Income and Growth Strategy

Adopting a three-sleeve approach with high yield bonds, convertible bonds, and equities. Setting in place the dual opportunities of potential income and growth.

Allianz Global Investors

Content

4 2023: Year of Opportunities

5 A Three-Sleeve Approach for Income and Growth

6 High Yield Bonds: High Income and Portfolio Diversifier

8 Why Invest in High Yield Bonds?

11 Risks of High Yield Bonds

12 Convertible Bonds: Combining the Advantages of Bonds and Stocks

13 Why Invest in Convertible Bonds?

16 Risks of Convertible Bonds

17 US Equities: Improving Valuations

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

20 Allianz Income and Growth ("the Fund") Q&A

24 About Allianz Global Investors

2023:
Year of Opportunities

2022 turns out to be a horrendous year for most investors as almost every major asset class delivered negative returns. Stocks and bonds, typically move in opposite directions, both finished lower which is rather rare in market history. After a tumultuous 2022, the investment backdrop has become more constructive where certain asset classes offer investors with attractive income and valuation as well as compelling risk reward opportunities.

Inflation Easing: The main issue for 2023 is whether inflation will ease quick enough to allow central banks to pivot away from aggressive rate hikes and potentially begin to ease. Fortunately, there are convincing signs that inflationary pressure are moderating and the cumulative effect of all the interest rate hikes will continue to show in 2023. There is a good chance that inflation has already peaked and will continue its downward trajectory as global demand slows.

Mild Recession: US growth has been slowing and the inverted yield curve is sending strong signal that recession is on the horizon. Housing activities have been negatively impacted by higher mortgage rates whereas business investments are decelerating as borrowing costs rise. On the other hand, a strong labor market, healthy consumer balance sheets and steady consumption indicate a resumption of GDP growth, thereby, mitigating a severe and prolonged market downturn.

US Federal Reserve (Fed) Pivot: The futures market has priced in a slowdown of Fed tightening and even a small chance of rate cut at the end of 2023. As growth weakens and inflation softens, the Fed will pivot to a less hawkish stance in 2023.

The return of a normal interest rate environment has created opportunities in various asset class, it is important for investors to capture market opportunity and continue to build a resilient 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.

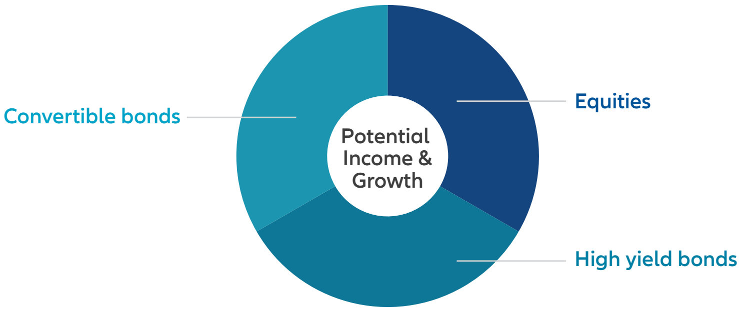
A Three-Sleeve Approach for Income and Growth

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

Investors could enjoy three potential benefits:

1. A steady flow of potential income, including coupons from high yield bonds and convertible bonds, and dividends from equities.
2. Upside potential when markets rise.
3. Downside risk management against declining markets.

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.

High Yield Bonds: High Income and Portfolio Diversifier

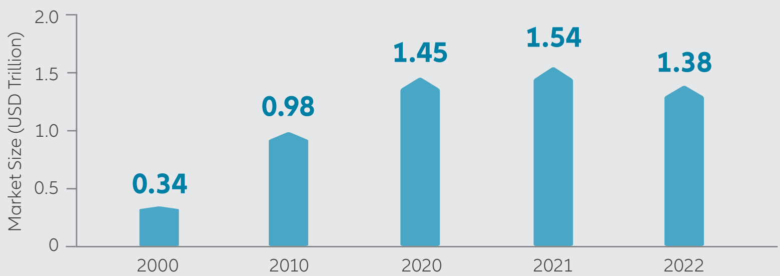
What are high yield bonds?

