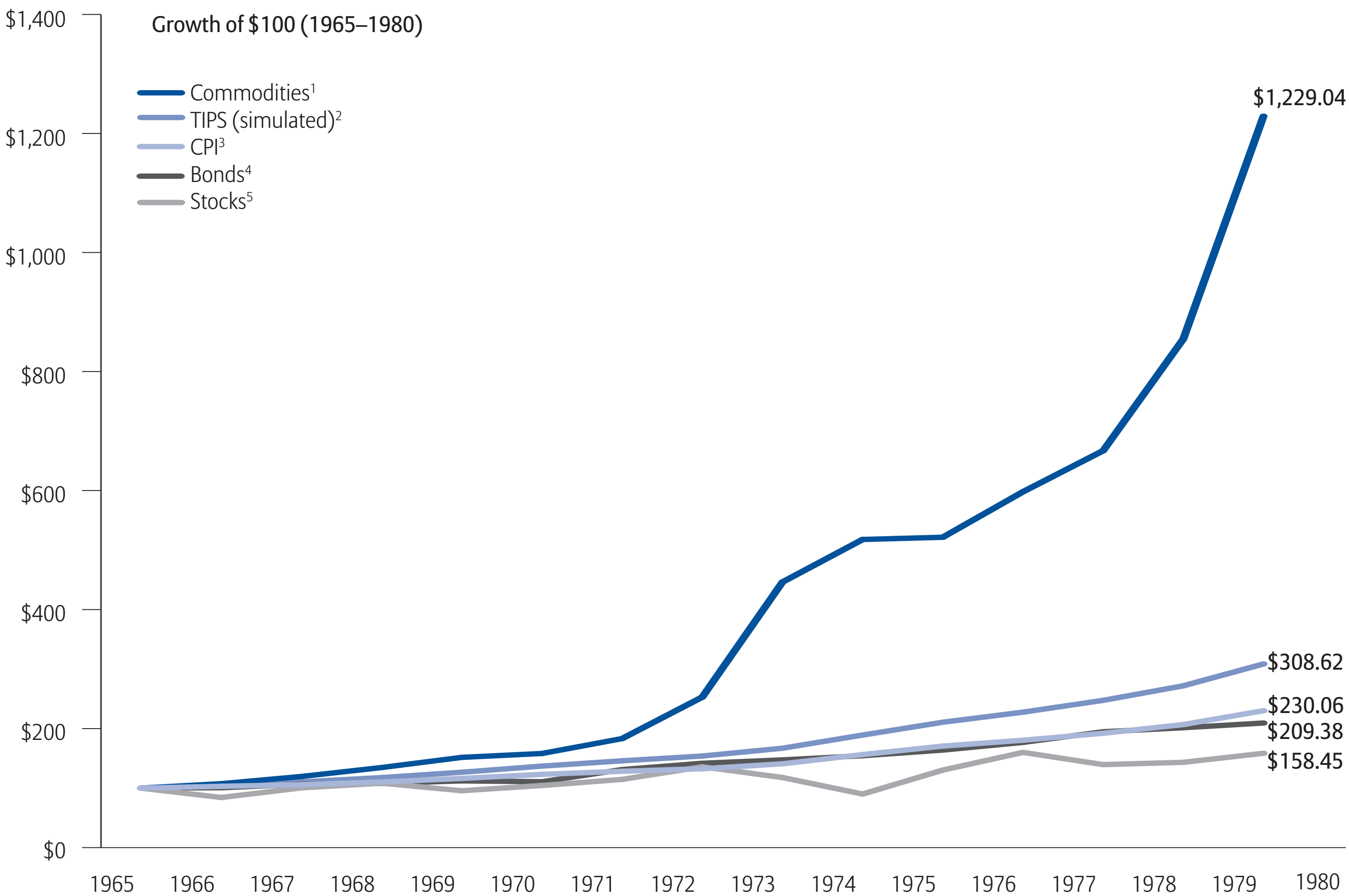
Investor Education Series

Consider TIPS and Commodities as Inflation Hedges

Allianz Global Investors

If one focused on the bull market during the last time the Consumer Price Index (CPI), a gauge of inflation, began to increase dramatically, one might consider stocks to be an effective hedge against inflation. However, during inflationary periods like that shown in the chart, real return assets, like TIPS and commodities, may provide better inflation protection.



Sources: Federal Reserve, Goldman Sachs, Bloomberg. Past performance is no guarantee of future results. The Growth of $100 chart is based on month-end returns. It does not assume reinvestment of all dividend and capital gain distributions and does not take into account the effects of taxes. This chart is not indicative of the past or future performance of any Allianz Global Investors product.

See reverse for additional information.

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

A note about risk: Commodities are volatile investments and should form only a small part of a diversified portfolio. Commodities may not be suitable for all investors. The use of derivative instruments may add additional risk. Consult your financial advisor to help you determine whether an investment in this Fund/commodity investment is right for you.

1. Commodity returns between 1965 and 1970 are from an equally weighted commodity futures index in Facts and Fantasies about Commodity Futures, Gary Gorton and K. Geert Rouwenhorst, published February 28, 2005. Commodity returns since 1970=S&P GSCI Commodity Index. 2. TIPS (simulated)=CPI + 2%. 3. The Consumer Price Index (CPI) is an unmanaged index representing the rate of inflation in U.S. consumer prices as determined by the U.S. Department of Labor Statistics. There can be no guarantee that the CPI or other indices will reflect the exact level of inflation at any given time. 4. Bonds=10-Year Treasuries. 5. Stocks=The Dow Jones Industrial Average (DJIA), a price-weighted average of 30 actively traded blue chip stocks, primarily industrials, but including financials and other service-oriented companies. The components, which change from time to time, represent between 15% and 20% of the market value of NYSE stocks.

The S&P GSCI Commodity Index™ is a composite index of commodity sector returns, representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities. U.S. Government bonds and Treasury bills are guaranteed by the U.S. Government and, if held to maturity, offer a fixed rate of return and fixed principal value. U.S. equities have tended to be volatile, while investing in non-U.S. securities entails additional risks, including political and economic risk and the risk of currency fluctuations; these risks may be enhanced in emerging markets. It is not possible to invest directly in an unmanaged index.

Inflation-indexed bonds issued by the U.S. Government, known as TIPS, are fixed-income securities whose principal value is periodically adjusted according to the rate of inflation, which will affect the interest payable on them. Repayment upon maturity of the adjusted principal value is guaranteed by the U.S. Government. Neither the current market value of inflation-indexed bonds nor the share value of a fund that invests in them is guaranteed, and either or both may fluctuate.