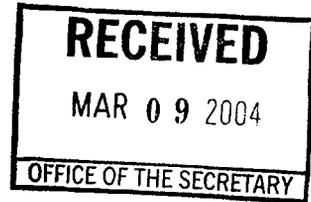


NICHOLAS APPLGATE



March 10, 2004

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Jonathan G. Katz  
Secretary  
Securities and Exchange Commission  
450 Fifth Street NW  
Washington, DC 20549-0609

Re: **Investment Company Act Release No. 26323; File Number S7-03-04**

Dear Mr. Katz:

I am writing on behalf of the Independent Directors of the Nicholas Applegate Funds ("Funds") to comment on the fund governance rules proposed by the Commission in the above Release.

The Funds consist of 14 different mutual fund portfolios registered with the Commission under the Investment Company of 1940 ("1940 Act"). The portfolios with net assets of approximately \$1 billion are managed by Nicholas Applegate Capital Management LLC, a San Diego based investment adviser that primarily serves institutional clients. The Funds are offered on a non-load basis as an alternative to institutional separate accounts, and their fees and expenses are comparable to, or lower than, the fees charged by Nicholas Applegate to its separate account clients.

As Independent Directors, we are extremely distressed over the mutual fund market timing abuses that have been uncovered by the Commission, New York Attorney General Spitzer and others. We support the Commission's vigorous enforcement actions against those who have engaged in such market timing abuses as well as regulatory reforms that would prevent their reoccurrences. While the Funds have not been victims of the abuses, we recognize the need for constant efforts to maintain adequate protections against market timers.

The market timing abuses have led to Commission reappraisal of the need to strengthen mutual fund governance and the role of independent directors. We applaud your efforts and any regulatory requirements that will help us protect our shareholders that are consistent with the proper role of the independent directors. That role is one of oversight and is accomplished primarily through our board and committee meetings based on the information furnished to us by the fund manager, other service providers as well as the independent auditors to the Fund and our own independent legal counsel

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The Independent Directors support, with one exception, all of the Commission's fund governance proposals contained in Release No. IC-26323. These proposals, which are derived from industry best practice, should be adopted as regulatory requirements. These include the requirements of a 75% independent board, tightening of the definition of non-interested person, annual self-assessment, separate independent director meetings, and independent nominating committees.

The one exception relates to the proposal that the chairman of our board always must be an independent director. We believe that in our case such a requirement would detract from fund governance. We have a chair who is a member of Nicholas Applegate's top management, and is in a position to know what is happening at the funds on a day-to-day basis. No independent director can have that knowledge, and without it, we do not believe that a chair could effectively lead our meetings.

We believe we have a relationship of open and frank communication with Nicholas Applegate's management. The fact that the chair is a member of that management does not in any way prevent us from adding, deleting and modifying items from board and committee meeting agendas. Accordingly, at least in our case, control of the agenda does not require an independent chair. Moreover, since we have only three independent directors, there is no need for a lead director; each independent director has a fully adequate opportunity to provide input as he or she sees fit. For these reasons, we urge the Commission not to adopt inflexible requirements as to the form of board governance. The Commission should provide instead that the independent directors select annually the chair of the board and entrust to their judgment the task of developing a board structure that effectively provides independent oversight of fund operations.

Thank you for the opportunity to comment on the proposed fund governance rules which are of great importance to the ability to serve our shareholders.

Sincerely,



George Keane  
Chairman, Audit Committee  
of the Nicholas Applegate Funds

cc: Chairman William H. Donaldson  
Members of the Commission  
Paul F. Roye, Esq.