



Targeting opportunities

Outlook 2024

Contents

MACRO VIEW

Slower growth –
better returns?

EQUITY STRATEGY

Quality counts

FIXED INCOME STRATEGY

Back in the game

MULTI ASSET STRATEGY

Look beyond the norm

PRIVATE MARKETS STRATEGY

New window of
opportunity

Targeting opportunities

As interest rates begin to level off, a new investment environment is emerging with opportunities that may not have existed in years. Diversifying portfolios – and making bold, conviction-led decisions – could be essential as performance diverges between companies, asset classes and economies. Uncertainty remains high, with the potential for an oil-price shock and the implications of November's US election adding to the mix. But the good news is investors may be rewarded for taking risk again.

Key takeaways

- In a break from consensus, we expect a recession in the US and think markets may be underestimating the extent to which major central banks will have to keep rates higher for longer.
- An active approach to selecting and managing investments will be critical as not all assets will perform in an era where money has a cost again.
- Markets may be volatile as uncertainty surrounds growth, interest rates and geopolitical events – but shifts may provide opportunities to build long-term positions based on strong convictions.
- We think conditions are aligning to make fixed income a compelling proposition and see entry points within equities, with a focus on quality names and themes.
- Diversification will be essential: the market environment and valuations may present opportunities in certain private markets such as private credit and infrastructure.

MACRO VIEW

Slower growth – better returns?



Stefan Hofrichter
Head of Global
Economics &
Strategy

The consensus view on global economic growth – and, in particular, on US growth – remains rather benign. Most commentators expect a “soft landing” for the US economy – where the central bank successfully slows the economy without triggering a recession – or only a mild one. A deeper recession is considered only an outside risk.¹

In fact, only around two in five US economists anticipate any recession in the coming quarters.² International institutions like the International Monetary Fund (IMF) or the Organisation for Economic Co-operation and Development (OECD) see moderating growth globally followed by a rebound during 2024. Central banks’ growth forecasts concur. The relative resilience of economic activity so far – especially in the US – supports this benign outlook.

But we caution against taking current consensus forecasts at face value. While a scenario of moderating growth or mild recession is undoubtedly possible, there are several reasons to think things could turn out differently.

First, economists are notoriously bad at anticipating recessions (see Exhibit 1). Even on the eve of the most severe downturn in decades – the global financial crisis – most expected a soft landing.

Second, **various leading indicators are still consistent with a US recession starting between the end of 2023 and the first half of 2024:** this is the signal we get from the inverted yield curve, money supply contraction (because of central bank tightening) and the fact that central bank rates are above neutral levels and therefore in “restrictive” territory.

Inflation: stubbornly high

At the same time, inflation remains quite stubborn and significantly above the major central banks’ targets of 2%, despite being significantly down from the peak inflation rates of 2022.

We find the resilience of inflation unsurprising: the sharp rise between 2021 and 2022 was driven not only by the Covid and energy price shocks, but also by excessive liquidity in the system following massive monetary policy easing.

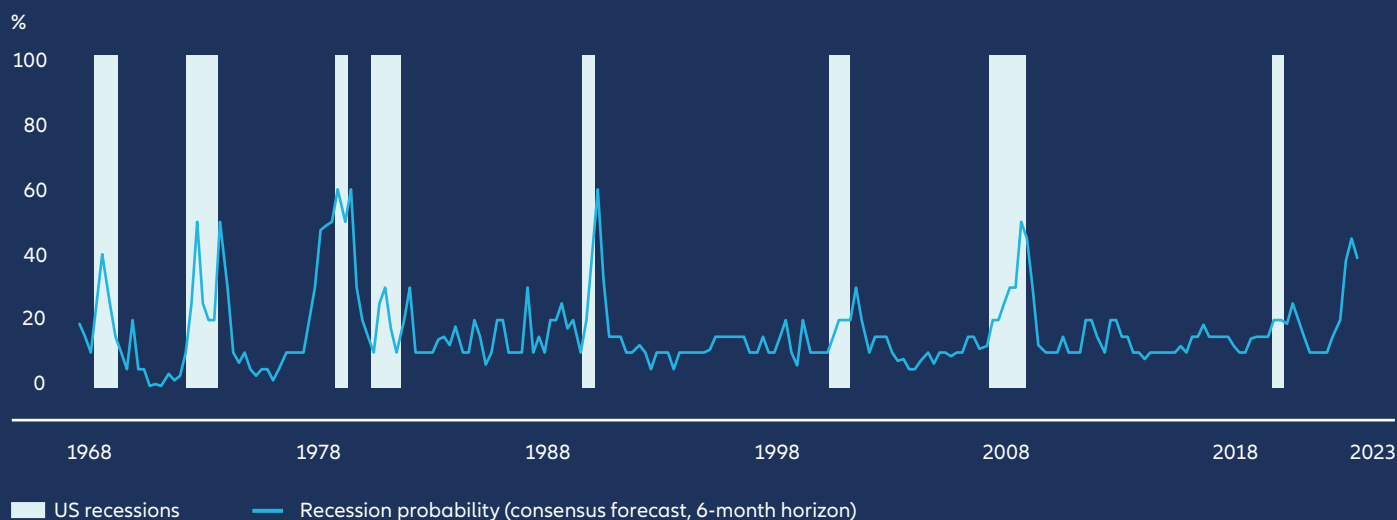
Three longer-term supply side shocks are also contributing to structurally higher inflation. The first is deglobalisation – or, more precisely, the fact that trade as a share of global domestic product (GDP) is trending down, because of a greater regionalisation of supply chains among other factors. Decarbonisation and a structurally tighter labour market due to demographic changes are other factors.

