural resources industries can be significantly affected by events relating to international political and economic developments, energy conservation, the success of exploration projects, commodity prices, and tax and other government regulations. The cyclical industries can be significantly affected by general economic trends, including employment, economic growth, interest rates, changes in consumer sentiment and spending, commodity prices, legislation, government regulation and spending, import controls and worldwide competition. For example, commodity price declines and unit volume reductions resulting from an over-supply of materials used in cyclical industries can adversely affect those industries. Furthermore, a company in the cyclical industries can be subject to liability for environmental damage, depletion of resources, and mandated expenditures for safety and pollution control. The energy industry can be significantly affected by fluctuations in energy prices and supply and demand of energy fuels caused by events relating to international politics, energy conservation, the

success of exploration projects, and tax and other government regulations. The paper and forest products industry can be significantly affected by the health of the economy, worldwide production capacity and interest rates, which can affect product pricing, costs and operating margins. These variables can also affect the level of industry and consumer capital spending for paper and forest products. The utilities industry can be significantly affected by government regulation, financing difficulties, supply and demand of services or fuel, and natural resource conservation. The precious metals industry can be significantly affected by unpredictable monetary and political policies such as currency devaluations or revaluations, economic and social conditions within a country, trade imbalances, or trade or currency restrictions between countries. These factors may cause substantial price fluctuations for precious metals over short periods of time. The prices of precious metals, however, are less subject to local and company-specific factors than securities of individual companies. As a result, precious metals may be more or less volatile in price than securities of companies engaged in precious-metals related businesses.

- **Technology Sector.** Funds that concentrate their investments in the technology sector will be subject to risks particular to that sector such as the risks of short product cycles of equipment, products and services, accelerated rates of product change and development, competition from new and existing companies, significant losses and/or limited earnings, security price volatility, limited operating histories and management experience, patent and other intellectual property considerations. Technology companies are also affected by the risk that new equipment, products and services will not be commercially successful, or will become rapidly obsolete.
- **Water-Related Risk.** To the extent an account focuses its investments in companies that are substantially engaged in water-related activities, events or factors affecting the sector consisting of companies engaged in such activities (the "water-related resource sector") will have a greater effect on, and may more adversely affect, the account than they would with respect to an account that is more diversified among a number of unrelated sectors and industries. Companies in the water-related resource sector may be significantly affected by events relating to international political and economic developments, water conservation, the success of exploration projects, commodity prices and tax and other government regulations. There are substantial differences between the

water-related, environmental and other regulatory practices and policies in various jurisdictions, and any given regulatory agency may make major shifts in policy from time to time. Other economic and market developments that may significantly affect companies in the water-related resource sector include, without limitation, inflation, rising interest rates, fluctuations in commodity prices, raw material costs and other operating costs, and competition from new entrants into the sector. Companies in the water-related resource sector are susceptible to changes in investment in water purification technology globally, and a slackening in the pace of new infrastructure projects in developing or developed countries may constrain such companies' ability to grow in global markets. Other reductions in demand for clean water, such as significant decreases in world population or increased availability of potable water in arid regions, may reduce demand for certain products and services provided by companies in the water-related resource sector. While the water-related resource sector includes established and mature companies, portions of the sector are newly developing and strongly influenced by technological changes. The sector can be significantly affected by the level and volatility of technological change in industries focusing on the quality or availability of or demand for potable and non-potable water. In particular, technological advances can render an existing product, which may account for a substantial portion of a company's revenue, obsolete. Product development efforts by companies in the sector that are focused on developing newer technologies may not result in viable commercial products, and such companies in the sector typically bear high research and development costs, which can limit their ability to maintain operations during periods of organizational growth or instability. Many companies in the sector are in the early stages of operation and may have limited operating histories and smaller market capitalizations on average than companies in other sectors. As a result of these and other factors, the value of investments in companies in the water-related resource sector tends to be considerably more volatile than that of companies in more established sectors and industries. To the extent an account invests in companies that may share common characteristics, are often subject to similar business risks and regulatory burdens, and whose securities may react similarly to various events and other factors, the account may be subject to focused investment risk. See "Focused Investment Risk" above. See also "Non-U.S. Investment Risk" and "Emerging Markets Risk."

- **Wellness-Related Sector.** Funds that concentrate their investments in the wellness-related sector will be subject to risks particular to that sector, including those of the following related industries. The healthcare industry can be significantly affected by government regulation and reimbursement levels, changes in government subsidies, government approval of products and services that could have a significant effect on price and availability and rising costs of medical products and services. Changes in government and private payment systems, such as increased use of managed-care arrangements also affect the volatility of the industry. A healthcare company's valuation is often based largely on potential and actual performance of a limited number of products. The biotechnology industry can be significantly affected by rapid obsolescence of products, intense competition, patent expirations, risks associated with new regulations and changes to existing regulations. Other risks include dramatic fluctuation of economic prospects and share prices of biotechnology companies due to changes in the regulatory or competitive environments and lengthy application processes and testing procedures for products. The medical equipment, systems and delivery industry is significantly affected by patent considerations, rapid technological change and obsolescence, extensive government regulation and government reimbursement for medical expenses, rising costs of medical products and services, pricing pressure and an emphasis on outpatient services. The healthy-lifestyle industry can be significantly affected by the potential and actual performance of a limited number of products and services.

IPO Risk. Client accounts may purchase securities in initial public offerings ("IPOs"). These securities are subject to many of the same risks as investing in companies with smaller market capitalizations and often to a heightened degree. Securities issued in IPOs have no trading history, and information about the companies may be available for very limited periods. In addition, the prices of securities sold in IPOs may be highly volatile. At any particular time or from time to time, an account may not be able to invest in securities issued in IPOs, or invest to the extent desired, because, for example, only a small portion (if any) of the securities being offered in an IPO may be made available to the account. See Item 12 below for a discussion of our policies concerning IPOs and secondary offerings. In addition, under certain market conditions, a relatively small number of companies may issue securities in IPOs. Similarly, as the number of portfolios to which IPO securities are allocated increases, the number of securities issued to the account may decrease. The investment performance of an account during periods when it is unable to invest significantly or at all in IPOs may be lower than

during periods when the account is able to do so. In addition, as an account increases in size, the impact of IPOs on its performance will generally decrease.

Issuer Risk. The value of a security may decline for a number of reasons that directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services, as well as the historical and prospective earnings of the issuer and the values of its assets.

Leveraging Risk. Leverage, including borrowing, will cause the value of an account to be more volatile than if the account did not use leverage. This is because leverage tends to exaggerate the effect of any increase or decrease in the value of the account's portfolio securities. We may engage in transactions or purchase instruments that give rise to forms of leverage. These transactions and instruments may include, among others, the use of reverse repurchase agreements and other borrowings, the investment of collateral from loans of portfolio securities, or the use of when-issued, delayed-delivery or forward commitment transactions. The use of derivatives and short sales may also involve leverage. The use of leverage may cause an account to liquidate portfolio positions when it would not be advantageous to do so in order to satisfy its obligations. Certain types of leveraging transactions, such as short sales that are not "against the box," could theoretically be subject to unlimited losses in cases where the account, for any reason, is unable to close out the transaction. In addition, to the extent an account borrows money, interest costs on these borrowings may not be recovered by any appreciation of the securities purchased with the borrowed amounts and could exceed the account's investment returns, resulting in greater losses.

Liquidity Risk. Client accounts may be subject to liquidity risk. Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing the account from selling these illiquid securities at an advantageous time or price, or possibly requiring the account to dispose of other investments at unfavorable times or prices in order to satisfy its obligations. Additionally, the market for certain investments may become illiquid under adverse market or economic conditions independent of any specific adverse changes in the conditions of a particular issuer. In these cases, the account, due to the difficulty in purchasing and selling securities or instruments, may be unable to achieve its desired level of exposure to a certain issuer or sector. To the extent that the account invests in securities of companies with smaller market capitalizations, non-U.S. securities, Rule 144A securities, derivatives or securities with substantial market and/or credit risk, it will tend to have the greatest exposure to liquidity risk.

Management Risk. Client accounts may be subject to management risk because they are actively managed investment portfolios. We will apply investment techniques

and risk analyses in making investment decisions for an account, but there can be no guarantee that these will produce the desired results. An account is also subject to the risk that deficiencies in our internal systems or controls or those of another service provider will cause losses for the account or hinder operations. For example, trading delays or errors (both human and systemic) could prevent the account from purchasing a security expected to appreciate in value. Additionally, legislative, regulatory, or tax developments may affect the investment techniques available to us in connection with managing the account and may also adversely affect the ability of an account to achieve its investment objective.

