



Income and Growth Strategy

Adopting a three-sleeve approach with **corporate bonds + convertible bonds + equities**. Setting in place the dual opportunities of potential income and growth.

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2022: Market Outlook

Markets had a wild ride during the first quarter. Stocks and bonds, which often move in opposite directions, both finished lower for the period. Stubbornly high inflation led to a more hawkish Fed, causing the market to price in aggressive rate increase. The upward pressure in rates saw bonds delivered its worst quarterly return in over 20 years. The rise in market volatility was further exacerbated by Russia's invasion of Ukraine, causing a spike in commodity prices. Elsewhere, China locked down some of its major cities due to renewed COVID outbreaks, once again adding pressure to the supply chain.

Federal Reserve: The current pace of inflation warrants a higher fed funds rate; however, the terminal rate will be data dependent. It is possible the Fed does not tighten as aggressively as the market suggests with the economy already slowing due to sharply higher rates, slower

consumer spending and easing supply chains. As previously noted, tighter-than-expected monetary policy increases the risk of recession.

Inflation: Despite wage growth, inflation is reducing real purchasing power. Due to a remarkable COVID-driven pull forward of demand, inflation should slow as rising inventories and slower sales result in lower prices for goods. Services prices could be stickier due changes in consumer behavior and higher rents. After inflation peaks, markets will be focused on the level it settles at.

Yield Curve: Inversions tend to precede recessions, but the lead-lag time has varied. This signal may be less effective today due to distortions caused by quantitative easing. Alternatively, quantitative tightening could have the opposite effect, steepening the yield curve.

Despite elevated market volatility and geopolitical risks, it is important for investors to build a diversified portfolio by balancing risk and reward. A strategy with the potential for consistent income distribution, capital growth, and downside risk management could improve the resilience of a portfolio.

A Three-Sleeve Approach for Selection Income and Growth

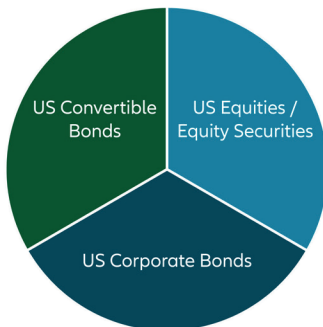
In the current market environment, investors can consider a three-sleeve approach, by investing in corporate bonds, convertible bonds, and equities.

Investors could enjoy three potential benefits:

1. **Potential income**, including coupons from corporate bonds and convertible bonds, and dividends from equities.
2. **Upside potential** when markets rise.
3. **Downside risk management** against declining markets.

Complementing our existing Income and Growth strategy, Selection Income and Growth is a product offering that will expand the credit investment universe to incorporate investment grade bond. Investment grade corporate bonds provide increase opportunities, greater flexibility and improved characteristics to investors.

A “three-sleeve” approach for optimal performance



There is no guarantee that these investment strategies and processes will be effective under all market conditions and investors should evaluate their ability to invest for the long term based on their individual risk profile especially during periods of downturn in the market.

Asset Class #1

US Equities: Seeking Resilience

1. Economy

Global growth is slowing as economies contend with conflict-driven shocks, rising rates, higher energy prices and continued COVID lockdowns. The US economy is on solid footing and positioned to weather higher rates given impressive underlying forces including an abating pandemic, steady consumer demand driven by employment gains and record household wealth, as well as healthy business spending and investment.

2. Earnings

Revenues and earnings may be impacted by slower economic growth and headwinds emanating from or exacerbated by the war relating to energy & commodities, supply chains, trade & capital flows, business & consumer sentiment and cross-border sales, among others. On the other hand, revenues and profits typically move in tandem with inflation. Pricing power, operating leverage, and rising sales could offset the impact of higher input costs and wages and supply bottlenecks. In addition, supply bottlenecks could ease by the end of the year.

Use of Covered Call Options: An Opportunistic Approach to Dampen Volatility

What are covered call options?

This is an option strategy that pairs a long position with a short-call option on the same stock in exchange for an upfront premium paid by the buyer.

An option is the right to buy or sell a stock at a specified price on or before a specified date. There are two types of options: call options and put options.

If investors expect the stock market to remain flat, they may sell an option on a stock and use the premium to cover part of the potential volatility.

If investors expect the overall market to be increasingly volatile, they may sell an index option to obtain a premium to cover part of the market drop.

Understanding how covered calls actually work

Let's look at a hypothetical example to understand how

covered calls actually work.

- An investor buys 100 shares of ABC Co. for USD 30 a share, the total cost being USD 3,000.
- At the same time, the investor sells a call option of ABC Co. The exercise price is USD 35.
- Option premium: USD 4 per contract (one contract per share).

Scenario 1: The investor benefits from additional cash flow and appreciation but does not participate in additional profits*.