We know from previous experience that, after a period of high inflation, it can take several years for inflation to fall back to low levels due to second-round effects, such as wage-price spirals (where higher wages lead to higher prices and so on) or mark-up pricing by companies.

1) Source: Bank of America’s global fund manager survey, October 2023.

2) Source: Consensus Economics, October 2023.

Exhibit 1: Economists have consistently failed in anticipating recessions. What about this time?



Note: Recession probability based on the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters (SPF). Chart matches the expansion/recession periods in the US with the median recession probability of the survey two quarters ago.

Source: Allianz Global Investors Global Economics & Strategy, Bloomberg (data as at 30 September 2023). Past performance is not an indicator of future results.

Against this backdrop, we question whether markets are correct in pricing in no more rate hikes by major central banks and significant rate cuts starting in mid-2024. In summary, we expect "higher for longer" rates than the scenario priced by consensus.

Perhaps this consensus reflects the expectation that higher productivity growth could help lower inflation? It is true we are seeing major technological changes, with generative artificial intelligence (AI) being only the latest example. These advances might lift aggregate supply in the world economy and thereby – potentially – help bring down inflation. The jury is still out, however. So far, productivity growth numbers are not showing signs of a structural increase. Also remember that, while productivity growth can be supported by technological innovation, it can also be held back by factors like "malinvestments" and the prolonged fallout following the burst of credit bubbles or wars, as history shows us.

A peak in bond yields?

Yields at their highest levels for more than one and a half decades, with an economic downturn looming, would typically make high-quality sovereign bonds objectively attractive. However, we think timing the peak in bond yields remains difficult. **We would be more comfortable if the market pricing of central banks' future**

rate path was more conservative and reflected "higher for longer" rates.

Investors should be attuned to the potential end of the Bank of Japan's (BoJ) long-standing policy of capping long-term interest rates, a move that could have spillover effects for the global bond markets. Energy prices are another wild card, particularly following the horrific attack on Israel in early October 2023.

We think growth expectations need to be adjusted downwards, and therefore risk assets are likely to face more challenges and higher volatility. It has typically paid off most to add to equities and spread products during a recession – not ahead of one. And any potential repricing of bonds would likely have repercussions for equities.

The past two years have also been characterised by "accidents" in the financial system: in 2022, the UK pension system came under stress, while in early 2023 we saw the failure of several banks, notably in the US. The worst may be behind us, but we cannot rule out more events, as the Financial Stability Board, the IMF, central banks and other institutions repeatedly remind us. High leverage in the world economy and sustained higher interest rates are a recipe for financial instability. This time, there may be more risk in non-bank financial institutions, rather than in the banks. Some tail-risk hedging might be a good idea.

EQUITY STRATEGY

Quality counts



Virginie Maisonneuve
Global CIO
Equity

We think equity markets in 2024 will be shaped by several major themes. These include a divergence of markets and economies globally – driven by desynchronised growth prospects and monetary policy stances – and an interplay of geopolitics with cyclical and structural trends such as technology and climate transition. It follows a period of normalisation and adaptation to a new world where capital discipline is back and an uncertain geopolitical order is developing. 2023 was a year of two halves as this process played out. The first half saw support for growth equities as markets awaited a pivot by the US Federal Reserve (Fed) away from its cycle of interest rate rises. But sentiment reversed in the second half with value stocks once again outperforming growth as markets came to terms with a “higher for longer” scenario – which we had been warning about for some time.

Macroeconomic divergence

Heading into 2024, the US, European Union and China all face divergent macroeconomic outlooks. The US looks resilient, with job figures and purchasing managers’ indices (PMIs) painting a relatively benign picture. China’s economy is soft but possibly at an important crossroads. We see a need to resolve outstanding issues in the property sector, which represents about 20% of its GDP. But we draw optimism from China’s “new economy” (spanning technology, fintech, financial services, health tech and the “green economy”), which we expect to be the engine of future growth. Elsewhere, Europe is facing recession risks and potentially sticky inflation, with Germany – the continent’s largest economy – battling structural headwinds. **The diverging outlook may offer favourable conditions for active stock picking.**

Technology generally performs well when “growth”, as a style, also does – for example, when the outlook for rising interest rates is incrementally low. **With the end of rate increases in sight, a disciplined, bottom-up approach may help investors uncover opportunities in the coming months** – as long as the global economy does not fall into a deep recession. In the US, tech has dominated the headlines this year, but as AI and other technologies begin to be deployed across



sectors, investors can look more broadly – for instance, cyber security and health technology are seeing a lot of activity. In China, the new economy may offer opportunities.