Market Risk. The market price of securities owned by an account may go up or down, sometimes rapidly or unpredictably. Where an account intends to invest substantially in common stocks and/or other equity securities, a principal risk of investing is that the investments in the portfolio will decline in value due to factors affecting securities markets generally or particular industries or sectors represented in those markets. The values of securities may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates, adverse changes to credit markets or adverse investor sentiment generally. They may also decline due to factors that disproportionately affect a particular industry, group of related industries or sector, such as labor shortages or increased production costs and competitive conditions within an industry or sector. The market price of fixed income securities, as well as equity securities and other types of investments, may decline due to changes in interest rates or other factors affecting the applicable markets generally. Equity securities generally have greater price volatility than fixed income securities. During a general downturn in securities markets, multiple asset classes may decline in value simultaneously.

Non-U.S. Investment Risk. Where an account invests primarily in foreign (non-U.S.) securities, it may experience more rapid and extreme changes in value than portfolios that invest exclusively in securities of U.S. issuers or securities that trade exclusively in U.S. markets. The securities markets of many non-U.S. countries are relatively small, with a limited number of companies representing a small number of industries. Additionally, issuers of non-U.S. securities are often not subject to the same degree of regulation as U.S. issuers. Reporting, accounting and auditing standards of non-U.S. countries differ, in some cases significantly, from U.S. standards. Also, nationalization, expropriation or confiscatory taxation, currency blockage, market disruption, political changes, security suspensions or diplomatic developments could adversely affect an account's investments in a non-U.S. country. In the event of nationalization, expropriation or

other confiscation, an account could lose its entire investment in non-U.S. securities. To the extent that an account invests a significant portion of its assets in a particular currency or geographic area, the account will generally have more exposure to regional economic risks, including weather emergencies and natural disasters, associated with non-U.S. investments. For example, if an account invests a substantial amount in particular countries, the account may be subject to increased risks due to political, economic, social or regulatory events in those countries. Adverse developments in certain regions can also adversely affect securities of other countries whose economies appear to be unrelated. In addition, an account's investments in non-U.S. securities may be subject to withholding and other taxes imposed by countries outside the U.S., which could reduce the return on an investment.

Other Fund Risks. To the extent a client account invests primarily in mutual funds or other investment vehicles, the risks associated with the account will be closely related to the risks associated with the securities and other investments held by the mutual fund or investment vehicle, which will be described in the fund's or vehicle's prospectus or offering document. The ability of a client account to achieve its investment objective will depend upon the ability of the funds or other vehicles to achieve their investment objectives. The value of a client's account, when investing in funds or vehicles, will fluctuate in response to changes in the net asset values of the funds or vehicles in which it invests. The extent to which the investment performance and risks associated with a client account correlate to those of a particular fund or vehicle will depend upon the extent to which the account's assets are allocated from time to time for investment in a fund or vehicle, which will vary.

Smaller Company Risk. The general risks associated with investing in equity securities and liquidity risk are particularly pronounced for securities of companies with smaller market capitalizations. These companies may have limited product lines, markets or financial resources or they may depend on a few key employees. Securities of smaller companies may trade less frequently and in lesser volume than more widely held securities and their values may fluctuate more sharply than other securities. They may also trade in the over-the-counter market or on a regional exchange, or may otherwise have limited liquidity. Companies with medium-sized market capitalizations also have substantial exposure to these risks.

Turnover Risk. A change in the securities held by an account is known as "portfolio turnover." Higher portfolio turnover involves correspondingly greater expenses to the account, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. These sales may also result in realization of taxable capital gains, including short-

term capital gains, and may adversely impact the account's after-tax returns. The trading costs and tax effects associated with portfolio turnover may adversely affect the account's performance.

The foregoing is only a summary of certain risks of investing in the securities and instruments that we use. Specialized mandates may have particular risks not described above, and you should have a full understanding of the risks applicable to your account before engaging our services.

ITEM 9. DISCIPLINARY INFORMATION

This item requires RCM to disclose any legal or disciplinary events material to a client's or prospective client's evaluation of RCM's business or the integrity of RCM's management. RCM has no information to report for this item.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

RCM is part of Allianz Global Investors. Allianz Global Investors is the marketing name for a global asset management business that operates through affiliated entities throughout the world. Those affiliated entities include Allianz Global Investors Distributors LLC, an SEC-registered broker-dealer and the following SEC-registered investment advisers: Allianz Global Investors Europe GmbH, Allianz Global Investors Capital LLC, Allianz Global Investors Fund Management LLC, Allianz Global Investors Managed Accounts LLC, Allianz Global Investors Solutions LLC, Caywood-Scholl Capital Management LLC, NFJ Investment Group LLC and RCM Asia Pacific Limited.

RCM is also related, through common ownership or otherwise, to PIMCO Investments LLC, an SEC-registered broker-dealer; and Pacific Investment Management Company LLC ("PIMCO") and Pallas Investment Partners, L.P., each an SEC-registered investment adviser.

RCM has entered into referral agreements with certain of its affiliates, including Allianz Global Investors Distributors LLC, Allianz Global Investors Capital LLC and NFJ Investment Group LLC, pursuant to which RCM has agreed to compensate such affiliates with respect to client solicitation activities on behalf of RCM in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940. As

compensation for introducing new client accounts to RCM, such affiliates may receive a portion of the management fee generated by the accounts.

In addition, RCM is related through common ownership or otherwise to a number of foreign investment advisers including: ADIG Fondsvertrieb AG and Allianz Treuhand GmbH, each a Munich-based investment adviser regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht; Allianz Global Investors Kapitalanlagegesellschaft mbH, a Frankfurt-based investment adviser regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht; Allianz Global Investors Capital Limited, Allianz Global Investors (UK) Ltd., RCM (UK) Ltd., and PIMCO Europe Ltd., each a London-based investment adviser regulated by the Financial Services Authority; Allianz Global Investors France S.A., a Paris-based investment adviser regulated by the Autorité des Marchés Financiers; Allianz Global Investors Ireland Ltd., and PIMCO Global Advisors (Ireland) Limited, each a Dublin-based investment adviser regulated by the Irish Financial Services Regulatory Authority; Allianz Global Investors Luxembourg S.A., and PIMCO Luxembourg IV S.A., each a Luxembourg-based investment adviser regulated by the Commission de Surveillance du Secteur Financier; Allianz Global Investors Italia SGR S.p.A., a Milan-based investment adviser regulated by the Commissione Nazionale per le Società e la Borsa; Allianz Global Investors Hong Kong Ltd., and PIMCO Asia Limited, each a Hong Kong-based investment adviser regulated by the Hong Kong Securities and Futures Commission; RCM Asia Pacific Limited, a Hong Kong-based investment adviser regulated by the Securities and Futures Commission and the Korea Financial Services Commission of South Korea; RCM Japan Co. Ltd., and PIMCO Japan Ltd., each a Tokyo-based investment adviser regulated by the Japanese Financial Services Authority; Allianz Global Investors Korea Ltd., a Seoul-based investment adviser regulated by the Korea Financial Services Commission of South Korea; Allianz Global Investors Singapore Ltd., and PIMCO Asia Pte Ltd., each a Singapore-based investment adviser regulated by the Monetary Authority of Singapore; Allianz Global Investors Taiwan Ltd., a Taipei-based investment adviser regulated by the Taiwan Securities and Futures Bureau; RCM Capital Management PTY Ltd., and PIMCO Australia Pty Ltd., each a Sydney-based investment adviser regulated by the Australian Securities and Investments Commission; Allianz Global Investors Nominee Services Ltd., a Grand Cayman (Cayman Islands)-based investment adviser regulated by the Cayman Islands Monetary Authority; and PIMCO Canada Corp., a Toronto, Canada based investment adviser regulated by the Ontario Securities Commission.

Allianz and all of its direct and indirect subsidiaries (other than RCM), including those listed above, are referred to herein as the "Allianz Affiliates." The Allianz Affiliates may be registered as investment advisers and/or broker-dealers with the SEC or other foreign regulatory authorities. RCM may act as investment adviser to one or more Allianz

Affiliates on either a discretionary or non-discretionary basis, and may serve as a sub-adviser for accounts or clients for which one or more Allianz Affiliates serve as investment manager or investment adviser. RCM also may share employees with or provide other services to the Allianz Affiliates. Similarly, RCM may receive services, including but not limited to investment advisory services, from certain Allianz Affiliates. For example, in the areas of legal and compliance, risk management, human resources, finance, information technology and sales and marketing, employees are shared between RCM and various Allianz Affiliates. RCM coordinates its activities with certain other Allianz investment management businesses. These businesses include Allianz Global Investors Kapitalanlagegesellschaft mbH, Pallas Investment Partners, L.P., Caywood-Scholl Capital Management LLC, RCM (UK) Ltd., RCM Japan Co. Ltd., RCM Asia Pacific Limited, and RCM Capital Management PTY Ltd. (collectively, the "Allianz Advisory Affiliates"). Aside from Pallas, each of the Allianz Advisory Affiliates is directly or indirectly a wholly-owned subsidiary of AAM.