Scenario 2: The investor benefits from additional cash flow from premium and appreciation.

Scenario 3: Stock price remains flat. The investor benefits from additional cash flow from premium.

Scenario 4: Stock price goes down. The investor benefits from additional cash flow and the premium earned is enough to offset any downside.

Scenario 5: Stock price goes down. The additional cash flow from premium can only offset part of the stock depreciation.

Note: The example above and on the next page is for illustration only and does not represent actual results.

* Additional profits = market price - exercise price.

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How covered calls work

Scenario 1
Strike price less than stock price
In-the-Money

Market price of ABC Co.: USD 37 per share; Stock up 23.3%

- Gain = USD 400 (premium)
- Realized gain of common stock = USD 500
[(USD 35 - USD 30) x 100 shares]
- Net portfolio effect = USD 900

Scenario 2
Strike price same as stock price
At-the-Money

Market price of ABC Co.: USD 35 per share; Stock up 16.7%

- Gain = USD 400 (premium)
- Realized gain of common stock = USD 500
[(USD 35 - USD 30) x 100 shares]
- Net portfolio effect = USD 900

Scenario 3
Strike price greater than stock price; and stock price same as purchase price
Out-of-the-Money

Market price of ABC Co.: USD 30 per share; Stock flat

- Gain = USD 400 (premium)
- Net portfolio effect = USD 400

Scenario 4
Strike price greater than stock price; and stock price less than purchase price
Out-of-the-Money

Market price of ABC Co.: USD 27 per share; Stock down 10%

- Gain = USD 400 (premium)
- Unrealized depreciation of common stock = USD 300
[(USD 27 - USD 30) x 100 shares]
- Net portfolio effect = USD 100

Scenario 5
Strike price greater than stock price; and stock price less than purchase price
Out-of-the-Money

Market price of ABC Co.: USD 25 per share; Stock down 16.6%

- Gain = USD 400 (premium)
- Unrealized depreciation of common stock = USD 500
[(USD 25 - USD 30) x 100 shares]
- Net portfolio effect = -USD 100

Asset Class #2

Convertible Bonds: Combining the Features of Bonds and Stocks

What are convertible bonds?

Convertible bonds combine the features of both stocks and bonds, and are typically issued by a company.

Similar to other bonds, convertible bonds provide coupon income at a fixed rate. Moreover, investors

may convert these bonds into stocks when the share price rises to capture the upside potential of the underlying stock.

The coupon rates of convertible bonds are usually lower than traditional corporate bonds but are higher than the typical dividend yields of stocks.



Info Corner: How do convertible bondholders react to change in share price?

For example, in December 2016, company ABC issued five-year convertible bonds with a coupon rate of 3% p.a. and an exercise price of USD 5. Investors may exercise their right to convert the bonds into shares before December 2021.

Scenario 1: The share price rises

Assuming the share price of company ABC rises to USD 6, holders of the convertible bonds may purchase the shares through conversion at a lower price and make a profit.

Scenario 2: The share price declines

Assuming the share price of company ABC falls to USD 4, which is lower than the exercise price, the holder may continue to hold onto the bonds and receive coupon income.

Note: The above examples are for illustration only and does not represent actual results.

Hypothetical example – not representative of any specific convertible bond. Convertibles involve the risk factors of both stocks and bonds. They fluctuate in value with the price changes of the underlying stock. If interest rates on the bonds rise, the value of the corresponding convertible bond will fall. Investors in convertibles may have to convert the securities before they would otherwise, which may have an adverse effect on their ability to achieve the investment objective.

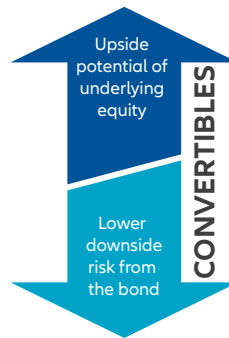
Why Invest in Convertible Bonds?

1. Offensive yet defensive

Convertible bonds combine the features of both bonds and stocks. Most importantly, **they provide investors with the flexibility to cope with market volatility.**

For instance, when the stock market is doing well, investors can convert these bonds into shares in order to capture the potential market upside. When the stock market is doing poorly, investors may hold the convertible bonds and enjoy a stream of potential income.