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 338 billion in 2000, but towards the end of 2022, the size of the market had grown to around USD 1.38 trillion[1].

Growth of US high yield bond market[1]



Source
[1] ICE Data Indices, ICE BofA US High Yield Index, as at 31 December 2022.

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 about 60% of the global high yield universe[2].

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.

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.

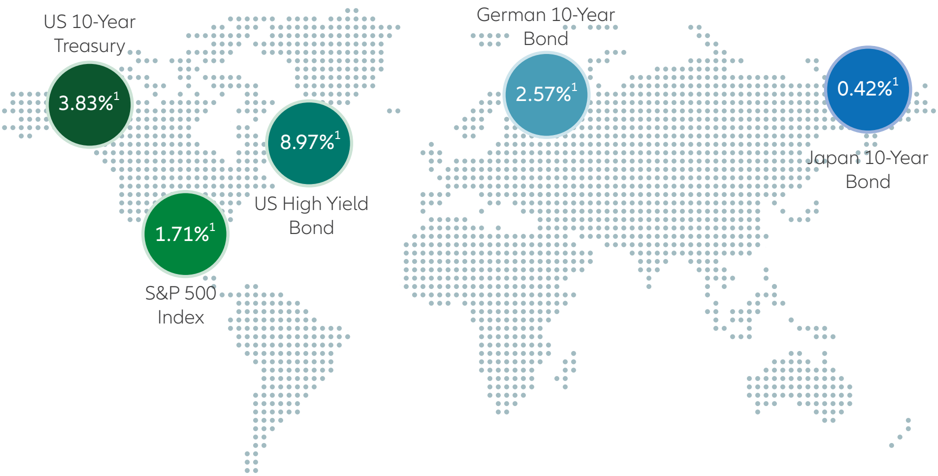
[2] Bloomberg, as at 31 December 2022.

Why Invest in High Yield Bonds?

1. Potential yields

After a series of Fed rate hikes in 2022, the potential yield from high yield bonds has returned to very attractive level. As of 31 December 2022, the US 10-year Treasury bonds and US investment grade corporates offered yields of 3.83%[1] and 5.48%[1] respectively. US stocks have also delivered dividend yields, with the S&P 500 Index offering 1.71%[1]. Meanwhile, the US high yield market generated a yield of 8.97%[1], making it a compelling opportunity for both international and domestic investors. Many people now include high yield bonds in their portfolios to enhance potential returns and hedge against inflation.

Potentially attractive yields from US high yield bonds



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 December 2022.

2. A proven track record

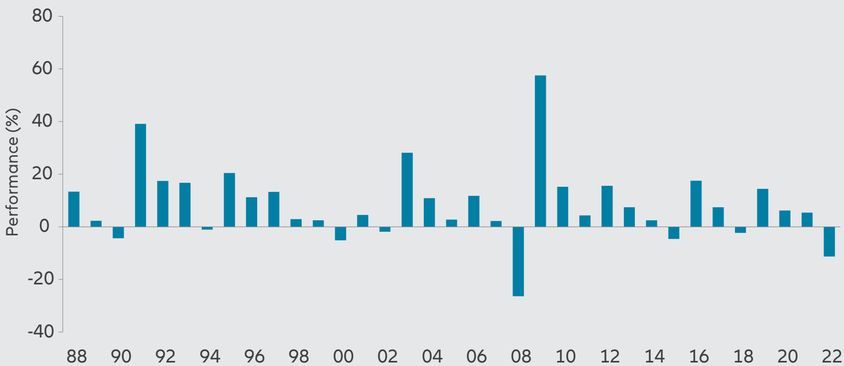
US high yield bonds have an outstanding past performance record, with an average annual return of 8.46%[2] in the past 35 years.