RCM is also related to the following entities:

Allianz Funds ("Allianz Funds")

RCM is the portfolio manager of certain series of Allianz Funds, an open-end management investment company. Allianz Global Investors Fund Management LLC ("AGIFM") (See response to Item 11 below.) serves as investment adviser and administrator to the Allianz Funds. Under the terms of an agreement with AGIFM dated February 8, 2002, as amended, RCM serves as portfolio manager to the following series: (i) Allianz RCM Technology Fund, a non-diversified fund, which invests primarily in equity and equity-related securities of domestic and foreign technology companies, (ii) Allianz RCM Wellness Fund, a non-diversified fund which invests primarily in equity and equity-related securities of wellness-related companies, (iii) Allianz RCM Global Small-Cap Fund, a diversified fund which invests primarily in equity and equity-related securities of small-sized domestic and foreign companies, (iv) Allianz RCM Large-Cap Fund, a diversified fund which invests primarily in equity and equity-related securities of companies with large market capitalizations, (v) Allianz RCM Mid-Cap Fund, a diversified fund which invests primarily in equity and equity-related securities of small- to medium-sized concerns, (vi) Allianz RCM Global Commodity Equity Fund, a diversified fund which invests primarily in equity and equity-related securities principally engaged in the research, development, manufacturing, extraction, distribution or sale of materials, energy or goods related to the Agriculture, Energy, Materials or Commodity-Related Industrials sectors. (vii) Allianz RCM Focused Growth Fund, a non-diversified fund which invests primarily in equity and equity-related securities of U.S. companies with market capitalizations of at least \$1 billion.

Allianz Funds Multi-Strategy Trust ("Allianz Trust")

RCM is the portfolio manager of certain series of the Allianz Funds Multi-Strategy Trust, an open-end management company. AGIFM serves as investment adviser and administrator to the Allianz Trust. Under the terms of an agreement with AGIFM dated March 31, 2008 and amended and restated on July 8, 2008, RCM serves as portfolio manager to the following series: (i) Allianz RCM Global Water Fund, a non-diversified fund which invests primarily in equity and equity-related securities of U.S. and non-U.S. companies substantially engaged in water-related activities, (ii) Allianz RCM Disciplined Equity Fund, a diversified fund which invests primarily in equity and equity-related securities of companies with large market capitalizations (iii) Allianz RCM China Equity Fund, a non-diversified fund which invests primarily in equity and equity-related securities of Chinese companies, (iv) Allianz RCM Redwood Fund, a diversified fund which invests in a buy-write strategy, (v) Allianz RCM All Alpha Fund, a diversified fund which invests in long positions and short positions, and (vi) Allianz RCM Short Duration High Income Fund, a diversified fund which invests primarily in debt securities issued by public and private companies.

Allianz Global Investors Managed Accounts LLC ("AGIMA")

AGIMA operates a managed account business that involves managing assets for a wide range of third party wrap and wrap-type investment products. RCM has entered into an arrangement with AGIMA whereby RCM will provide AGIMA with model portfolios reflecting an equity growth style. AGIMA may also introduce separate account clients to RCM.

RCM Commingled Funds LLC

RCM is the investment manager and managing member of RCM Commingled Funds LLC, a Delaware limited liability company. RCM provides or arranges for the provision of certain financial and administrative services and oversees fund accounting for RCM Commingled Funds LLC. RCM Commingled Funds LLC currently consists of the following series: RCM Small Cap Fund, RCM Large Cap Select Fund, RCM Large Cap Growth Fund, RCM Little Dragons Fund and RCM China Fund. These series are privately offered and are exempt from registration under the Securities Act of 1933 and the Investment Company Act of 1940.

RCM Tech Alpha Fund

RCM is the sole member of RCM Tech Alpha GP, LLC, which serves as the General Partner for RCM Tech Alpha Partners US, L.P. (the "Tech Alpha Onshore Feeder Fund"), a Delaware limited partnership. RCM is also the sole shareholder of RCM (Cayman) Ltd., a Cayman Islands Exempted Company, which serves as the General Partner of Tech Alpha Partners, L.P. (the "Tech Alpha Master Fund"), a Cayman Islands Exempted Limited Partnership. RCM serves as the investment manager for the Tech Alpha Onshore Feeder Fund and for Tech Alpha Fund, Ltd. (the "Tech Alpha

Offshore Feeder Fund"), a Cayman Islands Exempted Company. The Tech Alpha Onshore Feeder Fund, the Tech Alpha Offshore Feeder Fund and the Tech Alpha Master Fund are part of a master feeder fund structure collectively known as the RCM Tech Alpha Fund. RCM provides or arranges for the provision of certain financial and administrative services and fund accounting for the RCM Tech Alpha Fund. Shares of the Tech Alpha Offshore Feeder Fund and interests in Tech Alpha Onshore Feeder Fund are privately offered and are exempt from registration under the Securities Act of 1933 and the Investment Company Act of 1940. Because RCM may receive a performance related incentive fee for serving as the investment manager to the RCM Tech Alpha Fund (see response to Item 4 above), each investor must also meet the definition of "qualified client," under Rule 205-3 under the Investment Advisers Act of 1940.

RCM Health Care Alpha Fund

RCM is the sole member of RCM Health Care Alpha GP, LLC, which serves as the General Partner for RCM Health Care Alpha Partners US, L.P. (the "RCM Health Care Alpha Fund"). RCM serves as the investment manager for the RCM Health Care Alpha Fund and also provides or arranges for the provision of certain financial and administrative services and fund accounting for the RCM Health Care Alpha Fund. Interests in the RCM Health Care Alpha Fund are privately offered and are exempt from registration under the Securities Act of 1933 and the Investment Company Act of 1940. Because RCM may receive a performance related incentive fee for serving as the investment manager to the RCM Health Care Alpha Fund (see response to Item 4 above), each investor must also meet the definition of "qualified client," under Rule 205-3 under the Investment Advisers Act of 1940.

Pallas Investment Partners, L.P. ("Pallas") and Related Entities

Pallas is an investment adviser registered with the SEC. Pallas is owned by Walter Price and Huachen Chen. Mr. Price and Mr. Chen are dually employed by Pallas and by RCM.

Pallas serves as investment manager to unregistered investment companies (the "Pallas Hedge Funds") -- Pallas Global Technology Hedge Fund, L.P., Pallas Investments II, L.P., and CP21, L.P., each a Delaware limited partnership. The general partner of Pallas Investments II, L.P. Pallas Global Technology Hedge Fund, L.P. and CP21, L.P. is Pallas Investments, LLC, a Delaware limited liability company (the "General Partner"). Mr. Price and Mr. Chen own a majority of the interests in the General Partner.

Each of the Pallas Hedge Funds pays a management fee and an incentive fee (based on a percentage of profits) to either Pallas or the General Partner. The management fee is 1.25% for Pallas Investments II, L.P. and 1.5 % for Pallas Global Technology Hedge Fund, L.P. and CP21 L.P.

Mr. Price and Mr. Chen act as portfolio managers for certain RCM client accounts including, among others, the Allianz RCM Technology Fund.

RCM and Pallas share common employees, facilities, and systems. Pallas may act as investment adviser to one or more of RCM's affiliates, and may serve as sub-adviser for accounts or clients for which RCM or one of its affiliates serves as investment manager or investment adviser. RCM also may provide other services, including but not limited to investment advisory services or administrative services, to Pallas.

RCM, Pallas, and the Allianz Advisory Affiliates all engage in proprietary research and all acquire investment information and research services from broker-dealers. RCM and the Allianz Advisory Affiliates share such research and investment information.

In addition, trades entered into by Pallas on behalf of Pallas' clients are executed through RCM's equity trading desk, and trades by Pallas on behalf of Pallas' clients (including the Pallas Hedge Funds) are aggregated with trades by RCM on behalf of RCM's clients. All trades on behalf of Pallas' clients that are executed through RCM's equity trading desk will be executed pursuant to procedures designed to ensure that all clients of both RCM and Pallas (including the Pallas Hedge Funds) are treated fairly and equitably over time. (See response to Item 12 below.)

The General Partner and/or Pallas receive a participation in the profits of the Pallas Hedge Funds. Mr. Price and Mr. Chen also invested personally in one or more of the Pallas Hedge Funds. As a result, Mr. Price and Mr. Chen have a conflict of interest with respect to the management of the Pallas Hedge Funds and the other accounts that they manage, and they may have an incentive to favor the Pallas Hedge Funds over other accounts that they manage. RCM has adopted procedures reasonably designed to ensure that Mr. Price and Mr. Chen meet their fiduciary obligations to all clients for whom they act as portfolio managers and treats all such clients fairly and equitably over time.

The Allianz Advisory Affiliates share proprietary research and information developed by each of those entities. RCM and the Allianz Advisory Affiliates may attempt to make a good faith allocation of the costs incurred in creating such research, and to apportion such costs among the offices receiving access to such research. Alternatively, some or all of the cost of such research may be borne exclusively by the affiliate creating the research. RCM also may provide research services to nonaffiliated investment advisors.