Now that money has a cost again, we are likely to see fewer so-called zombie companies (see Exhibit 2). Buoyed by the cheap financing they were able to access during the last decade, these low-quality companies face a reckoning and may struggle to survive. “Zombification” is more prevalent in certain sectors than others. Our research shows them to be more prevalent in Oil & Gas, Natural Materials and Healthcare, for instance. Investors should thus seek to navigate these sectors – which may remain attractive for other reasons – with the required expertise. Again, a commitment to quality throughout the portfolio and across investing styles will be vital.

Interplay of geopolitics, structural and cyclical themes: invest for a new world order

While different regions face challenges associated with their specific position in the business cycle, structural issues will also play a significant role. For instance, how China manages its transition will be crucial to its medium-term future, as well as to retaining the confidence of investors who are watching these developments

keenly. In this context, it is important to monitor how US-China trade rivalry, particularly virulent in the technology space, will unfold in the coming years. Globally, the energy transition is a key structural consideration for all regions, especially for Europe which has had to rapidly adjust to supply issues over the past two years. Direct and indirect beneficiaries of China’s changing role in the global supply chain will also continue to be a trend in Asia, as investors seek a “China + 1” strategic positioning.

A final structural consideration that is likely to shape world economic development for some years is the implication of rapidly developing hardware and software industries considering advances in AI. As we have discussed before, how – and how quickly – companies and governments react to these changes will determine the winners and losers in this new era of Digital Darwinism. The growing influence and leadership of China in this area may lead to the development of rival tech hemispheres.

Investor outlook: opportunities in diversification and efficient portfolio construction

For investors, **ongoing uncertainty and the impact of higher rates on some companies means that the focus should remain on quality names and themes in portfolios.**

Uncertainty also means that agility and the ability to react to ongoing events will remain critical. However, the volatility associated with uncertainty may offer positioning opportunities for long-term investors. Taking an active approach to managing uncertainty via careful stock selection and portfolio construction – that affords both a base of liquidity and access to growth – should offer the best of both worlds.

Indeed, investors can think of their equity portfolio as a pyramid. Consider a base of multi-factor, low-volatility strategies. The layer

above can comprise quality value, growth and income stocks. **In a world of restrictive monetary policy and slower growth, strong cash flow generation and balance sheets will be key, as will the ability of management teams to lead sustainably through volatility and, in some cases, fast-changing ecosystems.** Finally, at the top of the pyramid, explore areas that may continue to provide growth, either via a multi-theme approach, or by considering individual themes such as cyber security, AI, climate transition, food security and water.

Exhibit 2: Zombie firms have multiplied but can they survive “higher for longer”?

Global percentage share of zombie firms



Source: Allianz Global Investors. Data as at 31 October 2023.

Note: Data is extracted from the Refinitiv Worldscope database, covering developed and emerging markets. We define zombies as mature companies (established more than 10 years ago), with an interest coverage ratio of less than 1 for three consecutive years. The interest coverage ratio is used to determine how easily a company can pay interest on its outstanding debt.

FIXED INCOME STRATEGY

Back in the game



Franck Dixmier
Global CIO
Fixed Income

It is fair to say the big bond reset has taken rather longer than many investors expected. Global bonds remained under pressure for much of 2023 as the aberrations of the post-Covid economy, such as inflated consumer and corporate balance sheets, have emboldened central banks' "higher for longer" mission and made navigating rates extremely challenging.

The juggernaut of rising rates, which has put 10-year US Treasuries on course for a third successive year of negative total returns for the first time ever, is slowing to a halt as central banks pause and attention turns to the potential, and timing of, rate cuts in 2024. **We think weaker growth, lower inflation, tighter monetary and fiscal policy, and attractive valuations make fixed income a compelling proposition once more.**

We have already seen equity and credit markets beginning to digest the risks of an extended period of restrictive monetary

policy, and we think elevated rates will begin to weigh on both consumers and corporates heading into 2024.

We believe deteriorating corporate fundamentals over the next three-to-six months will also lead to a deterioration in labour market conditions. A persistently strong labour market has so far been a major barrier to a long overdue bond rally, keeping consumer spending robust underpinning inflation. We expect the US economic outlook to become less rosy, against the backdrop of an already weak global economy with elevated geopolitical risks and growing financial stability risks. These could all be strong buy signals for bonds, which look well capable of outperforming cash in 2024.

US compelling, Europe requires patience

The US fixed income market looks particularly compelling given our conviction that the Fed is done with rate hikes. Even if one more hike were to materialise, we expect investors would now look through it to the timing of a Fed pivot to rate cuts. Market pricing points to a first cut in mid-2024, and we find it hard to argue with that assessment given we think a mild recession looks more likely than a soft landing.