Combining the advantages of bonds and stocks

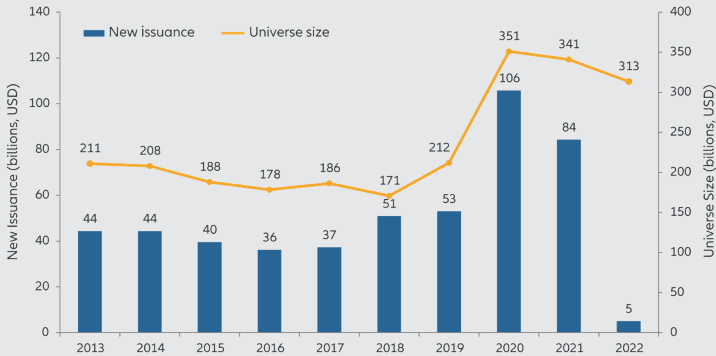


2. Market and investment opportunities continue to widen

Similar to the US high yield market, the size of the US convertible bond market is also the largest in the world, **offering a variety of investment opportunities.**

Convertible bond issuance has been on the rise since 2017. In 2020, US convertible bond issuance broke a record high (since 2001), contributing to strong net supply growth.

The market size of US convertible bonds is projected to grow¹



3. Less volatile than stocks; lower interest rate risk than US Treasuries

Historically, convertible bonds have exhibited a high correlation to equities, meaning their price movements are quite similar to the stock market. In contrast, the correlation between convertible

bonds and US Treasuries is relatively low, meaning their prices rarely move in tandem.

As convertible bonds share the same characteristics as stocks, they behave more like equities irrespective of the interest rate cycle.

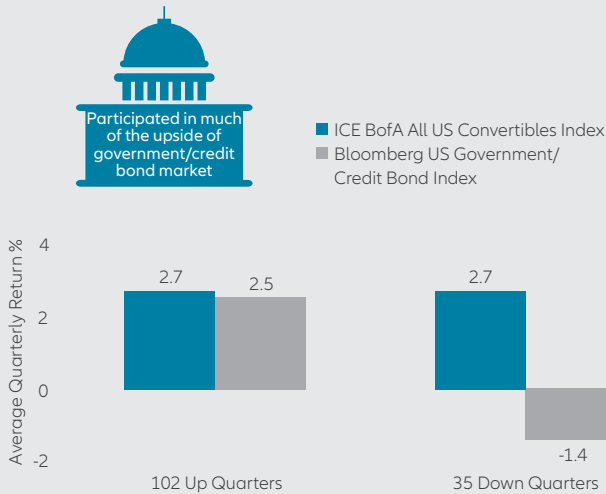
Source

¹ ICE Data Services, BofA. Data as of 31 March 2022. US convertible bonds are represented by the ICE BofA All US Convertibles Index. Projections are based on assumptions with respect to future events. Actual future events may differ from the assumptions.

Income and Growth Strategy

Between January 1988 and March 2022, US government/ credit bonds rose in 102 quarters and fell in 35 quarters (by an average of 1.4% in each quarter). Convertible bonds managed to rise by an average of 2.7% in each of the quarters when US government/ credit bonds fell¹.

Performance of convertible bonds between January 1988 and March 2022¹



Source

² FactSet, ICE Data Services, Morningstar. Data as of January 1988 to March 2022. US convertible bonds are represented by the ICE BofA All US Convertibles Index. US government credit bonds are represented by the Bloomberg US Government/Credit Bond Index. Past performance is not a reliable indicator of future results.

Risks of Convertible Bonds

Convertible bonds are subject to the same risks associated with stocks and bonds. These bonds can fluctuate in value when interest rates rise and/or the price of the underlying stock changes.

If interest rates rise, the value of convertible bonds may decline.

Some of the companies that issue convertible bonds are below investment grade, which means **these bonds can be more risky than investment grade issues.**

Convertible bonds are often issued by smaller companies and may be more volatile than securities issued by larger companies. It is worth noting that the convertible bond market is relatively complicated and difficult for retail investors to access. A more practicable way of

investing in convertible bonds is to entrust the task to a professional management team.

In general, a fund management team analyses different aspects of each investment, such as:

- Financial condition
- Valuation
- Credit rating
- Bond spread

The team decides whether to buy a convertible bond only after reviewing the above fundamentals. As market conditions change, holdings are adjusted by selling, holding or converting the bonds into shares.



Info Corner: Are convertible bonds subject to limitations?

Many companies issue convertible bonds with a call option that gives them the right to repurchase the convertible bond from the holder at a specified price (usually the par value of the bond). This call option can limit the opportunity to capture any potential upside from the underlying common stock. On the other hand, if the bond is structured with a put option, the holder has the right to sell the bond to the issuer on a specified date. This type of feature can limit risk should the underlying stock price drop sharply.

