

Allianz Global Investors Solutions Target-Risk Funds

Broadly diversified portfolios designed to reflect an investor's individual risk tolerance



Stephen Sexauer
Fund Manager



Paul Pietranico, CFA
Fund Manager

Most investors understand that diversification is important. But as the recent market declines have shown, traditional allocations to predominantly stocks and bonds may not effectively cushion a portfolio against volatility. Allianz Global Investors Solutions offers a suite of target-risk funds that seeks to conservatively balance the potential for inflation-adjusted capital appreciation and capital preservation. The funds manage risk through unusually broad global diversification, with a selective blend of traditional stocks and bonds, as well as international securities, inflation-hedging assets, including real estate and commodities, and alternative assets.

What are Allianz Global Investors Solutions Target-Risk Funds?

Each Target-Risk Fund is a “funds of funds,” with assets allocated to balance real (after-inflation) capital growth and sustainable real income based on a specified level of risk. Investors may choose from three funds:

- The Retirement Income Fund, for investors taking income in retirement or seeking a conservative allocation strategy.
- The Core Allocation Fund, for investors with a moderate time horizon and/or moderate risk tolerance.
- The Growth Allocation Fund, for investors with a long time horizon and/or high risk tolerance, or for those seeking to add risk to a more conservative portfolio.

What do the Funds invest in?

The Funds invest in four key asset groups: stocks, bonds, real assets and alternative strategies. These assets, detailed in the table on the next page, are divided into two distinct categories:

1. Return-generating assets that emphasize after-inflation growth potential.
2. Defensive assets designed to preserve principal, provide current income and manage volatility.

Within these groupings, appropriate mutual funds are selected from a wide range of offerings from Allianz Global Investors, as well as up to 10% from carefully chosen third-party open-end funds and exchange-traded funds (ETFs).

How do the Funds differ from each other?

Each Fund targets a distinct level of risk through a strategic balance of return-generating and defensive assets. Thus, the Retirement Income Fund is the most conservative, with a target of 75% in defensive assets and 25% in return-generating assets; the Core Allocation Fund targets 65% in return-generating assets and 35% in defensive assets; and the Growth Allocation Fund sets a target of 100% in return-generating assets. Within certain parameters, however, the Funds' managers may make opportunistic allocations where market valuations warrant it.

How are the portfolios constructed?

The Fund's portfolios are built and maintained using a multi-step, research-based approach:

- The balance of return-generating and defensive assets is determined.
- Fund managers choose asset classes within each of the return-generating and defensive portfolios, seeking an optimal balance of expected return and risk potential.
- Within each asset class, the managers select individual funds that most appropriately correspond to the desired underlying allocation.

- The two portfolios are combined, based on the specific allocation target, with tactical, or opportunistic, adjustments made to reflect current market conditions.
- Each Fund is regularly monitored and rebalanced as needed.

What is the risk management process?

The Funds take a uniquely risk-oriented approach to allocation. Because asset classes such as U.S. and international stocks tend to be highly correlated (i.e., move closely in tandem) during periods of severe market stress, they may be less effective as diversification tools. The Allianz Global Investors Solutions Target-Risk Funds seek to moderate overall portfolio volatility by diversifying risks rather than asset classes, using the dual-category

strategy mentioned above. This truly global diversification should help reduce the effects of adverse market events and help investors meet their goals. Each Target-Risk Fund's performance will depend on how its assets are balanced and then allocated among underlying funds and other investments.

The allocations among Target-Risk Funds will vary, of course. For example, because the Growth Allocation Fund targets a 100% allocation to return-generating assets, it is riskier than the Core Allocation Fund, which sets a lower target to these assets. At the same time, the underlying funds may carry special risks and there is no assurance that any of their investment objectives will be achieved.

What distinguishes these Funds from other target-risk (or lifestyle) funds?

Allianz Global Investors Solutions Target-Risk Funds have several distinctive features:

An emphasis on real returns. With inflation a key threat to long-term investments, the Funds seek inflation-adjusted returns, both in terms of capital growth and income.