With that in mind, valuations are attractive – with 10-year US Treasury yields having risen close to 5% early in Q4 2023, real yields (bond yields adjusted for inflation) of almost 2.5% rose to levels not seen since 2007 (see Exhibit 3). We like the short end of the yield curve, where volatility looks to have subsided, as well as the five- to seven-year part of the curve. We also think yield curve steepeners in the US look attractive.

In Europe, we will have to be more patient before buying into interest rate duration. Currently markets are pricing in no more hikes from the European Central Bank, but we are not comfortable with that view. We see a genuine wage-price spiral in the euro area that doesn't exist in the US; in Europe every wage increase is being translated virtually one-to-one as an increase in unit labour costs (mainly due to negative productivity growth). We think that leaves investors exposed to a potential upward surprise on core inflation that is not priced in today.

Stay nimble in credit and diversify

The flip side of bonds showing value again is of course that money has a cost again, and this impacts credit markets. **As economic conditions deteriorate in the coming months, we are likely to see greater dispersion in credit quality and performance, so investors might consider staying nimble in credit and keeping a lid**

on overall spread risk. That said, we don't think investors will want to ignore high yield (HY) bonds, where yields are providing plenty of cushion against what we think will be a relatively contained rise in default rates. With its shorter duration profile, HY can keep portfolios invested at the front end of corporate credit curves where creditworthiness can be evaluated with higher conviction.

One big opportunity we see for 2024 is Asian fixed income beyond China, which we think can offer an antidote to the anticipated global slowdown and broader market volatility. Asia ex-China is expected to contribute significantly to global economic growth both in 2024 and the coming decade, driven by supply chain diversification, growing desynchronisation with the US and younger populations. We expect superior growth prospects to gradually translate into improving macroeconomic fundamentals, upgrades to sovereign credit ratings and a fundamental repricing of fixed income assets in the region. Historically, Asian local currency government bonds have the lowest beta to US Treasuries compared with other emerging markets, which along with competitive yields and lower currency volatility make them a good candidate for diversification. Similarly, Asian

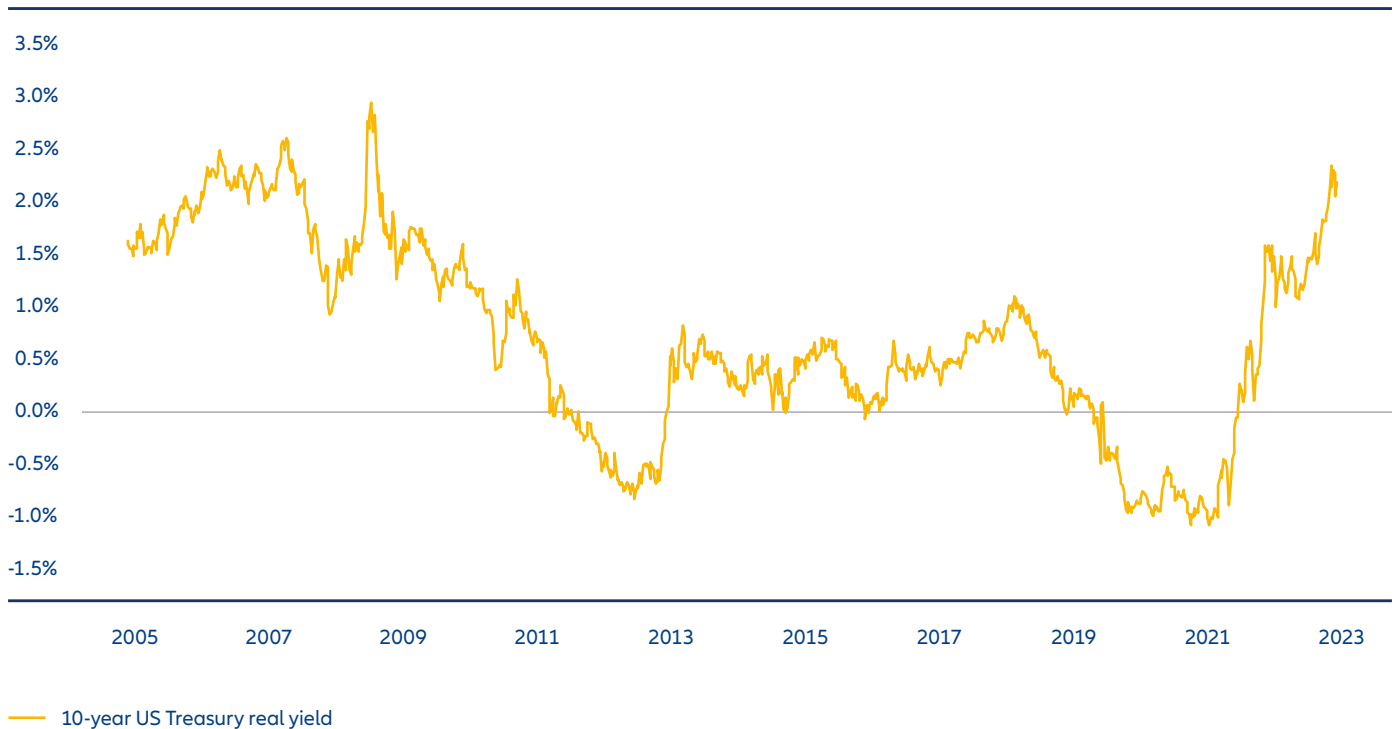


investment grade corporate bonds offer a competitive risk-reward profile compared to other global credit markets.

