

# Allianz Preferred Securities and Income \* (formerly known as Allianz Selection US High Yield)

Allianz Global Investors Asia Fund



- The Fund seeks to achieve income and long-term capital appreciation by investing primarily in preferred securities and interest bearing securities.
- The Fund is exposed to significant risks which include investment/general market, equity market, creditworthiness/credit rating/downgrading, counterparty, geographical concentration, interest rate changes, valuation 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 preferred securities which may subject to risk of early redemption, risk of deferral in dividend payment and risk of preference not being enforced or otherwise taken into account. Preferred securities are subject to lower liquidity compared to ordinary equities or debt securities, and are more volatile than debt securities.
- The Fund may invest in financial derivative instruments ("FDI") which may expose the Fund 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 is 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.

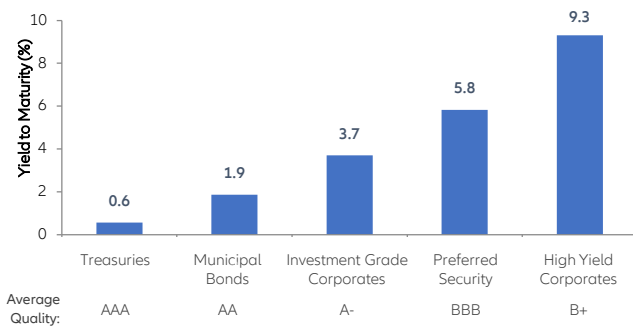
**Note:** Dividend payments may, at the sole discretion of the Investment Manager, be made out of the Fund's income and/or capital which in the latter case represents a return or withdrawal of part of the amount investors originally invested and/or capital gains attributable to the original investment. 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.

## Why invest in Allianz Preferred Securities and Income ("the Fund")?

### 1. An investment-grade portfolio with relatively attractive yields

- Preferred securities have historically had higher yields when compared to other traditional fixed income asset classes. Typically, investment-grade rated, preferred securities generate a high level of steady income, and the combination of market appreciation and income can generate yields above 5%.

High quality securities with attractive yields

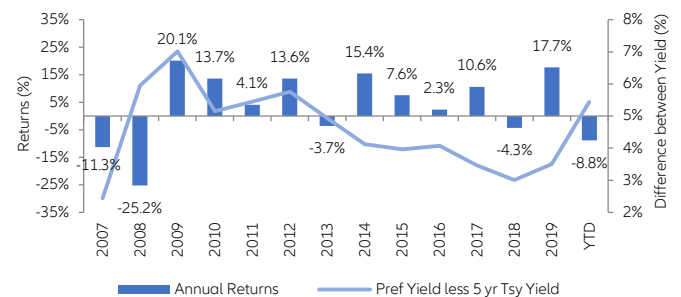


Source: Bloomberg based on ICE BofAML US Treasury Index, ICE BofAML 3-7 Year US Municipal Securities Index, ICE BofAML US Corporate Index, ICE BofAML Fixed Rate Preferred Securities Index and ICE BofAML US High Yield Index; data as at 31 March 2020. Past performance is not indicative of future performance.

### 2. The overlooked fixed income alternative

- Preferred securities have become attractive in recent months. Yields are approximately 200-250 basis points higher than only a few months ago, and in historical ranges, trending up. The spread versus US Treasury has now exceeded 500 basis points, which we have not seen in the past seven years.
- As central banks around the world continue to lower rates and ease monetary policies, preferred securities may become an attractive asset class for income-seeking investors.

Historical returns and yields of preferred securities <sup>1</sup>

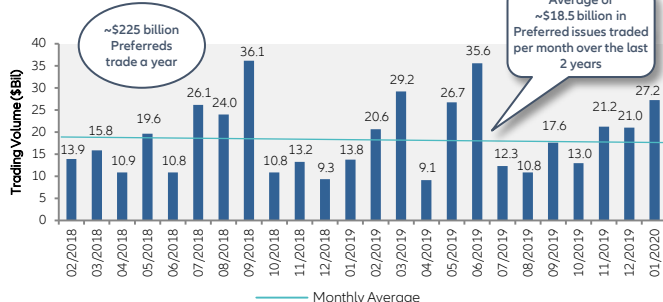


<sup>1</sup> Preferreds is represented by ICE BofAML Fixed Rate Preferred Securities Index, Treasury is represented by ICE BofA US Treasury Current 5 Year Index. Source: Allianz Global Investors and Bloomberg. As of 31 March 2020. Past performance is not indicative of future performance.

### 3. A large and liquid asset class

- The US preferred securities market is large and liquid. The US preferred securities comprise roughly a USD1 trillion market<sup>2</sup>. In the past two years, on average, over USD18 billion in preferred shares were traded per month.