In addition, RCM acquires investment information and research services from broker-dealers, including information used in reports prepared by RCM's Grassroots Research group. (See response to Item 12 below.) One or more of the Allianz Advisory Affiliates also may acquire similar

research information from broker-dealers. RCM and the Allianz Advisory Affiliates expect to share such research, and will use any such shared research for the benefit of their clients.

To the extent permissible under all appropriate laws, including federal securities and banking laws, RCM may, from time to time, execute brokerage transactions through, or have investment advisory relationships with, any of the Allianz Affiliates. RCM will not execute brokerage transactions through any of the Allianz Affiliates without the consent of the clients involved in such transactions. In addition, RCM and the Allianz Affiliates do not act as principal in connection with transactions for RCM clients. The Allianz Affiliates also may provide custodial services to certain of RCM's clients.

In rendering investment advisory services to its clients, including U.S. registered investment companies, RCM may use the resources of some of the Allianz Advisory Affiliates ("Participating RCM Affiliates") to provide portfolio management, research and trading services to RCM clients. Under collaboration agreements, each of the Participating RCM Affiliates and any of their employees who provide services to clients of RCM are considered "associated persons" of RCM as that term is defined in the Investment Advisers Act of 1940, as amended ("Advisers Act"). The Participating RCM Affiliates have agreed to submit to the jurisdiction of the SEC and to the jurisdiction of the U.S. courts for actions arising under the U.S. securities laws in connection with the investment advisory services they provide for any RCM clients.

ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

CODE OF ETHICS

RCM has adopted a Code of Ethics ("Code") pursuant to Rule 204A under the Advisers Act. RCM's officers, employees, and associated persons (collectively, "Employees") are required to follow the Code, which sets out standards of conduct and helps RCM detect and prevent potential conflicts of interest. The Code covers personal securities transactions of all Employees and their family members (as defined in the Code), which includes most persons sharing the same household as the Employee. Although the Code permits employees to trade in securities for their own accounts, Employees are required to follow the Code, which contains preclearance procedures,

reporting requirements, and other provisions that restrict trading by Employees. In some circumstances, Employees may trade in securities for their own accounts that are recommended to and/or purchased by our Clients. In these circumstances, there is a possibility that the Employee may benefit from market activity within a Client account.

Employee trading is monitored for compliance with the Code. Any Employee who violates the Code may be subject to remedial actions, including, but not limited to: profit disgorgement, censure, demotion, suspension, or dismissal. Employees are also required to promptly report any violation of the Code of which they become aware. The Code is available upon request. Employees are required to annually certify compliance with the Code.

RCM will provide clients and prospective clients with a copy of the Code upon request. To receive a copy of our Code of Ethics, please contact your relationship manager.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

If permitted by a particular client's investment objectives, guidelines, and restrictions, and applicable law and regulations, RCM may recommend that a client purchase, or use its discretion to effect a client purchase of securities offered in either a public or private underwriting where an Allianz Affiliate is acting in the capacity of a manager, underwriter, or placement agent.

Consistent with its duty to seek best execution, RCM may from time to time effect securities transactions for its client accounts through an Allianz Affiliate acting as broker or agent. (See also response to Item 12.)

RCM clients may purchase shares of one or more series of the Allianz Funds or Allianz Trust for which RCM serves as sub-adviser. (See response to Item 10 above.) Each of the funds pays a management fee to its administrator and investment adviser, AGIFM. In turn, RCM, pursuant to a sub-advisory agreement between AGIFM and RCM, receives fees for each fund it sub-advises. These fees are paid exclusively by AGIFM and not directly by the shareholders of the funds. Fees under the agreements are payable at annual rates expressed as a percentage of the average daily net asset value of each fund, as set forth below. The distributor for the Allianz Funds and Allianz Multi-Strategy Trust is AGID.

Under RCM's procedures, if a client holds shares of one or more of the Allianz Funds or series of the Allianz Trust in an account managed or advised by RCM, the assets managed by RCM are reduced by the value of their investment in shares of the Allianz Funds or Allianz Trust prior to calculation of their individual investment management fee. It should be noted that the management fee paid by the Allianz Funds or Allianz Trust may exceed the standard fee

normally charged by RCM to its individual clients. Potential participants should review closely each fund's prospectus. Specific written authorization designed to comply with the Employee Retirement Income Security Act Prohibited Transaction Exemption 77-4 is required from a separate non-affiliated fiduciary of employee benefit plans participating in any series of the Allianz Funds or Allianz Trust.

RCM also recommends and offers to clients membership interests in RCM Commingled Funds LLC which offers the following series: RCM Small Cap Fund, RCM Large Cap Select Fund, RCM Large Cap Growth Fund, RCM Little Dragons Fund and RCM China Fund (collectively, the "Commingled Funds"). RCM Commingled Funds LLC is a Delaware limited liability company and RCM and/or RCM Asia Pacific Ltd. serve as investment adviser to each of the Commingled Funds. Fees paid from the assets of the Commingled Funds consist of custody and recordkeeping fees based on actual expenses reasonably incurred. Fees paid from the assets of the Commingled Funds will not exceed 0.05% for the Large Cap Select Fund and 0.10% for the Large Cap Growth Fund, Small Cap Fund, Little Dragons Fund and China Fund. These fee caps are exclusive of extraordinary expenses and normal security trading charges. Management fees are charged to the investors in the Commingled Funds and are not paid from the assets of the Commingled Funds.

RCM provides investment management services to certain investment companies, as described above. RCM may have authority to invest some or all of a client's assets in one or more of such investment companies, to the extent consistent with applicable law. Because the fees received by RCM from these investment companies may, in some cases, be greater than the fees otherwise paid by clients, RCM may have an incentive to advise clients to invest in such investment companies. As a result, RCM may have a conflict of interest with respect to such recommendations.

RCM provide services to a number of different clients and accounts. We may give advice and take action with respect to any client or accounts that may differ from action taken on behalf of other clients or accounts. RCM is not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling, any security that our employees may buy or sell for their own account or for the accounts of any other client. RCM manages conflicts with our employees investing for their accounts by requiring that any transaction be made in compliance with our Code of Ethics, as discussed above.

Because RCM manages more than one account, potential conflicts of interest may arise related to the amount of time individuals devote to managing particular accounts. RCM may also have an incentive to favor accounts in the allocation of investment opportunities or otherwise treat preferentially those accounts that pay us a performance-

related fee, or a higher fee level or greater fees overall. RCM has adopted procedures for allocation of portfolio transactions and investment opportunities across multiple client accounts on a fair and equitable basis over time. See Item 6 above and Item 12 below.

Potential conflicts of interest may also arise in connection with an employee's knowledge and the timing of transactions, investment opportunities, broker selection, portfolio holdings and investments. Some employees who have access to the size and timing of transactions may have information concerning the market impact of transactions. Employees may be in a position to use this information to their possible advantage or to the possible detriment of our other client accounts. An investment opportunity may also be suitable for multiple accounts we manage, but not in sufficient quantities for all accounts to participate fully. Similarly, there may be limited opportunity to sell an investment held by multiple accounts. We manage these potential conflicts with employee transactions by requiring that any transaction be made in compliance with our Code of Ethics, and potential conflicts between client accounts through our procedures for aggregating and allocating portfolio transactions and investment opportunities discussed in Item 12 below.

While some of our accounts, including those that pay performance-related fees, may short securities held long by our US-based accounts or obtain similar exposures through the use of derivatives, the particular portfolio managers responsible for the US-based accounts generally do not manage accounts that would enter into short positions in securities held long by our US-based accounts. Nevertheless, there may be instances where a client of ours enters into short positions for a security, or obtains exposures to the security, held long by another client, which could impact the price of the security. See Item 6 above.

RCM also recommends and offers to clients interests in the RCM Tech Alpha Fund and the RCM Health Care Alpha Fund (see Items 4 and 10 above). Because the fees received by RCM from these funds, which include both asset based fees and performance based incentive fees, maybe be greater than the fees otherwise paid by clients, RCM may have an incentive to advise clients to invest in such funds. As a result, RCM may have a conflict of interest with respect to such recommendations.

RCM may also have a conflict of interest with respect to advisory client's investment in certain third party private investment funds. (See Item 10 above.)

The Allianz Affiliates provide a variety of investment banking, commercial banking, brokerage and other services to a broad range of clients, including issuers of securities that RCM may recommend for purchase or sale by clients. In the course of providing these services, the Allianz Affiliates may come into possession of material, non-public information. However, such material, non-public

information ordinarily will not be disclosed to RCM or its employees. The Allianz Affiliates have installed procedures intended to prevent the sharing of confidential information concerning issuers by its investment banking, commercial banking, brokerage, investment management and other operations. Such confidential information, if obtained, will not be used as a factor in making investment decisions for the portfolios of RCM's clients.