Active strategy can capture value while managing risks

Overall, with the bulk of central bank rate tightening done we can expect a more “steady state” environment going forward. However, benefiting from very attractive bond valuations will require patience in 2024 given the divergence we are seeing in terms of both economic outlook and monetary policy, chiefly between the US and Europe. **An active, flexible strategy could be helpful in allowing investors to start accruing income at these higher levels while managing duration and spread risk tightly in the near term.**

Exhibit 3: Real yields: putting the income back in bonds?



Source: Bloomberg, Allianz Global Investors. Data as at 10 November 2023.

MULTI ASSET STRATEGY

Look beyond the norm



Gregor MA Hirt
Global CIO
Multi Asset

We think 2024 could be the year when multi asset strategies show their mettle as potential openings emerge across asset classes.

Investors will go into 2024 with questions surrounding growth and monetary policy. All eyes are on whether central banks can successfully tame inflation without tipping economies into recession. Geopolitical tensions provide a difficult backdrop as wars rage in the Middle East and Ukraine. As a result, markets may be volatile. Hence diversification will be essential. Investors may also need to be sufficiently agile to look for opportunities beyond the key pillars of fixed income and equities.

As a result, investors may scrutinise the make-up of their portfolios. In 2023, the 60:40 portfolio – investing 60% in equities and 40% in bonds – staged a modest comeback after

one of the worst years in history in 2022 when both assets underperformed (see Exhibit 4), challenging the notion that the split provides decorrelation benefits. **But with risk assets (particularly equities) facing a potentially testing outlook, investors may consider other asset allocations and less traditional asset classes,** including commodities and certain private markets. During periods of elevated uncertainty, a dynamic approach will be important. That may mean scanning for equity market opportunities as valuations adjust or building in protection by adding option strategies, allowing for short positions and liquid alternatives in case of sudden market movements.

Time to go beyond the “dash for cash”

Many investors have been adding cash positions since the start of 2022 as a surge in short-term interest rates, coupled with still volatile bond markets, have boosted the allure of cash – an asset once considered one of the least interesting and lowest-yielding parts of financial markets. The uncertain outlook and higher rates on offer mean we understand the “dash for cash”. But **we think that in 2024, fixed income and, in the longer-term, equities and other assets are likely to offer far better potential for total returns.**

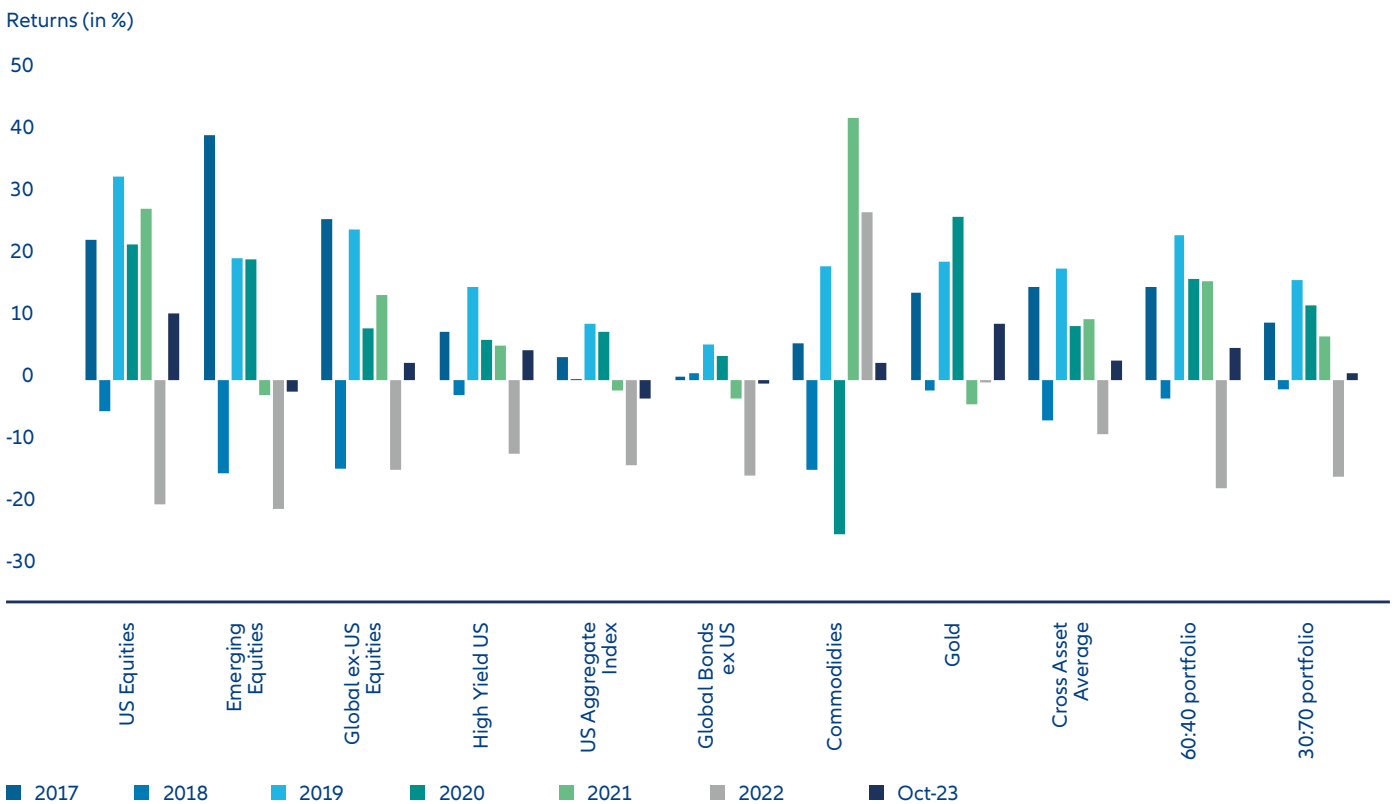
So, where do we see opportunities?