The US high yield market has posted negative returns in only 8 years between 1988 and 2022.

With 27 years of positive returns[3], it is undoubtedly a front-runner in the global fixed income universe, which explains why it is so attractive to investors.

It is also interesting to note that the US high yield bonds have not declined in consecutive years.

Performance of US high yield market in the past 35 years[3]



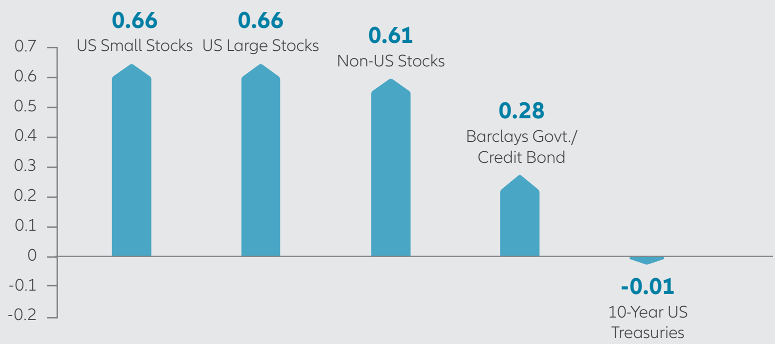
[2] Morningstar, high yield bond represented by ICE BofA US High Yield Index, data from 1 January 1988 to 31 December 2022.

[3] Morningstar, ICE Data Services, Bloomberg, Allianz Global Investors, as at 31 December 2022. High yield bond performance is measured by ICE BofA US High Yield Index.

3. Fixed income diversification benefits

Historically, high yield bonds have delivered equity-like returns, with less volatility than stocks. They also provide fixed income diversification benefits given their relatively low correlations with US Treasuries and other core fixed income issues. US Treasury bonds are very sensitive to changes in interest rates and their prices will normally decline when interest rates rise. By contrast, high yield bonds are generally driven by the fundamentals of their issuers. As such, their correlation with 10-year US Treasuries is relatively low, currently only -0.01[1].

Correlations between US high yield and other asset classes[2]



Source

[1] Barclays, ICE Index, FactSet, Allianz Global Investors, as at 31 December 2022. 10-year Treasuries: ICE BofA US Treasury Current 10-Year Index.

[2] Barclays, ICE Index, FactSet, Allianz Global Investors, as at 31 December 2022. US Small Stocks: Russell 2000 Index; US Large Stocks: Russell 1000 Index; Non-US Stocks: MSCI EAFE Index; Barclays Government/Credit Bond: Barclays US Aggregate Bond Index; 10-year US Treasuries: ICE BofA US Treasury Current 10-Year Index.

Risks of High Yield Bonds

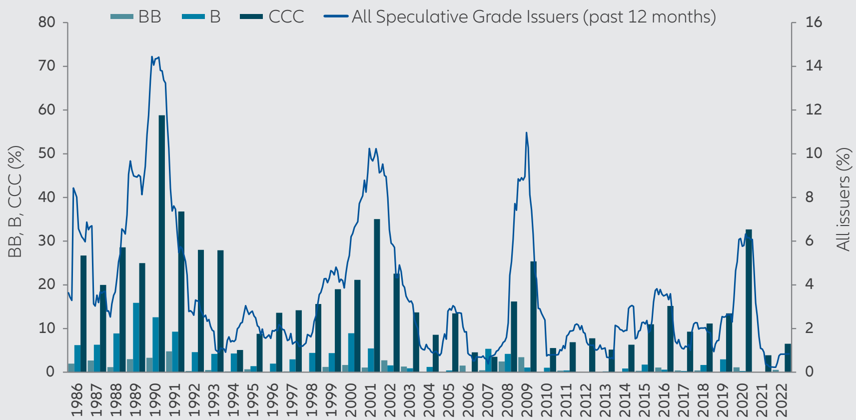
1. Default rates are concentrated in the energy industry

The main risk associated with high yield bonds is corporate default (also known as default risk). High yield defaults in 2022 declined to 0.84%[3] (as of December 2022) due to improved credit fundamentals, their long-term historical default is at 3.50%[3].