Asset Class #3

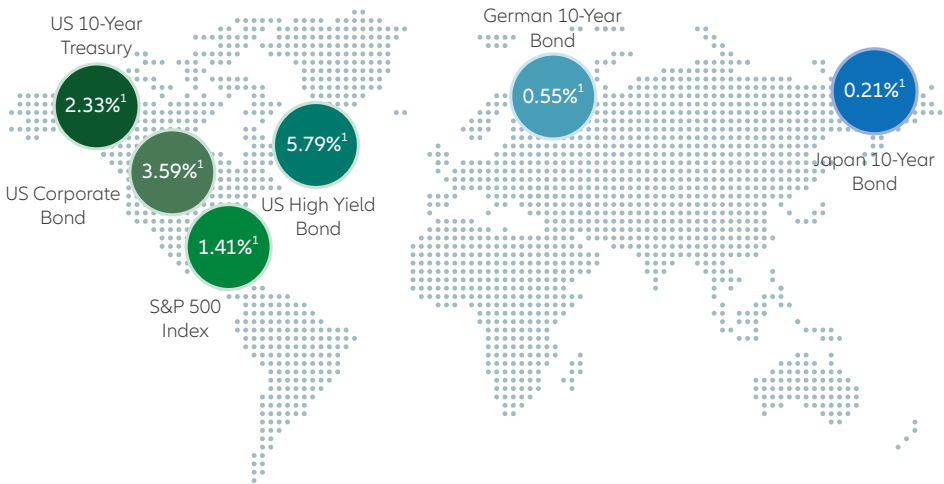
Why Invest in Corporate Bonds?

1. Potential yields

In the current market environment, the relative value proposition of corporate bonds is clear. As of 31 March 2022, the US 10-year Treasury bonds offered yields of 2.33% and other developed market sovereign bonds yield are even lower. US stocks have also delivered dividend yields, with the S&P 500 Index offering 1.41%.¹ Meanwhile, the US investment

grade bond market and high yield market generated a yield of 3.59% and 5.79%¹ respectively, making them a compelling opportunity for both international and domestic investors. **Many people now include corporate bonds in their portfolios to enhance potential returns and hedge against inflation.** Meanwhile, the three-year average inflation rate in Hong Kong is 1.60%².

Yields of various asset classes



Source

¹ Bloomberg, US investment grade corporates represented by ICE BofA US Corporate Index and high yield bond represented by ICE BofA US High Yield Index, yield represented yield-to-maturity of the index, data as at 31 March 2022.

² Bloomberg, data as of 28 February 2022.

2. A proven track record

US corporate bonds provided investors with outstanding past performance record. Investment grade bonds have delivered an average annual return of 3.3%³ and 3.7%³ over the past 10 and 5 years, respectively. Because of higher credit risks, high yield bonds have delivered an even higher

average annual return of 4.6%³ and 5.7%³ respectively.

Historically, **investment grade bonds have a lower default rate compared to high yield bonds.**

Although high yield bonds may carry higher risk of capital loss, investors who are willing to accept higher risk will be compensated for higher return potential.

3. Fixed income diversification benefits

Corporate bonds can diversify portfolios and generate a higher income return, which means that adding corporate bonds, either high yield or investment grade bonds to a portfolio could enhance diversification in different ways. Historically, high yield bonds have delivered equity-like returns with less volatility than stocks. Their sensitivity to changes in interest rates is relatively low, of

which their correlation to 10-year US Treasuries is only -0.06⁴. However, their correlation to US stocks is higher at 0.64⁴.

By contrast, investment grade bonds have the opposite characteristics. **Investment grade bonds are generally more sensitive to changes in interest rates**, with a correlation of 0.66⁴ to 10-year US Treasuries; but their correlation to equities is only 0.34⁴.



³ Morningstar, US investment grade corporates represented by ICE BofA US Corporate Index and high yield bond represented by ICE BofA US High Yield Index, data as of 31 March 2022.

⁴ ICE Index, FactSet, Allianz Global Investors, as at 31 March 2022. 10-year Treasuries represented by ICE BofA US Treasury Current 10-Year Index and US stocks represented by Russell 1000 Index.

US Corporate Bonds: Investment Grade vs. High Yield

Corporate bonds are issued by corporations as a source of financing. **Depending on the issuer's credit quality, a bond can be classified as investment grade or high yield.** Investment grade and high yield represent opposite ends of the spectrum for bond ratings. Rating agencies assess the creditworthiness of both the issuer and debt

securities. These debt securities are assigned a grade by industry rating agencies. Investment grade bonds are bonds issued by companies with at least a Baa3 rating from Moody's and at least a BBB- rating from S&P and Fitch; whereas high yield bonds are bonds issued by companies with a rating below Baa3 from Moody's and a BBB- from S&P and Fitch.

	Moody's	S&P	Fitch
Investment Grade 	Aaa	AAA	AAA
	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
	A1	A+	A+
	A2	A	A
	A3	A-	A-
	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Non-Investment Grade / High Yield 	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-
	B1	B+	B+
	B2	B	B
	B3	B-	B-
	Caa	CCC	CCC
	Ca	CC	CC
	C	C	C
		D	D

Key Differences:

Potential Return: Due to higher credit risk, high yield bonds offer higher potential return to attract investors. Investment grade bonds are rated to reflect the best quality and lowest credit risk to investors, hence, offering a lower potential return.