- **Consider safe haven staples** – Within fixed income, we see the potential for carry and some capital appreciation by holding US Treasuries due to current high yields. Government bond yields have touched multi-year highs on expectations that the Fed may keep interest rates higher for an extended period to fight inflation. **With the Fed close to the end of its cycle of rate rises, and a recession risk still looming, we believe that the backdrop is supportive for Treasuries.** We also think gold could make gains in an environment of still-elevated inflation and geopolitical risks. A steadying in real interest rates – which we expect – will offer further support to gold. Gold buying by central banks has reached record levels and we anticipate this trend to continue, particularly as emerging markets shift their reserves away

from the US dollar. A spiralling of the Israel-Hamas conflict into a wider regional war would further fuel gold’s perceived safe haven status.

- **Monitor the competing forces in oil markets** – We see oil markets in a push and pull between concerns about an escalation in the Middle East conflict and the outlook for global growth. Slower growth or even a recession in the major global economies could undermine oil demand. But inventories remain at low levels and major oil producer Saudi Arabia has a strong incentive to keep prices high – at around USD 80 to 120 a barrel. Any wider intensification of the war between Israel and Hamas could push prices higher still. Such an escalation, which is not our base case, would have an impact far beyond oil – sending prices of other commodities soaring. Markets will be focused on any signs of Iran, a backer of

Exhibit 4: Is the 60:40 portfolio fit for purpose?



Note: Oct-23 is 2023 data up to 31 October 2023.

Source: AllianzGI, Bloomberg. Data as at 31 October 2023.

Hezbollah³ and a big oil producer, becoming more directly involved in the conflict. But we will also be monitoring global macroeconomic data as signs of faltering growth could provide potential buying opportunities.

- **Look to Japan's rising sun** – While we are moderately constructive on equities overall, we tactically favour Japanese equities. Japanese companies are among the few in developed economies still receiving support from lower interest rates, a legacy of years battling deflation. With company earnings staying resilient, thanks to positive macro data and corporate reforms, we think valuations are attractive at current levels, although our view could change during 2024. **We'll be watching for further signs of BoJ unwinding its yield curve control policy – one of the most underestimated market risks heading into 2024, in our view.** Japan is the largest foreign holder of US Treasuries and the possibility of higher yields in Japanese bonds and a stronger yen could spell market volatility if Japanese investors move money home.

What other potential ideas show the importance of diversification across markets? We think Mexico could benefit as producers shift supply chains from China to be closer to the US market. Emerging markets overall are being held back by questions about the health of China's economy. **Property market challenges have weighed on China and may limit the immediate growth prospects. But we expect a turnaround in sentiment in 2024 and remain convinced about long-term investment opportunities** in China as it pivots to an innovation-driven economy.

Opportunities for alpha?

Across the investment spectrum, we think a nuanced approach to asset selection will be important in 2024. In an era where money has a cost again, not all assets will perform. The excess liquidity that has helped keep many assets buoyant since the global financial crisis is now retreating as central banks unwind stimulus. The good news is that may pave the way for a more active approach to asset management where opportunities for alpha may emerge.

3) Hezbollah, a political party and militant group based in Lebanon, has deep ties to Hamas.



PRIVATE MARKETS STRATEGY

New window of opportunity



Emmanuel Deblanc
Global Head of
Private Markets

Interest in private market investments has grown strongly in recent years – and for good reason. Many investors were looking for additional yield in the post-2008 era of rock-bottom interest rates. Then, as inflation surged and interest rates rose rapidly, many investors sought the protection of the floating-rate and inflation-linked attributes of private markets.