A risk-based allocation strategy. Based on the view that investors should focus on diversifying risks rather than asset classes, the Funds divide assets into two broad risk categories: return-generating and defensive. Specific asset classes are then classified within these two groups, and weighted based on perceived risk, among other factors.

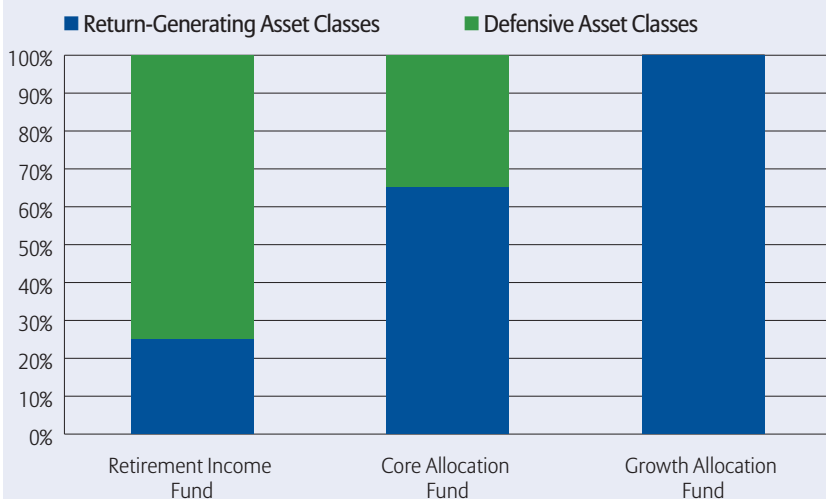
Unusually broad diversification. The recent market downturn showed that traditional allocation strategies—between stocks and bonds—were not sufficient. Diversifying among asset classes that tend not to move in lockstep with each other can help mitigate the effects of market volatility.

What is the expertise underpinning the management of the Funds?

The underlying mutual funds within the Funds are managed by the U.S. investment firms of Allianz Global Investors: PIMCO, NEJ, RCM, Nicholas-Applegate and Cadence Capital Management.¹ Each maintains its own investment culture and philosophy, providing investors with convenient access to a breadth of proven strategies, styles and approaches. Collectively, Allianz Global Investors' investment firms manage more than \$1 trillion in assets for our clients worldwide.²

Diversifying Risks: A Two-Pronged Approach

The Funds take the unusual approach of diversifying risks rather than asset classes. Investments are first divided into two broad risk categories: return-generating and defensive. Suitable asset classes are then chosen within each group. As asset class characteristics may change over time, the Funds' managers regularly evaluate whether they are appropriately categorized.



Return-Generating Asset Classes

Traditional equity

U.S. large-cap equity
U.S. small-cap equity
International large-cap equity
International small-cap equity
Emerging markets equity

Traditional fixed income

High-yield bonds
Emerging markets bonds

Real (inflation-hedging)

Commodities
Infrastructure
Real estate

Alternatives

Private equity

Defensive Asset Classes

Cash

U.S. cash equivalents

Traditional fixed income

U.S. short-term bonds
U.S. core bonds
Foreign bonds

Real (inflation-hedging)

Treasury Inflation-Protected Securities (TIPS)

Who are the Funds' managers?

Stephen Sexauer is a managing director for Allianz Global Investors, with 17 years of portfolio management experience with Nicholas-Applegate and Morgan Stanley. Mr. Sexauer has done academic work in economics and statistics, including optimization techniques; he earned an MBA from the University of Chicago and a BS from the University of Illinois.

Paul Pietranico, CFA, has served as the director of investment manager due diligence, risk analysis and reporting teams for Allianz Global Investors. He previously worked at Charles Schwab & Co., where he was the director of quantitative mutual fund research and portfolio construction. Mr. Pietranico holds a BS in physics, an MA in philosophy of science and an MS in engineering economic systems and operations research from Stanford University.

Which Funds should I invest in?

Each Fund is designed to match an investor's specific risk tolerance. However, investors may also customize their risk exposures by using a blend of Funds. For example, they may invest in the Core Allocation Fund, and then enhance or reduce risk by incorporating an appropriate percentage of the Growth Allocation or Retirement Income Fund, respectively.

How can I learn more?

