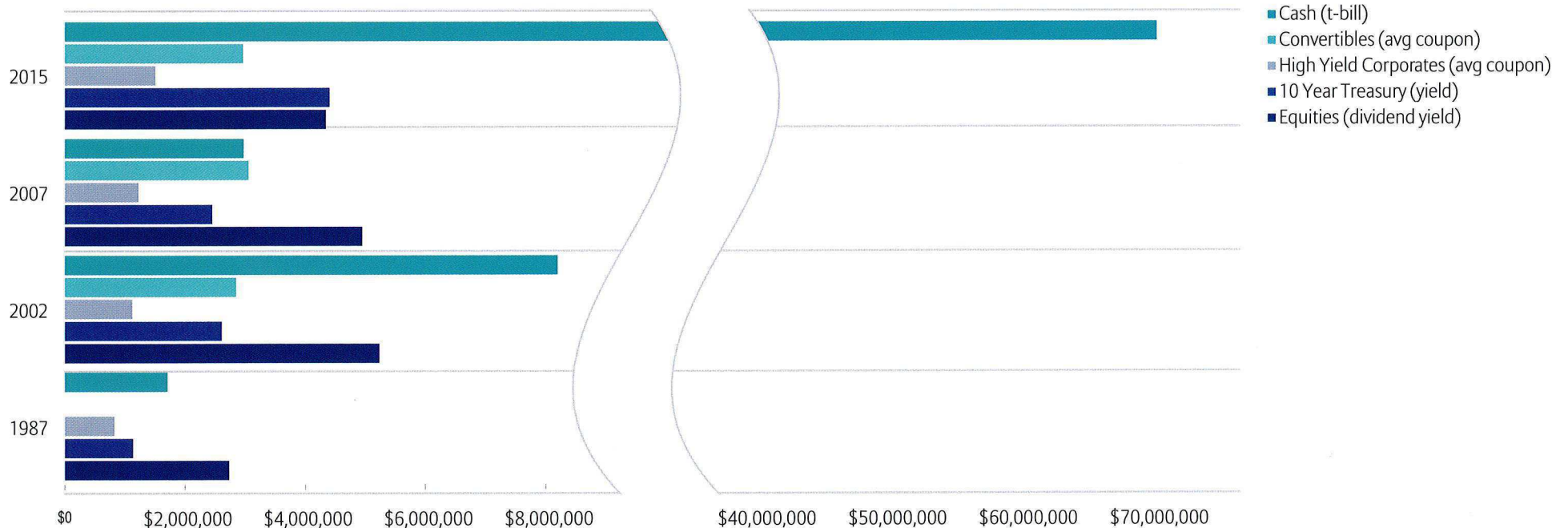


The importance of active management

Low-risk assets won't create the income investors need today

Rising interest rates will increase the need to be more selective and diversified. Income-oriented investors who remain in low-risk investments like cash or Treasuries may be risking a big income shortfall. It's critical to consider moving out on the risk spectrum to take advantage of today's most compelling opportunities—like stocks or convertible bonds.

The chart below shows the asset-class investment levels needed to generate \$100,000 in income at different points in time. Compared with a few years ago, investors today need substantially more bonds and an incredibly large amount of cash to generate the same level of income.



Source: Factset, US Treasury Department, Bloomberg and Allianz Global Investors, as of 12/31/15. **Past performance is no guarantee of future results.**

A Word About Risk: Equities have tended to be volatile and unlike bonds do not offer a fixed rate of return. High yield bonds involve greater risk of default and can be speculative. They may be more volatile than higher-rated fixed income securities. Convertibles involve risk to principal including market, interest rate and credit risk. Equities are represented by the S&P 500, high-yield corporate bonds by the BofA Merrill Lynch HY Master II Index, convertibles by the BofA Merrill Lynch All Convertibles All Qualities Index and cash by the 90 day Treasury bill. The BofA Merrill Lynch High Yield Master II Index is an unmanaged index consisting of US dollar-denominated bonds that are issued in countries having a BBB3 or higher debt rating with at least one year remaining until maturity. All bonds must have a credit rating below investment grade but not in default. The BofA Merrill Lynch All Convertibles

All Qualities Index is a widely used, unmanaged index that measures the performance of US dollar denominated convertible securities not currently in bankruptcy with a total market value greater than \$50 million at issuance. The Standard & Poor's 500 Composite Index (S&P 500) is an unmanaged index that is generally representative of the US stock market. It is not possible to invest directly in an index.

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