ALLIANZ DYNAMIC MULTI ASSET STRATEGY SRI

A Tale of Two Songs: When doing less does more for your future

This is a marketing communication. Please refer to the prospectus of the fund and to the KID/KIID before making any final investment decisions. **For fund distributors and professional investors only.**

"Investing is simple, but not easy" - *Warren Buffett*[1]
"Investors are always searching for good ideas, when what they need are good habits" - *Jason Zweig*[2]

We should be totally happy. But we are not. 2024 has started with great news for the Allianz Dynamic Multi Asset Strategy SRI fund family. Our leading multi-asset range expanded its investment universe[3], surpassed the 5 billion threshold in assets under management for the first time[4], and has confirmed the Morningstar's top ratings for the strategy[5]. And yet, we are not completely satisfied.

Performance in 2023 was very positive, with returns ranging from 7.59% for the most conservative profile to 11.25% for the most dynamic[7]. A relevant part of this performance was obtained in the last quarter of the year. And we realize that some clients, that were not patient enough, have missed most of it.

The Britpop band The Verve reached the top of the charts in 1997 with its superhit "Bitter Sweet Symphony"[8]. The song illustrated well the difficulty of changing ingrained habits: "No change, I can change, I can change, but I'm here in my mould".

Investors, too, can change their toxic behavior. There are three basic principles to follow: Don't try to time the market, don't be part of the herd and get fear out of the driving seat.

I'm a Loser, Baby

Bad news is that you're not that smart (spoiler alert: no one is). Good news is that you don't need to outsmart the rest to achieve your long-time financial goals. Many investors try to time the market, picking the best entry and exit points, and by doing so, they miss the benefits generated by basic compounding and end up damaging their returns.

Due to erratic behavior, investors across the globe have missed between 7% and 41% of the annual returns generated by the funds in which they have invested in the previous 5 years, according to data from Morningstar.[9]

If you ever have the temptation to try to time the market, simply take a good look at this chart.

Why market timing doesn´t pay

The risk of missing out on high-return days when trying to time the market outweighs potential gains.

Allianz Global Investors looked at the performance of the S&P 500 from 1963 through 2017, comparing four different investment approaches.

Case 1 Standard yearly investment

Investing $100 at the start of the first year and adding an additional $100 at the start of each subsequent year.

Total return = $75,943

Case 2 Investing on the best day

Investing $100 on the day of the lowest index level of the year and adding an additional $100 each year on the day of the lowest index level of that year - the best day of the year to invest.

Total return = $83,718

Case 3 Investing on the worst day

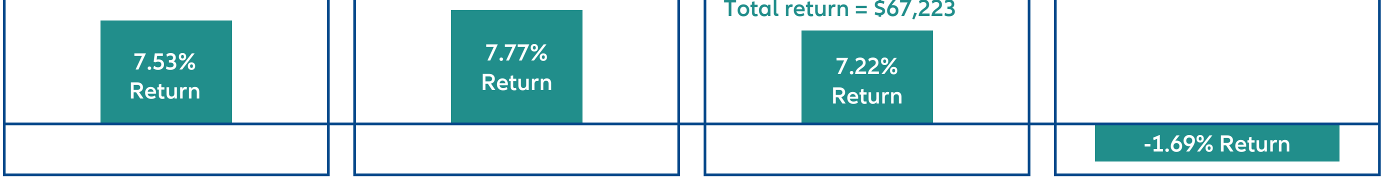
Investing $100 on the day of the high index level of the year and adding an additional $100 each year on the day of the highest index level of that year - the worst day of the year to invest.

Total return = $67,223

Case 4 Missing the three best day

Investing $100 each year at the start of the year, as in the first approach, but assuming one misses the returns of the best three trading days in each year.

Total return = $3,535



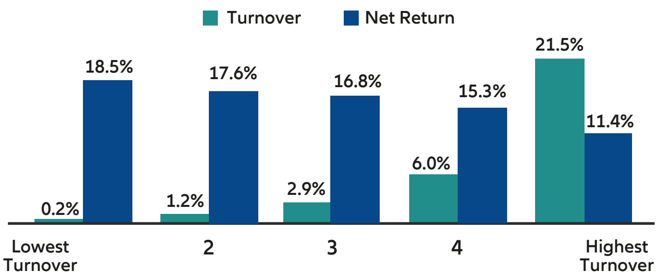
Source: Allianz Global Investors, Commerzbank, Datastream US Total Market Total Return Index 1963-2017 (Internal Rate of Return (IRR) on $100 investment).