Default risks: Historically, high yield bonds have higher default risks than those for investment grade bonds. High yield bonds reward investors for taking

additional risks with a higher coupon.

Interest rate risks: Investment grade bonds have a longer maturity with an average maturity of 11.4 years versus 6.1 years for high yield bonds. Compared to investment grade bonds, high yield bonds are less sensitive to interest rate movements. In a rising rate environment, high yield bonds tend to outperform other fixed income asset classes.



Info Corner: What is bond rating?

Bonds can be divided into two segments: investment grade and non-investment grade. Investment grade bonds have a stronger creditworthiness but lower yields, while non-investment grade bonds are considered riskier due to the weaker credit profiles of their issuers. Issuers of non-investment grade bonds are more willing to offer higher interest rates to attract investors, and are therefore known as high yield bonds. It is worth mentioning that the creditworthiness of high yield bonds has greatly improved in recent years.

High Yield Bonds: A Diversifier against Low Yields

What are high yield bonds?

As the name implies, high yield bonds could offer a higher yield than other fixed income instruments.

The credit ratings of high yield bonds are lower than BBB-. For this reason, the interest rates offered by such bonds are usually more attractive than issues with higher ratings such as US Treasuries and investment grade corporate bonds. The past few decades have seen strong growth in both the breadth and depth of the high yield market, and the asset class is now a globally

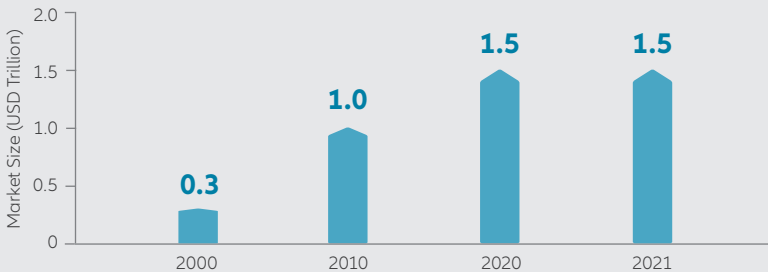
popular investment instrument.

US high yield gross issuance was only USD 300 billion in 2000, but by the end of December 2021, the size of the market had grown to around USD 1.5 trillion¹.

The US dollar high yield bond market has continued to grow steadily. According to the ICE BofA US High Yield Index, the US dollar high yield market makes up over 50% of the global high yield universe².

The US high yield bond universe is well diversified. It covers a wide range of sectors, allowing investors to allocate across a broad range of bond holdings.

Growth of US high yield bond market¹



Source

¹ JP Morgan, as at 31 December 2021.

² Bloomberg, as at 31 December 2021.

Risks of High Yield Bonds

1. Default rates are concentrated in the energy industry

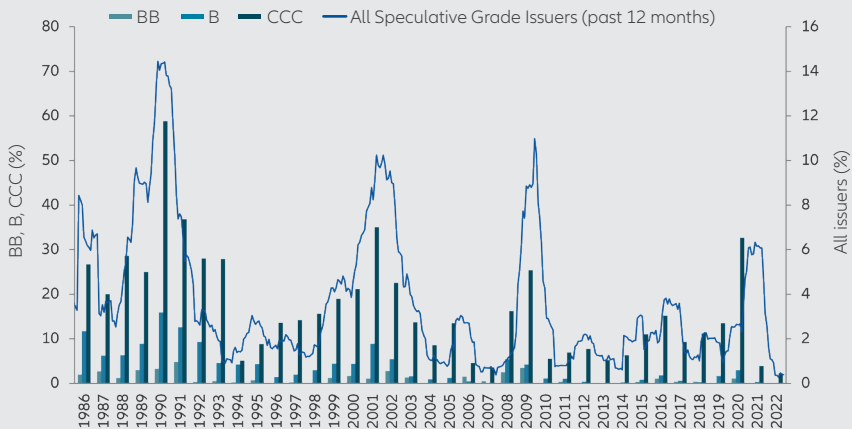
The main risk associated with high yield bonds is corporate default (also known as default risk). Although High yield defaults has declined to 0.39%¹ (as of March 2022) due to improved credit fundamentals, their long-term historical default is at 3.7%¹.

2. Beware of market fluctuations

The high yield market can be volatile, and investors need to be aware of market fluctuations.

The path toward achieving positive results is hardly linear, and periods of heightened volatility should be expected. The annualised volatility of US high yield bonds between 1988 and the end of March 2022 amounted to 8.12%², lower than that of S&P 500 Index (14.44%²) over the same period.

Default rates at low level¹



Source

¹ ICE Data Services, JP Morgan, as at 31 March 2022. US high yield bonds are represented by the ICE BofA US High Yield Index.

