

Nationwide Manager Strategies Commentary on Changes at PIMCO

The major changes at PIMCO during the past year, including the departure of Bill Gross last week, have impacted the firm and financial markets a great deal. In our opinion, these changes and the opportunity to implement a new structure with the firm's existing talent will benefit PIMCO and its clients in the long run. The new structure calls for a Group CIO, Daniel Ivascyn, with five Deputy CIOs accountable and responsible for different asset classes: Andrew Balls, CIO Global; Mark Kiesel, CIO Global Credit; Virginie Maisonneuve, CIO Equities; Scott Mather, CIO U.S. Core Strategies; and Mihir Worah, CIO Real Return and Asset Allocation. Douglas Hodge remains Chief Executive Officer of the firm.

From an investment perspective, some of the firm's strategies have performed well while others have struggled a bit, and one can think of the Total Return Fund for the latter case. The firm also appointed Mr. Mather, Mr. Kiesel and Mr. Worah as Portfolio Managers for the Total Return Fund. Given the firm's viability prospects and investment team stability going forward, we recommend keeping the fund on our respective platforms.

From a firm perspective, we believe the next twelve months or so will be challenging for PIMCO with expected outflows and the possibility of some departures. The firm's talent pool is very deep and the leaders of new structure will try to keep key departures to a minimum. Note also that with the exception of the CIO of Equities, all other Deputy CIOs have been with the firm for eight years or more.

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