Ask your financial advisor for more information, including a copy of the prospectus. Please read the prospectus carefully before you invest or send money. You may also contact Allianz Global Investors at **1-888-877-4626** or visit www.allianzinvestors.com.

Allianz Global Investors Solutions Target-Risk Funds | Quick Facts

Fund Options/Objectives

Allianz Global Investors Solutions Retirement Income Fund
Seeks current income and, secondarily, capital appreciation.

Allianz Global Investors Solutions Core Allocation Fund
Seeks after-inflation capital appreciation and current income.

Allianz Global Investors Solutions Growth Allocation Fund
Seeks primarily after-inflation capital appreciation and, secondarily, current income.

Primary Portfolio

Access to the complement of Allianz Global Investors mutual funds, as well as exchange-traded funds and individual securities, with investments in the following asset classes:

Return-generating assets

U.S. large-cap equity
U.S. small-cap equity
International large-cap equity
Emerging markets equity
International small-cap equity
High-yield bonds
Emerging market bonds
Commodities
Infrastructure (listed)
Real estate
Private equity (listed)

Defensive assets

U.S. cash equivalents
U.S. short-term bonds
U.S. core bonds
Foreign bonds
Inflation-protected securities

Dividend Frequency

At least quarterly

Portfolio Managers

Stephen Sexauer; Paul Pietranico, CFA

Symbols / CUSIP (A Shares)

Allianz Global Investors Solutions Retirement Income Fund / AGRAX / 01900A254

Allianz Global Investors Solutions Core Allocation Fund / PALAX / 01900C771

Allianz Global Investors Solutions Growth Allocation Fund / ASGAX / 01900C706

Highlights

- Comprehensive investment solutions targeting specific levels of risk.
- Designed to provide a balance of capital growth potential and current income, both on an inflation-adjusted basis.
- More broadly diversified than many target-risk funds, with investments in international, inflation-hedged and alternative assets.
- Draws on the investment, research and analytical capabilities of Allianz Global Investors.

1. Cadence Capital Management is an independently-owned investment firm.
2. Assets under management as of March 31, 2009.

Investors should consider the investment objectives, risks, charges and expenses of this Fund carefully before investing. This and other information is contained in the Fund's prospectus, which may be obtained by contacting your financial advisor, or by calling 888-877-4626. Please read this prospectus carefully before you invest or send money.

An investor in a fund of funds will bear fees and expenses charged by the underlying funds in addition to the fees and expenses of the fund of funds, making the expenses of a fund of funds generally higher than a fund that primarily invests directly in equities or fixed-income securities.

Investing in foreign securities may entail greater risk due to foreign economic and political developments; this risk may be enhanced when investing in emerging markets. High-yield bonds typically have a lower credit rating than other bonds. Lower-rated bonds generally involve a greater risk to principal than higher rated bonds. Inflation-linked bonds (ILBs) issued by a government are fixed-income securities whose principal value is periodically adjusted according to the rate of inflation; ILBs decline in value when real interest rates rise. Commodities contain heightened risk including market, political, regulatory and natural conditions, and may not be suitable for all investors. The underlying funds may at times invest in mortgage-related securities, and may use derivative instruments for hedging purposes or as part of an investment strategy. Use of derivative instruments may involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, management risk and the risk that a fund could not close out a position when it would be most advantageous to do so. Portfolios investing in derivatives could lose more than the principal amount invested in those instruments. Although each portfolio normally invests in a number of different underlying funds, it will be particularly sensitive to the risks associated with the individual Fund(s) and any investments in which that Fund concentrates. Investing in smaller companies may entail greater risk than investing in larger companies, including higher volatility.

Because certain unaffiliated ETFs and other mutual funds and pooled vehicles may not be advised by Allianz Global Fund Management or its affiliates, there may be less transparency with respect to management strategy, investments and other matters than is the case with affiliated funds.

PIMCO Funds and Allianz Funds are distributed by Allianz Global Investors Distributors LLC, 1345 Avenue of the Americas, New York, NY 10105-4800, www.allianzinvestors.com, 1-888-877-4626.
© 2009 AB703_26399

Investment Products

Not FDIC Insured | May Lose Value | Not Bank Guaranteed