Preferred Securities – Trading Volumes

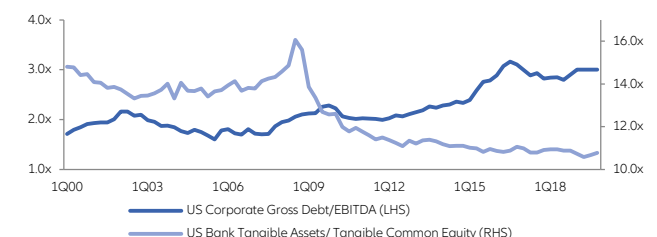


Source: AllianzGI, ICE BofAML Fixed Rate Preferred Securities Index, ICE BofAML Contingent Capital Index. As of 31 January 2020. Past performance is not indicative of future performance.  
<sup>2</sup> Source: S&P Dow Jones. Data as of 31 December 2019.

### 4. Focus on US banks due to improved fundamentals

- Post-Global Financial Crisis regulations have sought to reduce systematic risk by increasing loss absorbing capacity at banks.
- Since the 2008 financial crisis, bank balance sheets have generally grown stronger and US banks have much lower leverage than in 2008, and revenue growth is likely to benefit from modestly faster loan growth and net-interest-margin expansion.

US Banks have De-Levered while Non-Fins have Levered Up



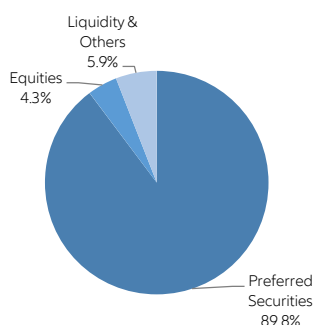
Source: J.P. Morgan, Federal Deposit Insurance Corporation and Allianz Global Investors. Data as of 31 March, 2020. Past performance is not indicative of future performance.

## Statistics Summary

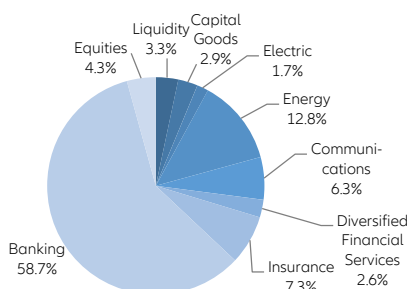
Average Coupon	6.45%
Average Credit Quality	BBB
Effective Duration	3.75 years
Yield to Maturity	6.27%

## Fund Highlights

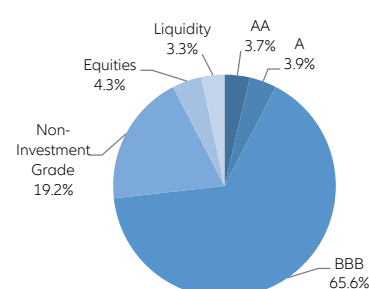
### Asset Allocation (%)



### Sector Allocation (%)



### Credit Rating Allocation (%)



### Top 10 Holdings

Top 10 Holdings	Sector	%
Bank of America Corp 6 PERP	Banking	7.9%
JP Morgan Chase & Co 6.1 PERP	Banking	7.8%
Wells Fargo & Company 6 PERP	Banking	6.4%
Citigroup Capital XIII 7.13013	Banking	5.8%
MetLife Inc. 10 3/4 08/01/39	Insurance	5.2%
Energy Transfer Operating 7 1/8 PERP	Energy	5.0%
U.S. Bancorp 5 1/2 PERP	Banking	3.9%
PNC Financial Services 5 3/8 PERP	Banking	3.9%
Northern Trust 1.95 05/01/30	Diversified Financial Services	3.7%
Viacom 6 1/4 02/28/57	Communications	3.5%

### Fund Details

Fund Manager	Carl Pappo, Willow Piersol
Fund Size <sup>3</sup>	USD 16.52m
Number of Holdings	30
Base Currency	USD
Subscription Fee (Sales Charge)	Up to 5%
Management Fee	1.20% p.a.

<sup>3</sup> The Fund Size quoted includes all share classes of the Fund.

## Available monthly distribution share classes<sup>4</sup> (yields are not guaranteed, dividend may be paid out from capital)<sup>Note</sup>

Class AM (USD)	Class AM (H2-RMB)	Class AMg (H2-CAD)
Class AM (HKD)	Class AM (H2-SGD)	Class AMg (H2-EUR)
Class AM (H2-AUD)	Class AM (H2-NZD)	Class AMg (H2-GBP)
Class AM (H2-CAD)	Class AMg (USD)	Class AMg (H2-RMB)
Class AM (H2-EUR)	Class AMg (HKD)	Class AMg (H2-SGD)
Class AM (H2-GBP)	Class AMg (H2-AUD)	Class AMg (H2-NZD)

<sup>4</sup> The currency-hedged share classes are not recommended for investors whose base currency of investment is not in respective hedged currencies.

\* On 27/4/2020, Allianz Selection US High Yield was renamed to Allianz Preferred Securities and Income. There was a material change of the Fund's objective and investment strategy. The performance prior to 27/4/2020 was achieved under circumstances that no longer apply. Please refer to the offering documents for details.

Source: All fund data quoted are Allianz Global Investors/IDS GmbH, as at 30/04/2020, unless stated otherwise.

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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.

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