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 since 1988 amounted to 8.28%[4], lower than that of S&P 500 Index (14.77%[4]) over the same period.

Default rates at low level[3]



[3] ICE Data Services, JP Morgan, as at 31 December 2022. US high yield bonds are represented by the ICE BofA US High Yield Index.

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

Convertible Bonds: Combining the Advantages 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.

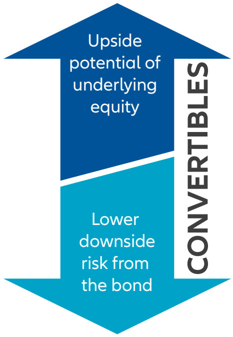
Why Invest in Convertible Bonds?

1. Offensive yet defensive

Convertible bonds enjoy the advantages 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

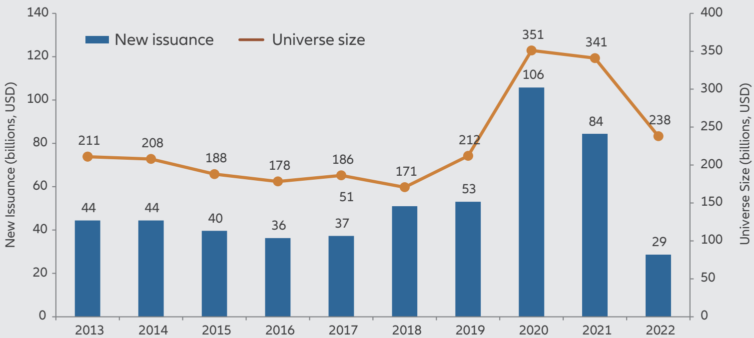


2. Market and investment opportunities continue to widen

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 and grew at a rapid pace during COVID in 2020-2021. Following a difficult market environment in 2022, issuance is expected to return towards the pre-COVID levels.

New Issuance is expected to return after a challenging 2022[1]



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

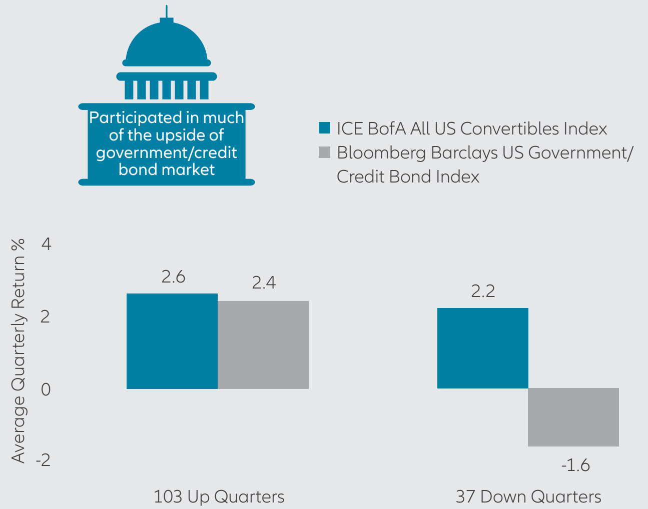
Historically, convertible bonds have exhibited a high correlation to equities, meaning their price movements are quite similar to the stock market. In contrast, the correlation between convertible bonds and US Treasuries is relatively low, meaning their prices rarely move in tandem.

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 December 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.

Between January 1988 and December 2022, US government/credit bonds rose in 103 quarters and fell in 37 quarters (by an average of 1.6% in each quarter). Convertible bonds managed to rise by an average of 2.2% in each of the quarters when US government/credit bonds fell[2].

Performance of convertible bonds between January 1988 and December 2022[2]



[2] FactSet, ICE Data Services, Morningstar. Data as of January 1988 to December 2022. US convertible bonds are represented by the ICE BofA All US Convertibles Index. US government credit bonds are represented by the Bloomberg Barclays 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.