² Morningstar, data from 1 January 1988 to 31 March 2022. US high yield bonds are represented by the ICE BofA US High Yield Index.

Fund Q&A

Allianz Global Investors Asia Fund - Allianz Selection Income and Growth

- The Fund aims at long-term capital appreciation and income, investing primarily in a combination of U.S. or Canadian equity securities, debt securities and convertible securities.
- The Fund is exposed to significant risks which include investment/general market, company-specific, creditworthiness, counterparty, interest rate changes, country and region, asset allocation and currency (such as exchange controls, in particular RMB), and the adverse impact on RMB share classes due to currency depreciation.
- The Fund may invest in high-yield (non-investment grade and unrated) investments and convertible bonds which may subject to higher risks, such as volatility, creditworthiness, default, interest rate changes, general market and liquidity risks and therefore may increase the risk of loss of original investment.
- The Fund may invest in financial derivative instruments ("FDI") which may expose to higher leverage, counterparty, liquidity, valuation, volatility, market and over the counter transactions risks. The use of derivatives may result in losses to the Fund which are greater than the amount originally invested. The Fund's net derivative exposure may be up to 50% of the Fund's net asset value.
- This investment may involve risks that could result in loss of part or entire amount of investors' investment.
- In making investment decisions, investors should not rely solely on this material.

Note: Dividend payments may, at the sole discretion of the Investment Manager, be made out of the Fund's income and/or capital which in the latter case represents a return or withdrawal of part of the amount investors originally invested and/or capital gains attributable to the original investment. This may result in an immediate decrease in the NAV per distribution unit and the capital of the Fund available for investment in the future and capital growth may be reduced, in particular for hedged share classes for which the distribution amount and NAV of any hedged share classes (HSC) may be adversely affected by differences in the interests rates of the reference currency of the HSC and the base currency of the Fund.

Allianz Global Investors Fund - Allianz Income and Growth

- The Fund aims at long-term capital growth and income by investing in US and/or Canadian corporate debt securities and equities.
- The Fund is exposed to significant risks of investment/general market, company-specific, creditworthiness/credit rating/downgrading, default, currency, valuation, asset allocation, country and region, emerging market, interest rate, and the adverse impact on RMB share classes due to currency depreciation. The Fund's investments focus on US and Canada which may increase concentration risk.
- The Fund may invest in high-yield (non-investment grade and unrated) investments and convertible bonds which may subject to higher risks, such as volatility, loss of principal and interest, creditworthiness and downgrading, default, interest rate, general market and liquidity risks and therefore may adversely impact the net asset value of the Fund. Convertibles will be exposed to prepayment risk, equity movement and greater volatility than straight bond investments.
- The Fund may invest in financial derivative instruments ("FDI") which may expose to higher leverage, counterparty, liquidity, valuation, volatility, market and over the counter transaction risks. The Fund's net derivative exposure may be up to 50% of the Fund's net asset value.
- This investment may involve risks that could result in loss of part or entire amount of investors' investment.
- In making investment decisions, investors should not rely solely on this material.

Note: Dividend payments may, at the sole discretion of the Investment Manager, be made out of the Fund's capital or effectively out of the Fund's capital which represents a return or withdrawal of part of the amount investors originally invested and/or capital gains attributable to the original investment. This may result in an immediate decrease in the NAV per share and the capital of the Fund available for investment in the future and capital growth may be reduced, in particular for hedged share classes for which the distribution amount and NAV of any hedged share classes (HSC) may be adversely affected by differences in the interests rates of the reference currency of the HSC and the base currency of the Fund.



In the past episodes of US rate hike, how did the US equity market perform?

In the past, higher interest rates often caused higher volatility and temporary market disruption. At the same time, history shows that stock returns remain robust in the months leading up to and following the first rate increase.

Regarding the forthcoming rate hike cycle, Credit Suisse observed that over the past four rate hike cycles (1994, 1999, 2004, 2015) the S&P 500 Index gained S&P 500 gained 9.5% in the twelve months prior to the first hike, and 26.0% over the subsequent 3 years.

In the current environment, continued volatility can be expected as investors navigate market uncertainty. However, constructive factors including outsized individual stock price and valuation corrections, substantial corporate liquidity, increasing stock buybacks and dividend payments, and rising mergers and acquisitions (M&A) activity cannot be ignored.

1



Why should investors consider investing in Allianz Income and Growth and/or Allianz Selection Income and Growth?

The Fund complements both core fixed income and equity allocations.

Today's investing environment is characterized by high uncertainty, low yields, fears of both equity and rate volatility, and rising inflation which can erode wealth. The Income and Growth strategy is a solution designed to address these risks, aiming to provide high monthly income, the potential for capital appreciation, less volatility than an equity-only fund, and a low correlation to rate-sensitive investments.