RCM believes that the nature and range of clients to whom the Allianz Affiliates render investment banking, commercial banking, brokerage and other services is such that it would be inadvisable to exclude these companies from a client's portfolio solely on the basis of their relationship with the Allianz Affiliates. Accordingly, except to the extent prohibited by law, RCM will not, as a matter of policy, refrain from initiating purchases or sales of any security as to which the Allianz Affiliates provide investment banking, commercial banking, brokerage or other services, or as to which the Allianz Affiliates possess material, non-public information. As a result, subject to each client's investment objectives, guidelines and restrictions, it is likely that client holdings will, from time to time, include the securities of issuers for whom the Allianz Affiliates provide investment banking, commercial banking, brokerage and other services. RCM also may purchase or sell for one or more client portfolios the securities of companies in which an Allianz Affiliate makes a market, or in which RCM, the Allianz Affiliates, or any of their employees have positions.

To meet applicable regulatory requirements, there may be periods during which RCM may not be permitted to recommend or effect certain types of transactions in the securities of companies for which an Allianz Affiliate is performing investment banking, commercial banking, brokerage or other services. This may result in RCM being unable to recommend or effect transactions at a time when it might otherwise be advisable to do so.

All of the transactions described above involve the potential for conflict of interest between RCM or the Allianz Affiliates and clients of RCM. The Investment Advisors Act of 1940, the Investment Company Act of 1940, and ERISA impose certain requirements designed to decrease the possibility of conflict of interest between an investment adviser and its clients. In some cases, transactions may be permitted subject to fulfillment of certain conditions. In other cases, transactions may be prohibited. RCM seeks to ensure that potential or actual conflicts of interest are appropriately resolved, taking into consideration the overriding best interests of the client.

PERSONAL TRADING

RCM permits its employees to engage in personal securities transactions, and to purchase and sell securities that may be held by or may be suitable for investment by client accounts. Personal securities transactions may raise

potential conflicts of interest with the interests of RCM clients. Accordingly, RCM has adopted a Code of Ethics which is designed to mitigate conflicts of interest and the potential appearance of impropriety in an employee's personal actions. The Code of Ethics requires, among other things, advance approval of certain purchases or sales of securities by its employees. The Code of Ethics does not require advance approval for investment in certain highly liquid securities issued by the U.S. Government or certain foreign governments, bankers' acceptances, bank certificates of deposit, commercial paper, shares of registered open-end investment companies, and certain other types of investment vehicles.

In order to ensure compliance with the pre-trading authorization requirement, each RCM employee is required to instruct each broker-dealer with whom he or she maintains an account to send directly to RCM a duplicate copy of all transaction confirmations generated by that broker-dealer for that employee's account. These confirmations or other relevant records are then cross-checked against the pre-trading authorization forms submitted by that employee.

RCM's Code of Ethics restricts the purchase and sale by its personnel (and certain entities in which such personnel may have a beneficial interest) for their own accounts of securities which have been or are being considered for purchase for client accounts. Except under certain limited circumstances, personnel are not to engage in a transaction in the same security while an order for a client's account is pending or within a certain period of time before and after execution of the transaction in that security on behalf of the client. The applicable time period will vary, depending on the employee's job responsibilities. Administration of the Code of Ethics is overseen by RCM's Management Committee, which has the power to impose sanctions and to grant exceptions in appropriate circumstances.

RCM performs investment management and investment advisory services for various clients, many of whom may have differing investment objectives, guidelines, and restrictions. As a result, RCM may give advice and take action in the performance of its duties for a particular client that may differ from the advice given, or the timing or nature of action taken, with respect to other clients. Frequently, a particular security may be bought or sold for only one or a small number of clients, or in different amounts and at different times for more than one but less than all clients. In some cases, RCM may cause one or more accounts to buy or sell a security from or to a broker-dealer, and soon thereafter may engage in the opposite transaction for one or more other accounts from that or another broker-dealer. This practice may result in certain accounts receiving less favorable prices. RCM has adopted procedures that it believes are reasonably designed to obtain the most favorable price and execution for the transactions by each account.

RCM may, from time to time, buy or sell securities for its own investment account, and RCM's employees may do so, either individually or as a group (such as through an investment partnership). Likewise, the Allianz Affiliates may buy and sell securities for their own accounts, may underwrite securities, and may act as a market maker with respect to certain securities. RCM does not prohibit any of its employees from purchasing or selling for their own accounts securities that may be recommended to or held by RCM's clients, and many of RCM's employees do in fact own, purchase, and sell securities that are recommended to or held by RCM's clients, subject to the requirements in the Code of Ethics. Similarly, the Allianz Affiliates may purchase, hold, or sell securities that are recommended for purchase or sale in RCM client accounts. The Allianz Affiliates, with the exception of Caywood-Scholl and Pallas and their employees, are not subject to the RCM Code of Ethics, and therefore may be purchasing or selling a security at the same time that RCM is purchasing or selling that security on behalf of one or more clients.

The Allianz Affiliates also have adopted procedures designed to mitigate conflicts of interest and the potential appearance of impropriety in employee personal trading. The nature and timing of actions taken by one or more of RCM's employees or by one or more of the Allianz Affiliates, either for their own accounts or for the accounts of clients, may differ from the nature and timing of actions taken by RCM for client accounts. Because the Code of Ethics places restrictions on when employees can trade certain securities, the price received by RCM's clients in a securities transaction will most likely be different than the price received by RCM's employees.

Employees of RCM participate in the Allianz Global Investors of America L.P. 401(k) Savings Retirement Plan (the "Plan"). The Plan may invest in certain vehicles for which RCM acts as investment manager. Such investment vehicles also may be recommended to or held by RCM clients. Furthermore, RCM's officers, senior managers and other highly compensated employees may elect to defer receipt of cash compensation and bonuses they may become entitled to pursuant to RCM's Deferred Compensation Plan. Participants in the Deferred Compensation Plan may elect to have deferred amounts invested in securities that may be recommended to or held by RCM clients.

ITEM 12. BROKERAGE PRACTICES

Most clients give RCM full discretionary authority over assets under management, subject to any limitations or prohibitions that may be imposed by each client in its investment objectives, guidelines, and restrictions, or in

instructions otherwise provided to RCM by the client. For accounts over which RCM has full discretionary authority, RCM has the power to determine (without consultation with the client) which securities are bought and sold, when such purchases and sales are made, and the total amount of such purchases and sales. Except in those instances where a client wishes to retain discretion over broker selection and commission rate, RCM accepts full discretionary authority to determine the broker to be used and the commission paid, with the objective of attaining the best available price and most favorable execution ("best execution") for each transaction. Some trades are made on a net basis where the client buys securities directly from a dealer, or sells them directly to a dealer. This is typical for certain equity securities traded in the over-the-counter market, and for most debt securities. In such transactions, there is no direct commission charged, but the dealer receives a "spread" which is the equivalent of a commission for engaging in the transaction.

From time to time, RCM accepts accounts for which it does not have full discretionary authority. For example, RCM may recommend purchases and sales of securities for such accounts, subject to the client's approval, or RCM may provide only reporting and performance measurement services. In such cases, a suitable fee arrangement is agreed upon. (See response to Items 4 and 5 above.) If only non-advisory services are provided, and if the account is related to other accounts, RCM may perform the services as an accommodation.

If RCM makes a recommendation that is accepted by a non-discretionary client, that client may choose to execute the transaction itself, without RCM's assistance. In that event, the non-discretionary client may seek to purchase or sell securities at the same time as discretionary clients, to the potential disadvantage of both. Alternatively, the client may request RCM as an accommodation to place orders for the purchase or sale of the securities recommended and RCM may either be given the right to determine the executing broker-dealer or the client may direct that such transactions be effected through specified broker-dealers. As a result, the timing of the non-discretionary client's transaction and price received may differ from that of other RCM clients because their transactions are typically executed after the transactions for fully discretionary accounts.

In addition, from time to time, RCM may accept private client accounts for which a broker-dealer serves as custodian. In such cases, the client may agree with the broker-dealer that some or all transactions for that account must be executed through that broker-dealer. In such circumstances, even though RCM has discretionary authority over the account, RCM's authority to select the broker-dealer through whom transactions will be executed may be limited. As a result, RCM may not be in a position to ensure best execution of transactions for that client.

In selecting a broker or dealer for each specific transaction, RCM uses its best judgment to choose the broker or dealer most capable of providing the services necessary to obtain the best execution of that transaction. In seeking the best execution of each transaction, RCM evaluates a wide range of criteria, including any or all of the following: the broker's commission rate, promptness, reliability and quality of executions, trading expertise, positioning and distribution capabilities, back office efficiency, ability to handle difficult trades, knowledge of other buyers and sellers, ability to provide RCM with market-related information, confidentiality, capital strength and financial stability, prior performance and responsiveness in serving RCM and its clients, and other factors affecting the overall benefit received by the client(s) in the transaction. When circumstances relating to a proposed transaction indicate that a particular broker or dealer is in a position to obtain the best execution, the order is placed with that broker or dealer. This may or may not be a broker or dealer that has provided investment information and research services to RCM.