US Equities: Improving Valuations

1. Earnings outlook

Given continuing concerns of a possible recession, analysts and corporate executives are reducing earnings projections into 2023. S&P 500 corporates earnings growth is slowing and could fall further as forecasts for slower sales and margin contraction offset gains in operating leverage. There are grounds to be more cautious and wait for earnings to bottom out, however, the potential for further downside is limited given the declines in 2022.

2. Improving valuations

While caution is still warranted, equity valuations have improved with both the S&P 500's forward price-to-earnings multiple and price-to-free cash flow multiple falling further below its long-term average. With the fed funds rate quickly approaching the terminal rate, Fed hawkishness will be increasingly constrained. This dynamic could also lead to more subdued US Treasury and the US dollar markets which have been headwinds for equities. Lastly, corporate liquidity could lead to shareholder friendly activities such as stock buybacks and increased dividends. Corporations could also use liquidity to spur organic growth or for mergers and acquisitions purposes to boost future sales and profits.

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: The investor benefits from additional cash flow from premium.

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

Scenario 5: 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.

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

Allianz Income and Growth ("the Fund") Q&A

- 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 is also exposed to risks relating to securities lending transactions, repurchase agreements and reverse repurchase agreements.
- 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. Monthly 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.

What is the performance of the Fund in the year of 2022?

As of December 2022, the Allianz Income and Growth AM USD returned -19.7% (YTD performance as at 31 December 2022). The three underlying asset classes – US equities, convertible securities, and high-yield bonds – utilized in the Fund delivered a negative return on a YTD basis. The Russell 1000 Growth Index returned -29.1%. The ICE BofA US Convertibles Index and ICE BofA US High Yield Index returned -18.7% and -11.2%, respectively.

2022 turns out to be a challenging year for investors with both equities and fixed income posted negative returns so far. Markets were negatively impacted by aggressive rate hikes, high inflation, war in Ukraine and strict COVID policies in China. In addition, many corporates provided cautious outlooks, highlighting the difficult operating environment. Margin pressures, currency headwinds, supply chain issues disruptions, and evolving consumer behaviors have impacted earnings and sales visibility.

1

Source: Morningstar, as at 31 December 2022. Fund performance is calculated in USD based on NAV-to-NAV of Class AM (USD) Distribution with gross dividends reinvested. Past performance, or any prediction, projection or forecast, is not indicative of future performance. AM (USD) Dis. Performance Information: -19.70% (YTD 31 December 2022), 11.66% (2021), 21.94% (2020), 19.49% (2019), -4.89% (2018) and 12.55% (2017).

What is your outlook for the Fund in 2023?

The investment backdrop should become more constructive as 2023 evolves. Inflation has peaked and is falling, while Fed has pivoted to a less hawkish stance on slowing growth expectation.

Within the fund, US high yield's risk/reward opportunity is compelling. In addition to healthy credit statistics and fundamentals, near-term refinancing obligations remain low and managements continue to prioritize debt reduction. At a deep discount to face value, high-yield bonds offer very attractive total return potential and higher spreads that compensate for noted risks.

US convertible securities should continue to provide benefits to investors, including an attractive asymmetric return profile and a low correlation to core fixed income. After the selloff in 2022, the asset class exhibits more defensive characteristics given the market's lower delta and closer proximity to the bond floor. This dynamic should allow for greater downside protection, yet well-positioned to participate in the upside when equities rally.

While caution is still warranted on US equities, valuations have improved with the S&P 500's forward price-to-earnings and price-to-free cash flow multiples falling below their long-term averages. With the fed funds rate quickly approaching the terminal rate, a less hawkish Fed will remove some of the headwinds in the market.

2

Why may investors consider investing in the Fund?