As Morgan Housel says: “Doing well with money has a little to do with how smart you are and a lot to do with how you behave” [10]

Monkey See, Monkey Do

Many investors also chase recent returns or the latest en vogue asset class or investment strategy. By doing so, they often tend not only to overpay, but to trade more than they should. In markets, less is more. Committing to a long-term strategy and focusing on the level of risk that is adequate for your investment profile and your financial goals is usually a more reasonable approach. As Warren Buffett has said: Inactivity is an intelligent behavior.[11]

Monthly Turnover and Annual Performance



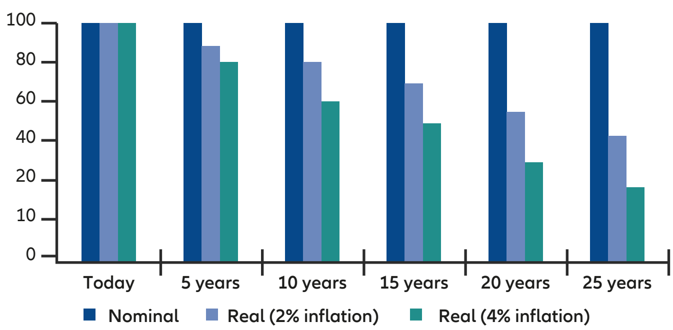
Source: Barber and Odean (2000). "Trading is Hazardous to Your Wealth: The Common Stock Investment Performance of Individual Investors". A review of over 60k retail investor's portfolio in the US during a 6 year period.

Don’t Look Back in Anger (or Hope)

Investing is forward-looking and the rearview mirror cannot be the focus point for investors. As recent performance should not be the main consideration to select an investment, also current yields should not be the only driver. Investors should consider real returns, and not just nominal ones. Inflation is out of the toothpaste tube and policy makers are having a tough time trying to put it back in. Investing in low-risk conservative alternatives that offer a decent nominal return rate can be misleading if you don’t consider the effect of inflation. Investment decisions should be governed by “purchasing power preservation” rather than “security”. So, remember to keep it “real”.

Inflation leads to a loss in purchasing power

What will happen to 100 EUR if inflation is 2% and what will happen if it´s 4%? (Example calculation)



Source: AllianzGI Capital Markets & Thematic Research, May 2018.

Keep the Faith

What to do? Having a diversified multi-asset solution adapted to your risk/return profile, like Allianz Dynamic Multi Asset Strategy SRI, as the core of the portfolio and keep a long-term commitment to it can help reduce the negative effect of investor's behavioral biases, like loss aversion, herding or inertia.

Typical Multi-Asset features & behavioral patterns

Investor behaviour	Consequences	The solution via multi-asset investments*
Poor diversification	You forego the opportunity to minimise risk wothout sacrifing returns	Broader diversification through various asset classes
Naive diversification via various asset classes	Those rules of thumb keep you from optimising your risk-return	A clear risk-return profile that fits each investor
Framing: Buying only what you know	You overweight glamour stocks in your portfolio, and in addition to this mostly domestic stocks	Forego broad allocation by region and asset class, keeping only your "favourites" in your portfolio
Inertia: "Don´t do today what you can put off till tomorrow"	Opportinities wait for no one	Once you have set your strategy you don´t need to keep constant watch over the capital markets
Herding	You buy what others are buying, or a "guru" us buying - usually too kate and too high	Buying decisions are based on a stringent investment process
Overconfidence	Trading too often undermines your returns	
Emotions	When you swing from greed to fear and back again. This often causes you to buy and sell too late	The investment process makes investing more rational
Anchoring bias	Instead of rethinking your investment decision, you sit on your losses	Whether good or bad, valuations are based on reasearch and active allocation
Loss aversion	Losses are consigned to the status of "paper losses"	Active management makes the process more rational

*Source: AllianzGI Global Capital Markets & Thematic Research, May 2018. * A performance of the strategy is not guaranteed and losses remain possible. This is for guidance only and not indicative of future allocation. At any given time, other criteria may affect the investment process*

The context has changed. But threats remain the same. And there are good reasons to keep a stable and disciplined allocation to the Allianz Dynamic Multi Asset Strategy SRI funds. Having these investment strategies as a fundamental pillar of the portfolio can help navigate changing market environments. An All-Weather solution for the core of the portfolio.

Five Reasons to Keep Allianz Dynamic Multi Asset Strategy SRI at the Core

- **Simplicity and stability:** One single solution adapted to the client's risk profile. A portfolio that is always adapted to the client's needs and that aims to provide long-term stability with a disciplined risk management approach.
- **Professional Management:** A proven investment process that combines fundamental analysis and systematic signals, managed by Allianz Global Investors, one of the leading Multi Asset fund houses in Europe.
- **Diversification:** Many eggs and many baskets – Disciplined approach and state-of-the-art risk controls. Access to all sorts of markets and asset classes in one single investment solution.
- **Security and transparency:** The funds offer daily liquidity and investors receive regular updates on the evolution and the composition of the portfolios.

We started with a song. And we will end with what might be the most important chorus line for investors from pop music's history. It was written in 1963 but was made popular the following year when it was recorded by the Rolling Stones. "Time is on My Side" is a motto that investors should repeat to themselves as a mantra. The best ally of any retail investor is indeed time (and the magic of compounding that comes with it). As Morgan Housel puts it: "Time is the most powerful force in investing" [12]. We hope next time we have something to celebrate, clients will also have the patience to celebrate it with us.