Subject to the requirement of seeking best execution, RCM may, in circumstances in which two or more brokers or dealers are in a position to offer comparable price and execution, give preference to a broker or dealer that has provided brokerage or research services to RCM. In so doing, RCM may effect securities transactions which cause a client to pay an amount of commission in excess of the amount of commission another broker would have charged. In effecting trades through such brokers or dealers, RCM may generate credits ("Commission Credits") which may be used by RCM to pay for brokerage and research services provided or paid for by such brokers or dealers. In selecting such broker or dealer, RCM will make a good faith determination that the amount of commission is reasonable in relation to the value of the brokerage services and research and investment information received, viewed in terms of either the specific transaction or RCM's overall responsibility to the accounts for which it exercises investment discretion. RCM regularly evaluates all commissions paid in order to ensure that the commission represents reasonable compensation for the brokerage and research services provided by such brokers.

Receiving research and brokerage services in exchange for soft dollars creates potential conflicts of interest for RCM, since RCM would not otherwise have to produce the services, or pay for them from our own resources, allowing us to potentially reduce our costs. RCM may have an incentive to direct client trades to broker-dealers who provide these services to us. Sometimes, broker-dealers require a specific level of client commissions to provide research or brokerage services that RCM may want, and RCM may have an incentive to execute more trades through them, rather than through other broker-dealers that do not provide the services but who would otherwise provide comparable execution for a given trade. The services

benefit us by allowing us, at no additional cost to us, (1) to supplement our own research, analysis and execution activities; (2) to receive the views and information of individuals and research staffs of other securities firms; (3) to gain access to persons having special expertise on certain companies, industries, areas of the economy and market factors; and (4) to gain access to execution services of third-parties.

Under a safe harbor from the Securities Exchange Act of 1934, an investment adviser may cause clients to pay more than the lowest available commission rate in order to acquire certain research and brokerage services with the Commission Credits generated by its client account transactions. Any product and service we receive with Commission Credits must fall within the safe harbor. In some cases, our affiliates have entered into commission sharing arrangements whereby they have arrangements with a broker and the broker has arrangements with another party to provide them research, which (as noted above) is typically shared with us, effectively allowing us, subject to our best execution responsibilities, to obtain research from other parties.

RCM uses investment information and research services that it receives from broker-dealers to evaluate securities and to formulate investment recommendations for both discretionary and non-discretionary clients. Such information and services are used by RCM as part of its investment process to enhance portfolio return and to reduce trading costs, and are helpful to RCM in serving its clients. Among other things, RCM may receive research reports, oral advice, or data from the brokers or dealers regarding particular companies, industries, or general market or economic conditions. Such investment information and research services also may include, among other things, information concerning pertinent federal and state legislative and regulatory developments and other developments that could affect the value of companies in which RCM has invested or may consider investing; attendance at meetings with corporate management personnel, industry experts, economists, government personnel, academicians, and other financial analysts and journalists; consultation with scientific and technical experts concerning the viability and market potential of an issuer's products and services; comparative issuer performance and evaluation and technical measurement services; subscription to publications that provide investment-related information; accounting and tax law interpretations; economic advice; quotation equipment and services; execution or research measurement services; and software to assist RCM initiate and execute orders; market-related and survey data concerning the products and services of an issuer and its competitors or concerning a particular industry that are used in reports prepared by RCM's Grassrootssm Research group to enhance RCM's ability to analyze an issuer's financial condition and prospects; information from doctors concerning medical, technological

and economic developments in medicine, health care, and related areas; and other services provided by recognized experts on investment matters of particular interest to RCM. In addition, services may include the use of or be delivered by computer systems whose hardware and/or software components may be provided to RCM as part of the services.

In any case in which information and other services can be used for both brokerage or research and non-research purposes, RCM makes an appropriate good faith allocation of those uses and pays directly for that portion of the services to be used for non-brokerage or non-research purposes. This allocation can create a potential conflict of interest.

The investment information and research services that RCM receives from brokers or dealers is used by RCM's research analysts and portfolio managers to formulate recommendations for the purchase or sale of securities. These recommendations, as well as RCM's analysis and the investment information and research services used to formulate recommendations, may be made available to the Allianz Advisory Affiliates and all of RCM's clients (including foreign clients of RCM and the Allianz Advisory Affiliates) and is used by RCM in servicing all of its clients, and it is recognized that a particular account may be charged a commission paid to a broker or dealer who supplied research services not utilized by such account. In addition, non-discretionary clients for whom RCM does not place brokerage orders ordinarily will benefit from such investment information, even though such information was generated through commissions paid by other clients. This may also be true for clients who require RCM to direct all or a significant portion of their trades to one of a small number of broker-dealers. Private clients for whom a broker-dealer acts as custodian also will benefit from such research information, even though RCM may not receive investment information in connection with transactions executed for such private clients through that broker-dealer. However, RCM expects that each account will be benefited overall by such practice because each is receiving the benefit of research services and the execution of such transactions not otherwise available to it.

RCM has not made and will not make commitments to place orders with any particular broker or dealer or group of brokers or dealers, other than pursuant to client direction. Annually, RCM projects the amount of commission dollars it expects to generate in the course of a year, and pursuant to an internal allocation procedure that entails the vote of all portfolio managers and analysts as to the quality of research and investment information received from various brokers or dealers, establishes a budget of commission dollars to be directed to brokers providing the most useful investment information. No absolute dollar amounts are required to be met, and in no case will an order be placed if the broker or dealer is not able to

provide best execution of a particular transaction. However, RCM does endeavor to direct sufficient orders to such brokers or dealers to ensure the continued receipt of research services that RCM believes are useful. A substantial portion of brokerage commissions are paid to brokers and dealers who supply investment information and research services to RCM.

In many cases, portfolio transactions may be executed in an aggregated transaction as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by RCM, some of which accounts may have similar investment objectives. In addition, RCM will aggregate trades for certain proprietary accounts with trades for RCM clients, and RCM may coordinate the execution of transactions for its clients with execution for transactions for the clients of the Allianz Advisory Affiliates, as more fully described below.

RCM believes that aggregation of transactions may enable it, on average and over time, to obtain enhanced execution and lower brokerage commissions (although there is no certainty that such objectives will be achieved). Coordination of transactions among the clients of RCM and the Allianz Advisory Affiliates may have similar results.

As a result, RCM coordinates transactions for its clients on a regional basis with certain Allianz Advisory Affiliates and through an Allianz Advisory Affiliate Executing Office ("Executing Office"). This practice helps to minimize the possibility that clients of RCM and those of Allianz Advisory Affiliates (with whom research is shared) would compete in the marketplace by executing transactions in the same security during the same day.

Trading centers for some of the Allianz Advisory Affiliates, including RCM, have been established as follows:

| Executing Offices | Trading Region |
|-------------------|-----------------------------|
| Hong Kong | Asia (including Japan) |
| Frankfurt | Europe (including the U.K.) |
| San Francisco | North and South America |

When RCM or an Allianz Advisory Affiliate executes an order for a security that trades in a Trading Region noted above, the order is routed to the applicable Executing Office. The Executing Office generally will aggregate that order for execution along with any other order(s) it may have received for the same security from another Allianz Advisory Affiliate or any other AGI affiliate on behalf of which an Allianz Advisory Affiliate provides trading services.

One of RCM's objectives in aggregating trades for clients of RCM with each other and with clients of the Allianz Advisory Affiliates is to attempt to ensure that all clients are treated

in a fair and equitable manner over time. To help achieve this objective, RCM has adopted written procedures for the aggregation of orders of advisory clients (the "Aggregation Procedures"). The Aggregation Procedures are designed to comply with all applicable legal and regulatory requirements. The Aggregation Procedures provide the procedures under which orders for one client account may be aggregated with other client accounts, including accounts that may be partially or entirely proprietary. In general, the Aggregation Procedures require all aggregated orders to be allocated to client accounts prior to the execution of such order. In certain circumstances, and if approved in advance by RCM's compliance officer or his or her designee, certain deviations from the original allocation instructions may occur after a trade has been executed. Although RCM uses its best efforts to ensure that all clients are treated fairly and equitably over time, there can be no assurance (and the Aggregation Procedures do not require) that any particular investment will be proportionally allocated among clients, or that the allocation process will achieve the same results for each client. Aggregated orders generally will be averaged as to price, with transaction costs shared pro rata based on each client's participation in the transaction.

Although executing portfolio transactions in an aggregated transaction potentially could be either advantageous or disadvantageous to any one or more particular account, aggregated transactions will be effected only when RCM believes that to do so will be in the best interest of the affected accounts, and RCM is not obligated to aggregate orders into larger transactions.