The Fund could be considered as an equity surrogate, as it has historically, provided equity-like returns with less volatility than stocks. It could be an option for investors who are risk adverse and looking to manage or trim volatility from their portfolio, but still want some equity-like exposure. At the same time, it is also a choice for those who are seeking to increase equity exposure but don't want the volatility associated with pure equity.

Almost any portfolio could benefit from the many advantages that income could provide, from lowering volatility to contributing to potential total return. The bottom line for investors is that they must not allow short-term market uncertainty to derail their long-term goals. Investors would be wise to "re-risk" their portfolios and consider a range of income-generating strategies that have historically held up well during down markets, offering both stock-like potential returns and a way to moderate volatility.

2



Convertibles market is relatively smaller than high yield market. How is the liquidity of this asset class?

Liquidity in the convertibles market is often misunderstood due to the relative size of the asset class. In fact, liquidity of a convertible bond is largely driven by its underlying stock liquidity. More than 95% of the convertible issuers are large cap and mid cap companies, and the weighted average market cap size is at USD 42 billion.¹

In the past year, the US convertible bond market grew organically as scheduled maturities slow and the new issuance calendar remain strong. New issuance has double in size from USD 53 billion in 2019 to USD 106 billion in 2020 and ended 2021 with USD 84 billion new issuance.¹

Along with the rise in new issuance, liquidity in the convertible market has also improved significantly. According to Financial Industry Regulatory Authority (FINRA), the average monthly TRACE trading volume surged from USD 27.9 billion in 2019 to USD 46.3 billion in 2021.² And average daily trading volume of the convertible market has also increased from USD 1.3 billion in 2019 to USD 2.2 billion in 2021.²

3

Source

¹ ICE Data Services. Data as of 31 December 2021.

² FINRA. Data as of 31 December 2021.



How has Allianz Selection Income and Growth performed during market volatility?

Allianz Selection Income and Growth Class AM (H2-RMB) Dis.'s performance during the past three periods of market volatility (as at 31 March 2022):

In 2015, convertible bonds declined alongside with equities. Equities traded in a range bound from Q4 2014 to Q3 2016 (between 1800 and 2100 on the S&P 500). In addition, option income was limited because equity implied volatility was depressed and stayed in a narrow range for extended periods of time, spiking only briefly. The Fund returned -7.11% in the period from 1 June 2015 to 30 September 2015, and the recovery period took 8 months (30 September 2015 to 31 May 2016).

Since the beginning of October 2018, there has been a divergence between US economic data and corporate profits versus the market price action. The market was focused on US-China trade tension, slowing global economic growth and the risk of Fed overtightening. The Fund returned -10.38% in the period from 1 October 2018 to 31 December 2018, and the recovery period took 4 months (31 December 2018 to 30 April 2019).

Risk assets sold off aggressively as the COVID-19 global outbreak intensified. The short-term trajectory of the global economy and corporate profitability became highly uncertain. This uncertainty led to indiscriminate selling pressure across most US asset classes and created dislocations in credit markets. The Fund returned -11.84% in the period from 1 February 2020 to 31 March 2020, and the recovery period took 2 months (31 March 2020 to 31 May 2020).

Source: Morningstar, as at 31 March 2022. Fund performance is calculated in the currency of the relevant share classes on NAV-to-NAV basis with gross dividends reinvested. USD/HKD based investors are exposed to foreign exchange fluctuations. The currency-hedged share classes are not recommended for investors whose base currency of investment is not in respective hedged currencies. Past performance, or any prediction, projection or forecast, is not indicative of future performance. AM (H2-RMB) Dis. Performance Information: -6.82% (YTD 31 March 2022), 9.96% (2021), 27.57% (2020), 19.92% (2019), -2.36% (2018) and 17.03% (2017).

4

Period	Market Conditions	Drawdown	Recovery
1 June 2015 to 30 September 2015	Convertible bonds declined alongside with equities	-7.11%	8 months (30 September 2015 to 31 May 2016)
1 October 2018 to 31 December 2018	Divergence between US economic data and corporate profits versus the market price action	-10.38%	4 months (31 December 2018 to 30 April 2019)
1 February 2020 to 31 March 2020	COVID-19 global outbreak	-11.84%	2 months (31 March 2020 to 31 May 2020)

Despite these headwinds, investment team has taken advantage of better prices/valuations, more attractive yields and wider spreads that ranged from rotating into higher credit quality exposures, rotating into total return convertible bond opportunities as well as increasing covered call option exposure.

4



How does Allianz Selection Income and Growth meet potential monthly distribution?