	Opportunities	Risk
DMAS 15	• Comparably high stability of bonds with good credit quality • Focus on companies and institutions striving for sustainability • Enhanced return potential through addition of stocks, emerging markets assets, and high-yield bonds • Risk and stability management using volatility bandwidths and the value-at-risk method • Currency gains against investor currency possible	• Limited yield potential of bonds with good credit quality • Sustainability approach narrows the universe to eligible issuers • Increased risk of price fluctuations through addition of stocks, emerging markets assets, and high-yield bonds • Risk and volatility management do not exclude potential losses • Currency losses against investor currency possible
DMAS 30	• Above-average yield potential of stocks over the long term • Focus on companies and institutions striving for sustainability • Enhanced return potential through addition of emerging markets assets and high-yield bonds • Comparably high stability of bonds with good credit quality • Risk and stability management using volatility bandwidths and the value-at-risk method • Currency gains against investor currency possible	• The volatility of fund unit prices may be increased • Sustainability approach narrows the universe to eligible issuers • Increased risk of price fluctuations and losses with stocks, emerging markets assets, and high-yield bonds • Limited yield potential of bonds with good credit quality • Risk and volatility management do not exclude potential losses • Currency losses against investor currency possible
DMAS 50	• Above-average yield potential of stocks over the long term • Focus on companies and institutions striving for sustainability • Enhanced return potential through addition of emerging markets assets and high-yield bonds • Comparably high stability of bonds with good credit quality • Risk and stability management using volatility bandwidths and the value-at-risk method • Currency gains against investor currency possible	• The volatility of fund unit prices may be increased • Sustainability approach narrows the universe to eligible issuers • Increased risk of price fluctuations and losses with stocks, emerging markets assets, and high-yield bonds • Limited yield potential of bonds with good credit quality • Risk and volatility management do not exclude potential losses • Currency losses against investor currency possible
DMAS 75	• Above-average yield potential of stocks over the long term • Focus on companies and institutions striving for sustainability • Enhanced return potential through addition of emerging markets assets and high-yield bonds • Comparably high stability of bonds with good credit quality • Risk and stability management using volatility bandwidths and the value-at-risk method • Currency gains against investor currency possible	• The volatility of fund unit prices may be increased • Sustainability approach narrows the universe to eligible issuers • Increased risk of price fluctuations and losses with stocks, emerging markets assets, and high-yield bonds • Limited yield potential of bonds with good credit quality • Risk and volatility management do not exclude potential losses • Currency losses against investor currency possible

[1] *Warren Buffett, 2009 https://www.youtube.com/watch?v=plvQkXtgPB8.*
[2] *Jason Zweig (2022). "The Best Investment for This Coming Crazy Year": https://www.wsj.com/articles/the-best-investment-2022-stock-market-advice-11641571196.*
[3] *The core fixed income portfolio has broadened its investment universe from Euro Fixed Income to Global Fixed Income. Source: Allianz Global Investors, February 2024.*
[4] *Source: Allianz Global Investors, February 2024.*
[5] *All three funds have maintained the highest 5-star rating from Morningstar (Data for the IT EUR institutional euro accumulation shareclass). The CT2 EUR retail euro accumulation classes also maintain a five-star rating for the Allianz Dynamic Multi Asset Strategy SRI 75 fund, and a four-star rating for the Allianz Dynamic Multi Asset Strategy SRI 15 and 50 funds). © 2007 Morningstar, Inc., all rights reserved. The information given here: (1) is protected by copyright for Morningstar and/or its content providers; (2) may not be reproduced or distributed; and (3) is not guaranteed to be accurate, complete or up-to-date. Morningstar and its content providers assume no responsibility for any losses or damage that result from any use of the information provided. Past performance is not a guarantee of future results. To determine the Morningstar Rating, funds of a comparable group in issue for at least three years are considered. The long-term performance serves as a basis, taking into account fees and risk. As a result, the funds are awarded stars, which are calculated monthly: Top 10%: 5 stars; next 22.5%: 4 stars; middle 35%: 3 stars; next 22.5%: 2 stars; flop 10%: 1 star. A ranking, rating or award is not an indicator of future performance and is subject to change over time. Rating as of: 31/12/2023.*

[6]*Performance figures for the CT2 EUR Accumulation Retail Share Classes as of end of 2023. Past performance does not predict future returns. A performance of the strategy is not guaranteed and losses remain possible.*
[7] *Source: https://en.wikipedia.org/wiki/Bitter_Sweet_Symphony.*
[8]*Morningstar (Oct. 2023). "Mind the Gap 2023 – Investor Returns Around the World".*
[9]*Morgan Housel (2020). "The Psicology of Money".*
[10]*Warren Buffett - 1996 Berkshire Hathaway Letter to Shareholders.*
[11]*Morgan Housel (2020). "The Psicology of Money".*

DISCLAIMER