In addition to the Aggregation Procedures, RCM also has adopted procedures intended to ensure that the allocation of shares received in an initial public offering ("IPO") is done in a manner that is fair and equitable to all clients over time. These procedures establish an allocation methodology for each product group managed by RCM (e.g. Large Cap, Mid-Cap, Small Cap, Technology, etc.) and a target allocation for each client within each product group. Shares received in IPOs are first allocated to each product group consistent with RCM's procedures, and then to each client within that group based on specific target allocations.

Because each client has its own investment guidelines, objectives, and restrictions, a particular security may be bought for one or more clients at a time when one or more clients are selling the same security. In such cases, when RCM believes it is appropriate and in accordance with applicable law and regulations, RCM may effect third party agency cross transactions between two or more accounts. RCM believes that such transactions can benefit both accounts by effecting a transfer of securities from one account to another at a greatly reduced cost.

RCM regularly purchases securities for client accounts that are not listed on a national securities exchange but that are

traded in the over-the-counter market, and may also purchase listed securities in the third market (over-the-counter trades of exchange-listed securities) or fourth market (direct trades of securities between institutional investors without intermediation of a broker-dealer). Where transactions are executed in the over-the-counter market or third market, RCM will seek to deal with the primary market-makers; but when necessary in order to obtain the best price and execution, it will utilize the services of others. In all cases, RCM will attempt to secure best execution.

RCM will also place orders with brokerage firms pursuant to direction received from investment management or investment advisory clients ("directed brokerage"). Directed brokerage is typically arranged by a client as a method whereby the brokerage commissions serve as compensation to the broker for goods and services provided directly to the client in an agreement negotiated between the client and the broker. Alternatively, the client may seek to negotiate a particular commission rate with that broker, or may use the direction of brokerage to accomplish unrelated objectives (e.g., the direction of brokerage to minority-owned brokerage firms, or to brokerage firms located in the same geographic area as the client). Clients that direct brokerage may ask RCM to ensure that they continue to receive best execution of each transaction, or they may negotiate commission rates themselves. In addition, with respect to clients that are ERISA plans, by law, any direction by the plan sponsor must be in the best interests of, and for the exclusive benefit of, the plan participants, in order to procure goods and services on behalf of the plan for which the plan otherwise would be obligated to pay.

When a client asks RCM to direct trades to a particular broker-dealer, RCM ordinarily will seek to fulfill that request, subject to seeking best execution of each transaction. However, RCM may not be in a position to negotiate commission rates or spreads, or to select brokers or dealers on the basis of best price and execution. Moreover, the client may lose the possible advantage which non-designating clients can derive from the aggregation of orders for several clients in a single transaction. In this regard, orders for clients, including wrap clients, who direct trades may be executed after the orders in the same security for other RCM clients have been completed. As a result, directed brokerage transactions may result in higher commissions, greater spreads, or less favorable net prices than would be the case if RCM were authorized to choose the brokers or dealers through which to execute transactions for the client's account. In addition, accounts that direct brokerage may not be able to participate in certain allocations of IPOs.

RCM ordinarily limits the amount of brokerage that any client may direct to a percentage of the total brokerage generated by that client, except as described above. RCM uses two methods to satisfy client requests for directed brokerage. First, RCM may execute the trade on behalf of

that client with the broker-dealer selected by the client, which may or may not be the broker-dealer used by RCM for other trades in the same security during that period. Alternatively, RCM may use a "step-out" trade mechanism. A "step-out" trade occurs when the executing broker-dealer agrees to "step out" a portion of a bunched execution, and that "stepped-out" portion is cleared through the client directed broker-dealer. The client is assessed a commission only by the broker-dealer who clears the transaction. The executing broker-dealer receives compensation in the form of commission from the portion of the bunched execution that was not "stepped-out" to other brokers. "Step-out" trades will be executed so as to conform to the rules of the applicable exchange on which the trade occurs.

The use of "step-out" trades can, in some circumstances, help ensure that clients that seek to direct brokerage are not disadvantaged by the inability to participate in aggregated executions. However, "step-out" trades are an accommodation by the executing broker-dealer, and "step-out" trades will not be available in all circumstances to satisfy requests for directed brokerage.

RCM does not enter into agreements with, or make commitments to, broker-dealers that would bind RCM to compensate broker-dealers directly or indirectly for client referrals. However, subject to applicable laws, regulations and any particular client restriction, when one or more broker-dealer is considered by RCM to be capable of providing best execution with respect to a particular portfolio transaction, RCM may select a broker-dealer in recognition of the broker-dealer's past referral of the particular client for whom the transaction is being executed, or of other clients, or in recognition of possible future referrals from the broker-dealer. This may create a conflict of interest. In doing so, unless otherwise specifically disclosed to the client, RCM will not pay higher commissions, concessions, or mark-ups than would otherwise be obtainable from broker-dealers that do not provide client referrals to RCM.

Should a trading error occur in a client account that was caused by RCM, RCM will seek to place the client in the same position that it would have been in had the error not occurred. In resolving any possible trading error, RCM's fundamental policy is that our clients' interests always come first. Errors may occur either in the investment decision making process (e.g., a decision may be to purchase a security or an amount of a security that violates the client's investment restrictions), in the trading process (e.g., a buy order may be executed as a sell, or a security other than that which the portfolio manager ordered may be purchased or sold) or in the processing of a trade (e.g., in settling or booking a trade).

RCM will not use Commission Credits to correct a trading error.

ITEM 13. REVIEW OF ACCOUNTS

RCM uses a team approach to investment management. The Equity Management Group has overall responsibility for economic overview, sector allocation, investment strategy, portfolio structure, and security selection for our equity portfolios.

Each team within equity management group is responsible for the establishment and implementation of equity investment strategies for their respective clients, subject to client investment objectives, guidelines and restrictions. Portfolio managers are assigned to every account at RCM and, within the team frameworks:

- set the cash equivalents policy in equity accounts (when given discretion) determine industry exposure based on macro-conclusions ("top down") and RCM research analysis and valuation ("bottom up")
- establish strategy through industry weightings and by sector exposure
- select individual securities

The members of each team make individual stock selections for their respective portfolios in consultation with other members of the team and the appropriate research analyst. They implement the placement of securities into individual portfolios. They direct the voting and the re-voting (at appropriate intervals) on securities held in the portfolios, a process which includes the team members and the research analyst following the particular security.

In the event a buy or sell decision by one team is different than another team's decision, the situation is flagged for discussion in order to enable the portfolio managers to evaluate the results of their investment strategies and to benefit from peer group contribution. Several reports analyzing differences in the composition of each portfolio under management are prepared on a daily basis, and are analyzed on a monthly basis, by equity investment management personnel.

Each account is reviewed on a regular basis. In addition, all securities held in client portfolios are monitored continuously in order to determine whether changes are warranted. (See response to Item 8 above.)

Investment decisions for equity, fixed income and balanced accounts are made both on the basis of a "top down" and a "bottom up" analysis. Top down analysis draws on the assessments of the Portfolio Management Teams concerning such areas as the political climate, economic conditions and forecasts, popularity and business cycle analysis in order to develop strategy. Bottom up, security

oriented analysis draws on our research valuation screens to determine which sectors, industries, stocks or bonds offer the most attractive risk-adjusted returns.

For a more detailed discussion of RCM's methods of security analysis and investment strategies, see responses to Item 8 above.

The Legal and Compliance Department is responsible for the monitoring and policing of personal dealing including the misuse of insider information for the benefit of individual employees or to the detriment of individual funds/clients. The department monitors securities transactions in employees' personal accounts according to internal rules. In addition, it takes measures to prevent money-laundering. The Legal and Compliance Department is also responsible for monitoring adherence to client guidelines and contractual or regulatory constraints. A portfolio administration system monitors client portfolios.

Reports to Clients

Confirmations of transactions are issued if requested by the client on the day following execution to the broker and the client's custodian bank. These advices contain a complete breakdown of each transaction including principal amount, commission, taxes, etc. Transactions, cash positions, and market values are reconciled with the records of the client's custodian or trustee, as the case may be, on at least a monthly basis. Any significant differences are reported to management and resolved in an appropriate manner. Reports which detail reconciling items are made available, upon request, to the client and the custodian.

RCM issues comprehensive quarterly reports along with computerized appraisals, transaction summaries and performance data. Appraisals, transaction summaries and performance data are also available monthly, at the client's request.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

RCM has arrangements where it receives some economic benefit from a non-client, such as a broker-dealer, in connection with giving advice to clients. (See response to Item 12 above.) RCM may also, from time to time, enter into arrangements with certain affiliates. (See response to Item 10 above.)

RCM may, from time to time, compensate solicitors with respect to solicitation activities in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940 (the "Advisers Act"). Consequently, persons introducing new client accounts to RCM may receive a portion of the

management fee generated by the account. The portion of the fee paid and the length of time for which such fee is paid will vary on a case by case basis. Such compensation arrangements will be disclosed to RCM clients at the time of solicitation or referral as required by applicable law and regulations.