The distribution share classes of Allianz Selection Income and Growth seek to generate income potential through monthly distributions (aims for regular distribution, yields are not guaranteed, dividends may be paid out from capital)^{Note}. These distributions predominantly come from the several potential sources of income in the Fund, namely corporate bond coupons, convertible bond coupons, equity dividends, and potential capital gains from the three sleeves. Distributions may comprise both income and/or realised gains and will vary depending on market conditions.

The payout on Allianz Selection Income and Growth is naturally lower than that of Allianz Income and Growth mainly due to the lower coupon from investment grade corporate bonds.

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Note: Dividend payments may, at the sole discretion of the Investment Manager, be made out of the Fund's capital or effectively out of the Fund's capital which represents a return or withdrawal of part of the amount investors originally invested and/or capital gains attributable to the original investment. This may result in an immediate decrease in the NAV per share and the capital of the Fund available for investment in the future and capital growth may be reduced. Dividend payments are applicable for Class AM Dis (monthly distribution) and for reference only but not guaranteed. Positive distribution yield does not imply positive return. For details, please refer to the Fund's distribution policy disclosed in the offering documents.

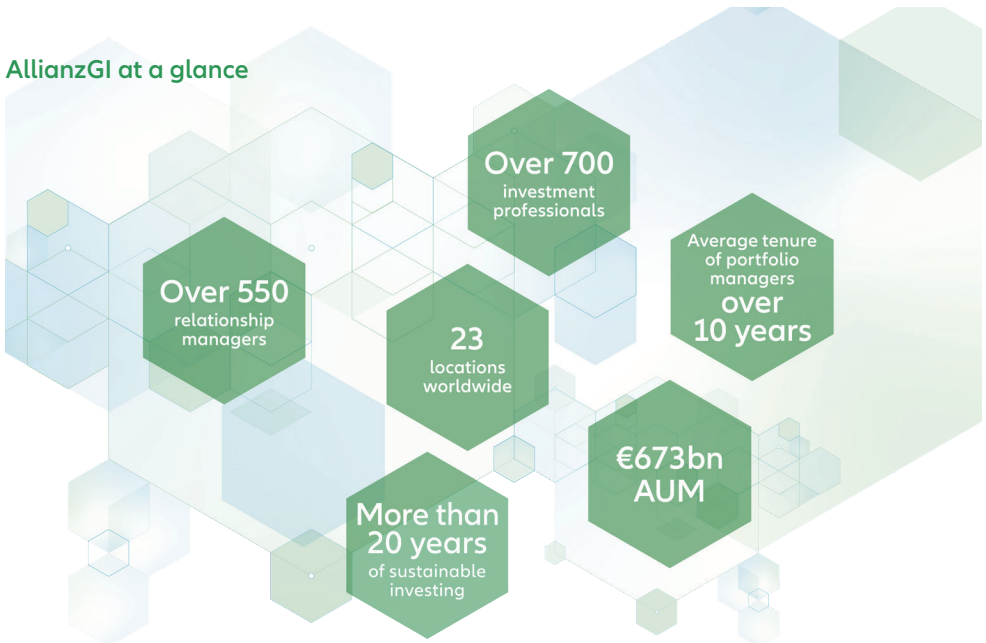
About Allianz Global Investors

Allianz Global Investors is a leading active asset manager with over 700 investment professionals in 23 offices worldwide managing EUR 673 billion in assets for individuals, families and institutions.

We see investing as a journey and we seek to create value for our clients every step of the way. We do this by being active. As part of Allianz Group, we invest on behalf of one of the world's largest and most financially robust

organisations, with more than 130 years of corporate history. We invest for the long term, employing our global investment and risk capabilities and our sustainable investing expertise to create innovative solutions that anticipate future needs. It is our deep conviction that human insight – with the support of analytical tools – is essential to finding the best solution for our clients' needs.

AllianzGI at a glance



Source
Allianz Global Investors, as at 31 December 2021.

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There is no guarantee that these investment strategies and processes will be effective under all market conditions and investors should evaluate their ability to invest for a long-term based on their individual risk profile especially during periods of downturn in the market.

Investing in fixed income instruments (if applicable) may expose investors to various risks, including but not limited to creditworthiness, interest rate, liquidity and restricted flexibility risks. Changes to the economic environment and market conditions may affect these risks, resulting in an adverse effect to the value of the investment. During periods of rising nominal interest rates, the values of fixed income instruments (including short positions with respect to fixed income instruments) are generally expected to decline. Conversely, during periods of declining interest rates, the values are generally expected to rise. Liquidity risk may possibly delay or prevent account withdrawals or redemptions.

Investment involves risks, in particular, risks associated with investment in emerging and less developed markets. Past performance, or any prediction, projection or forecast, is not indicative of future performance. Investors should read the offering documents for further details, including the risk factors, before investing. This material and website have not been reviewed by the Securities and Futures Commission of Hong Kong. Issued by Allianz Global Investors Asia Pacific Limited.

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