Beyond these secular drivers – which remain relevant despite central bank hiking cycles coming to an end and inflation waning – we believe there are several factors making private markets allocations attractive. In fact, **we think this is a big window of opportunity for investors when valuations and conditions are somewhat reminiscent of the post-crisis reset years of 2009-10.**

Uncertainty breeds opportunity

Economies and financial markets are in transition as uncertainty around the path of interest rates gives way to uncertainty around the economic outlook and the threat of recession. Periods of uncertainty can be a good time to invest in private markets. **As markets reset and assets are repriced, private markets strategies – most of which have multi-year**

deployment periods – can offer the potential to target specific relative-value opportunities alongside exposure to longer-term trends.

The less liquid nature of private markets means they do not suit the risk profile of every investor. However, private markets have developed into a global, highly diversified and heterogenous universe and we expect they will continue to attract new and growing allocations. In the context of the disruptive impact rate hikes have had on valuations and volatility in public markets, we think many investors will have recalibrated how much “illiquidity” they are willing to tolerate to extract the anticipated premium from private markets. In addition, **we see a growing understanding among major real money investors that private markets can play an important permanent role in portfolios**, with active asset selection and the protection of bespoke investment structuring helping to build resilience through the cycle.

Inflation still matters

One of the benefits of private markets is the inflation protection afforded to investors by the structure of many investments, a theme which we think will remain relevant in 2024. Seeing private markets as an inflation hedge can be an oversimplification, but many of the deal structures do offer a good level of protection against inflation. In private (corporate) credit, for example, many deals are on a floating-rate basis where payments rise in line with base interest rates, while infrastructure projects tend to have inflation-linked costs and prices. It should be said that these are by no means

perfect hedges against inflation, and they are most effective amid “normal” levels of inflation (ie, in the low single digits) rather than the spikes witnessed in the last 18 months. With inflation gradually moderating but with structural factors likely to keep it above central bank targets for some time yet, private markets can be a strong tool for addressing that concern.

Two near-term entry points

We think the most compelling opportunity going into 2024 is in private credit, where the risk-reward profile looks attractive. Just like in public credit markets (ie, corporate bonds), the rise in interest rates has pushed yields in private credit to levels investors haven’t been able to achieve in years. Higher rates clearly also lead to stress in terms of corporate funding costs, and there are questions around the affordability of certain capital structures. With major bank lenders likely to grow more risk-averse in 2024, private markets investors should find opportunities to enter funding partnerships on favourable terms.

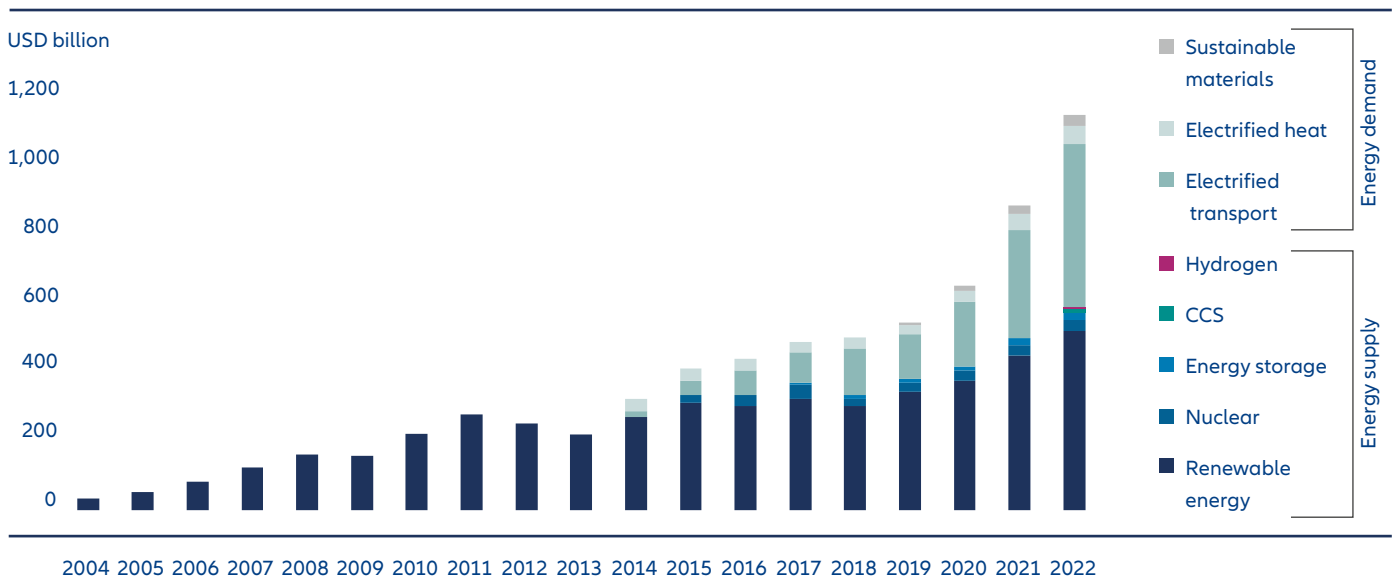
Another big potential opportunity is in infrastructure, which beyond its inflation-resistant qualities can also help to provide diversified returns and stable cashflows. The huge demand for infrastructure investment

today is being driven by a seismic shift in the energy industry, among other factors. The green transition, energy security and the de-risking of supply chains for technologies such as electrolyzers for the production of hydrogen or electric car batteries all need financing. The size of the USD 437 billion US Inflation Reduction Act is one example of the firepower governments are willing to commit, but the energy transition will also require a huge mobilisation of private capital (see Exhibit 5) – particularly in an era when governments’ fiscal headroom is likely to remain squeezed. Also known as “real” assets, infrastructure projects such as power grids and transport networks are typically funded through long-term contracts which can help insulate them from the economic cycle and broader market volatility.