ITEM 15. CUSTODY

RCM does not take physical possession of client funds or securities. RCM may be deemed to have custody of some client's accounts because (i) RCM is the managing member of a limited liability company, the general partner of a limited partnership or in a comparable position for another type of pooled investment vehicle or (ii) the client authorizes us to deduct our fees directly from its accounts otherwise held by a qualified custodian. Clients who request or permit the direct deduction of our fees from their accounts should receive statements, at least quarterly, directly from the broker-dealer, bank or other qualified custodian that holds or maintains the client's investment assets. In these cases, RCM urges clients to carefully review those statements, where applicable, and compare those official custodial records to the account statements RCM may send to clients.

ITEM 16. INVESTMENT DISCRETION

Most clients give us full discretionary authority over assets under management. Our discretion may be subject to any limitations or prohibitions imposed by a client in its investment objectives, guidelines, and restrictions, or in instructions otherwise provided to us by the client or, for subadvisory accounts, by the client's principal advisor. Before we exercise discretionary authority or invest for an account, clients generally enter into a written client agreement with us.

ITEM 17. VOTING CLIENT SECURITIES

RCM typically votes proxies as part of its discretionary authority to manage accounts, unless our client has explicitly reserved the authority for itself. In cases where we have voting authority, we intend to vote such proxies in a manner consistent with the best interest of our clients.

Proxy voting proposals are voted with regard to enhancing shareholder wealth and voting power.

RCM has adopted written Global Corporate Governance Guidelines and a Proxy Voting Policy (the "Proxy Guidelines") that are reasonably designed to ensure that we are voting in the best interest of our clients. RCM has retained the services of Institutional Shareholder Services, Inc. ("ISS"), a specialist voting agency, which is responsible for interpreting, implementing and casting votes in line with RCM's proxy voting policies with RCM's Global Corporate Governance Guidelines and Proxy Voting Policy. RCM has a Proxy Committee, consisting of investment and compliance personnel, that is responsible for implementing the Proxy Guidelines and for addressing voting issues that may arise. The Proxy Guidelines summarize our position on various issues, including issues of corporate governance and corporate actions, and give general indication as to how we will vote shares on such issues. Occasionally, there may be instances when we may not vote proxies in strict adherence to the Proxy Guidelines. To the extent that the Proxy Guidelines do not cover potential voting issues or a case arises of a material conflict between our interest and those of a client with respect to proxy voting, our Proxy Committee will convene to discuss the issues. In evaluating issues, the Proxy Committee may consider information from many sources, including our portfolio management team, our analyst responsible for monitoring the stock of the company at issue, management of a company presenting a proposal, shareholder groups, and independent proxy research services. In situations where the Proxy Guidelines do not give clear guidance on an issue, an analyst or portfolio manager and/or the Proxy Committee will review the issue. In the event that either the analyst or portfolio manager wishes to override the Proxy Guidelines, the proposal will be presented to the Proxy Committee for a final decision. Deviation from the Proxy Guidelines will be documented and maintained in accordance with Rule 204-2 under the Investment Advisers Act of 1940.

In accordance with the Proxy Guidelines, RCM may review various criteria associated with voting proxies and evaluate the expected benefit to our clients when making an overall determination on how or whether to vote a proxy. In addition, RCM may refrain from voting under certain circumstances. These circumstances may include, but are not limited to: 1) proxy statements and ballots being written in a foreign language, 2) untimely notice of a shareholder meeting, 3) requirements to vote proxies in person, 4) restrictions on foreigner's ability to exercise votes, 5) requirements to provide local agents with power of attorney to facilitate the voting instructions. Such proxies are voted on a best-efforts basis.

Proxy voting in certain countries requires "share blocking." To vote proxies in such countries, shareholders must deposit their shares shortly before the date of the meeting with a designated depository and the shares are then

restricted from being sold until the meeting has taken place and the shares are returned to the shareholders' custodian banks. Absent compelling reasons, RCM believes the benefit to its clients of exercising voting rights does not outweigh the effects of not being able to sell the shares. Therefore, if share blocking is required RCM generally abstains from voting.

RCM will not be able to vote securities on loan under securities lending arrangements into which RCM's clients have entered. However, under rare circumstances, for voting issues that may have a significant impact on the investment, and if the client holds a sufficient number of shares to have a material impact on the vote, we may request that clients recall securities that are on loan if we determine that the benefit of voting outweighs the costs and lost revenue to the client and the administrative burden of retrieving the securities.

RCM retains an independent third-party voting service to assist us in the proxy voting process. The services provided offer a variety of proxy-related services to assist in our handling of proxy voting responsibilities. Such services include, among other things, analysis and voting recommendations and assistance in the administrative process.

Conflicts of Interest

RCM may have conflicts of interest that can affect how we vote our clients' proxies. For example, RCM or an affiliate may manage a pension plan whose management is sponsoring a proxy proposal. In the example, failure to vote in favor of management may harm our or our affiliate's relationship with the company. Given the value of the relationship to us or our affiliate a material conflict of interest may exist in this example even in the absence of efforts by management to persuade us how to vote. The Proxy Guidelines are designed to prevent material conflicts of interest from affecting the manner in which we vote our clients' proxies. In order to ensure that all material conflicts of interest are addressed appropriately while carrying out our obligation to vote proxies, the Proxy Committee is responsible for addressing how RCM resolves such material conflicts of interest with our clients.

To obtain a copy of the Proxy Guidelines or to obtain information on how your account's securities were voted, please contact your relationship manager.

Class Action Policy

RCM generally does not advise or take any action on behalf of its clients in any legal proceedings, including class actions. A client's decision whether to participate in a securities class action lawsuit may involve facts and legal judgments that are beyond the scope of RCM's management of the account and expertise as an investment adviser. RCM therefore encourages its clients to rely on their legal counsel for advice on whether or not to

participate in class actions. RCM does not file proof of claim forms for its separate account clients. However, upon request and as a courtesy, RCM may provide relevant records and information in its possession that may be necessary or useful to the client or its custodian to file claim forms or other legal documents. In such cases it is the client's responsibility to (i) ensure that the custodian is capable of filing, and has the proper authorization to file, proofs of claim on the client's behalf and (ii) determine whether to file a request for exclusion from a particular class action settlement and take the necessary steps to do so. RCM is not responsible for a client's or custodian's failure to file claim forms or to request exclusion.

ITEM 18. FINANCIAL INFORMATION

RCM does not require or solicit prepayment of any fees in advance. RCM does not have financial commitments that may impair its ability to meet contractual and fiduciary commitments to clients, and RCM has not been the subject of a bankruptcy petition in the past.

ITEM 19. PRIVACY NOTICE

RCM Capital Management LLC

Privacy Notice

To Our Customers:

We value our customers and appreciate the trust you have placed in us. We understand that as our customers, you provide us with certain non-public personal information in the course of doing business with us and entrust us to protect its privacy. "Non-public personal information" is generally identifiable financial information about you. For example, it includes information regarding your social security number, account balance, bank account information and account transaction history. This notice describes how we handle your personal information and the important steps we take to protect your privacy. We have sent this notice to comply with the privacy regulations of the Securities and Exchange Commission.

Information We Collect About You:

To provide you with the highest quality of service, we collect and maintain certain non-public personal information about you. This information includes information we receive from you to open an account and provide you with investment advice, including information you provide on applications or other forms (such information may include your name, address, telephone number, taxpayer identification number and

certain financial information); information about your transactions; and information we generate to service your account (such as trade tickets and account statements).

Our Privacy Policies and Practices:

We do not disclose non-public personal information to non-affiliated third parties, except for our everyday business purposes, such as processing transactions for your account, or as allowed by applicable law or regulation. As is common in the industry, non-affiliated companies may from time to time be used to provide certain services, such as settlement and accounting, performance measurement, transfer agency, custody, brokerage or administration. These companies may have access to your non-public personal information, but are permitted to use the information solely to provide the specific service or as otherwise permitted by law. We may also provide your non-public personal information to your brokerage or financial advisory firm or consultant.

We do reserve the right to disclose or report personal information to non-affiliated third parties in limited circumstances where we believe in good faith that disclosure is required under law, to cooperate with regulators or law enforcement authorities, to protect our rights or property, or upon reasonable request by any mutual fund in which you have chosen to invest. In addition, we may disclose information about you or your accounts to a non-affiliated third party at your request or if you consent in writing to the disclosure.

We may share your information with our affiliates in connection with their everyday business purposes, such as servicing your account, but our affiliates may not use this information to market products or services to you except in conformance with applicable laws or regulations. The information we share includes information about our experiences and transactions with you and may include, for example, your participation in our investment funds, your ownership of certain types of accounts (such as IRAs), or other data about your transactions or accounts. Our affiliates, in turn, are not permitted to share client information with non-affiliated entities, except as required or permitted by law.

Access to your non-public personal information is restricted to those persons who need access to that information to provide products or services to you. We maintain strict physical, electronic and procedural safeguards to protect unauthorized use of this information. We take seriously our commitment to protect your privacy and adhere to the policies and practices outlined above for both current and former customers.