A multi asset portfolio makes sense, being a great way for investors to potentially diversify their portfolios. It is clear that today's investing environment is characterized by high uncertainty, depressed sentiment, fears of both equity and rate volatility, and rising inflation which can erode wealth. The Fund consists of three sleeves – high yield, convertibles and equities, and is designed as a solution to address these risks. It aims to provide monthly income (yields are not guaranteed, dividend maybe paid out from capital)[Note], the potential for capital appreciation, less volatility than an equity-only fund, and a low correlation to rate-sensitive investments.

For investors looking to supplement income in a portfolio, the high yield asset class provides coupon-like returns. Convertibles offer an asymmetric risk return, allowing investors to participate on the upside of the equity market while being cushioned from downside volatility. And equities provide the potential to grow the principal investment. Collectively, these three asset classes may provide a source of potential income and a compelling return profile. 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, and be able to capture market upside when bull market returns.

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. Monthly 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.

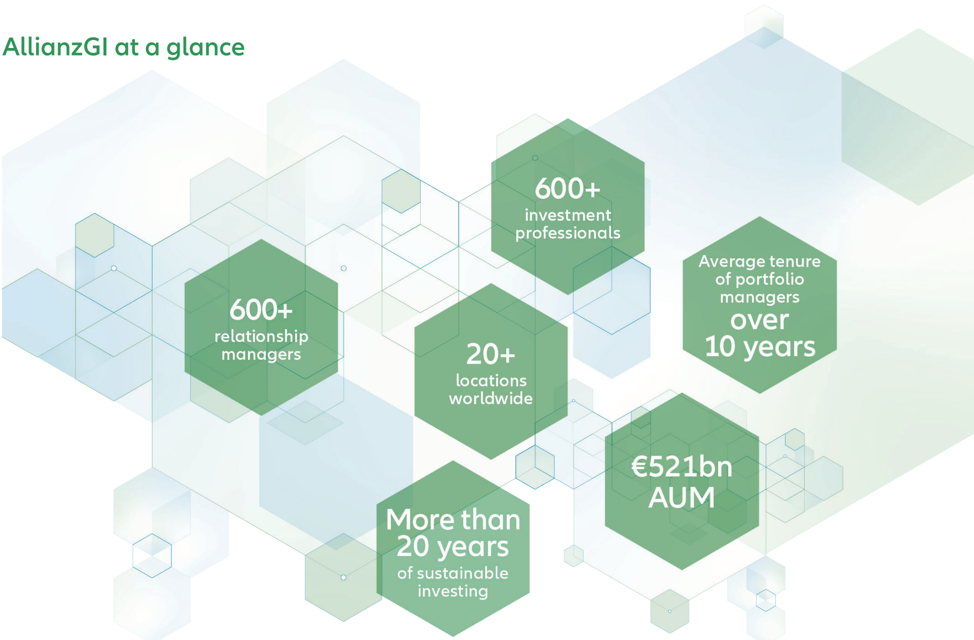
3

About Allianz Global Investors

Allianz Global Investors is a leading active asset manager with over 600 investment professionals in over 20 offices worldwide managing EUR 521 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 30 September 2022.

2680613/2023HK

Active is : Allianz Global Investors

Connect with Us | **hk.allianzgi.com** | **+852 2238 8000** | **Search more** Allianz Global Investors

Like us on Facebook **安聯投資 — 香港**

Connect on LinkedIn **Allianz Global Investors**

Subscribe to YouTube channel **安聯投資**

Follow HK WeChat **AllianzGIHK**

All data are sourced from Allianz Global Investors dated 31 December 2022 unless otherwise stated.

Information herein is based on sources we believe to be accurate and reliable as at the date it was made. We reserve the right to revise any information herein at any time without notice. No offer or solicitation to buy or sell securities and no investment advice or recommendation is made herein. In making investment decisions, investors should not rely solely on this material but should seek independent professional advice. However, if you choose not to seek professional advice, you should consider the suitability of the product for yourself.

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 including the possible loss of principal amount invested and risks associated with investment in emerging and less developed markets. Past performance 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.