Long-term value

The uncertain economic outlook will have many investors in wait-and-see mode. However, the ongoing disruption of higher rates and the presence of durable global trends such as the energy transition should present investors with a window of opportunity to enter some sectors of the private markets on attractive terms. In our view, 2024 should be one vintage of private markets transactions that investors will want to see in their portfolios in the coming years.

Exhibit 5: How much more global investment will be required in the energy transition?



Source: BloombergNEF. Note: start years differ by sector but all sectors are present from 2019 onward. Nuclear figures start in 2015. Data as of January 2023.

Investing involves risk. The value of an investment and the income from it will fluctuate and investors may not get back the principal invested. Past performance is not indicative of future performance. This is a marketing communication. It is for informational purposes only. This document does not constitute investment advice or a recommendation to buy, sell or hold any security and shall not be deemed an offer to sell or a solicitation of an offer to buy any security.

The views and opinions expressed herein, which are subject to change without notice, are those of the issuer or its affiliated companies at the time of publication. Certain data used are derived from various sources believed to be reliable, but the accuracy or completeness of the data is not guaranteed and no liability is assumed for any direct or consequential losses arising from their use. The duplication, publication, extraction or transmission of the contents, irrespective of the form, is not permitted.

This material has not been reviewed by any regulatory authorities. In mainland China, it is for Qualified Domestic Institutional Investors scheme pursuant to applicable rules and regulations and is for information purpose only. This document does not constitute a public offer by virtue of Act Number 26.831 of the Argentine Republic and General Resolution No. 622/2013 of the NSC. This communication's sole purpose is to inform and does not under any circumstance constitute promotion or publicity of Allianz Global Investors products and/or services in Colombia or to Colombian residents pursuant to part 4 of Decree 2555 of 2010. This communication does not in any way aim to directly or indirectly initiate the purchase of a product or the provision of a service offered by Allianz Global Investors. Via reception of his document, each resident in Colombia acknowledges and accepts to have contacted Allianz Global Investors via their own initiative and that the communication under no circumstances does not arise from any promotional or marketing activities carried out by Allianz Global Investors. Colombian residents accept that accessing any type of social network page of Allianz Global Investors is done under their own responsibility and initiative and are aware that they may access specific information on the products and services of Allianz Global Investors. This communication is strictly private and confidential and may not be reproduced without express permission from Allianz Global Investors. This communication does not constitute a public offer of securities in Colombia pursuant to the public offer regulation set forth in Decree 2555 of 2010. This communication and the information provided herein should not be considered a solicitation or an offer by Allianz Global Investors or its affiliates to provide any financial products in Brazil, Panama, Peru, and Uruguay. In Australia, this material is presented by Allianz Global Investors Asia Pacific Limited ("AllianzGI AP") and is intended for the use of investment consultants and other institutional/professional investors only, and is not directed to the public or individual retail investors. AllianzGI AP is not licensed to provide financial services to retail clients in Australia. AllianzGI AP is exempt from the requirement to hold an Australian Foreign Financial Service License under the Corporations Act 2001 (Cth) pursuant to ASIC Class Order (CO 03/1103) with respect to the provision of financial services to wholesale clients only. AllianzGI AP is licensed and regulated by Hong Kong Securities and Futures Commission under Hong Kong laws, which differ from Australian laws.

This document is being distributed by the following Allianz Global Investors companies: Allianz Global Investors GmbH, an investment company in Germany, authorized by the German Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin); Allianz Global Investors (Schweiz) AG; Allianz Global Investors, UK Limited, authorised and regulated by the Financial Conduct Authority; in HK, by Allianz Global Investors Asia Pacific Ltd., licensed by the Hong Kong Securities and Futures Commission; in Singapore, by Allianz Global Investors Singapore Ltd., regulated by the Monetary Authority of Singapore [Company Registration No. 199907169Z]; in Japan, by Allianz Global Investors Japan Co., Ltd., registered in Japan as a Financial Instruments Business Operator [Registered No. The Director of Kanto Local Finance Bureau (Financial Instruments Business Operator), No. 424], Member of Japan Investment Advisers Association, the Investment Trust Association, Japan and Type II Financial Instruments Firms Association; in Taiwan, by Allianz Global Investors Taiwan Ltd., licensed by Financial Supervisory Commission in Taiwan; and in Indonesia, by PT. Allianz Global Investors Asset Management Indonesia licensed by Indonesia Financial Services Authority (OJK).