

# Protection with potential

PIMCO Tactical Balanced ER Index and the annual point-to-point with a participation rate

As you approach retirement, you may need a retirement strategy to help protect a portion of your assets from market volatility.

Fixed index universal life insurance provides your beneficiaries with a death benefit that's generally income-tax-free, which can help address financial concerns such as income replacement, mortgage and other debt, final expenses, and more. In addition, FIUL insurance offers you the potential to build accumulation value based on positive changes in an external market index and/or a fixed interest allocation. While Allianz Life Insurance Company of North America (Allianz) offers a unique selection of index allocations to choose from, let's take a closer look at one particular index that may help you combat market volatility – the PIMCO Tactical Balanced ER Index.

## Index overview

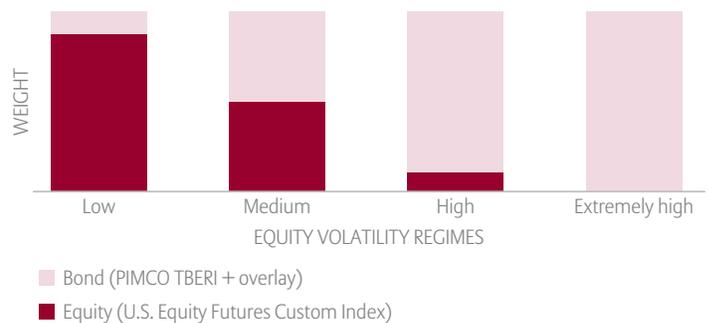
The PIMCO Tactical Balanced ER Index is comprised of the U.S. Equity Futures Custom Index, a bond component comprised of the PIMCO Synthetic Bond ER Index with a duration overlay, and shifts weighting between them daily based on historical realized volatility of the components. The U.S. Equity Futures Custom Index is a custom index that tracks futures on large-cap equities, similar to futures on the S&P 500® Index. The PIMCO Synthetic Bond ER Index is a custom index comprised of a small number of instruments designed to provide exposure to futures on U.S. investment-grade and Treasury bond markets. The duration overlay adjusts the interest rate exposure in response to changes in market trends.

Every day, the PIMCO Tactical Balanced ER Index dynamically allocates between the equity component and the bond component, based on historical realized volatility (a measure of the magnitude of daily movements, regardless of direction, of an index). In general, when the U.S. Equity Futures Custom Index volatility is low, the balance shifts more toward the U.S. Equity Futures Custom Index.

And vice versa: When the U.S. Equity Futures Custom Index volatility is high, the balance shifts toward the bond component. And if the volatility is high in both the U.S. Equity Futures Custom Index and the bond component, the index weights may not add up to 100% in an effort to achieve their targeted volatility. This balancing of risk every day seeks to stabilize index performance over time.

The PIMCO Tactical Balanced ER Index uses an excess return methodology by tracking the price of futures. Futures prices reflect the expected future price of an index and account for expected dividends. Excess return indexes are designed to bring a level of stability to renewals (for the associated crediting method) from year to year by reducing the effect of changing short-term interest rates.

## Tactical allocation during different volatility regimes



For all that's ahead.®

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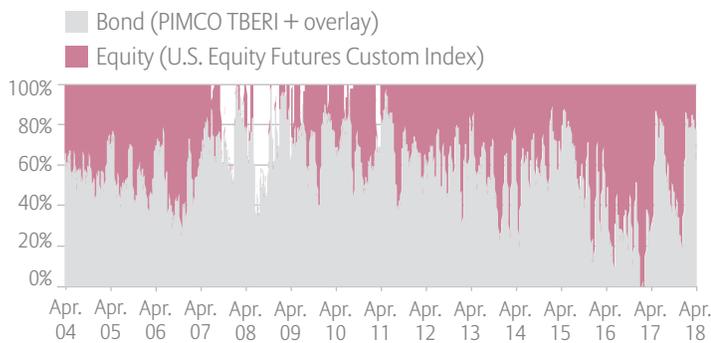
## About hypothetical historical depictions

This index was launched on August 2, 2018. All information presented prior to this launch date is hypothetical (back-tested), and back-tested performance is not actual performance. The back-tested performance is based on the methodology and mechanics of the index retroactively applied to historical market data, as if the index had previously existed, to generate hypothetical performance during the periods of time depicted. This back-tested performance for any constituent that makes up the index may have actual performance and history, and it will also have back-tested data for any period prior to its inception. Back-tested performance may not be a reliable indicator of future results. Prospective application of the methodology and mechanics of the index may not result in performance commensurate with the back-tested returns shown.

## Hypothetical historical weighting

The 14-year chart below shows the hypothetical weighting between asset classes had the PIMCO Tactical Balanced ER Index existed – which it did not. As you can see, in periods like 2008, when market volatility was high, the index would have shifted heavily to the bond component and at times the component weights would not have added up to 100%.

### PIMCO Tactical Balanced ER Index allocations



This hypothetical chart is provided to show how the allocations would have been weighted during the period shown. It is not a guarantee of future results.

## Interest rate exposure

The PIMCO Tactical Balanced ER Index also adjusts the sensitivity to interest rates based on underlying trends in bond markets. This feature can potentially benefit the bond component during different interest rate trends.

It is a common misperception that Treasury bonds are a risk-free investment. This is not true. One of the risks bonds are subject to is interest rate risk. In general, falling interest rates mean rising bond prices and rising interest rates mean falling bond prices. Duration is a common indicator of a bond price's sensitivity to these interest rate fluctuations. A larger duration number indicates more interest rate risk is present.

### Reaction to underlying market trends

| Bond prices | Interest rates | Duration overlay                               |
|-------------|----------------|--|
| ↓           | ↑              | Decrease interest rate exposure toward minimum |
| ↑           | ↓              | Increase interest rate exposure toward normal  |

The PIMCO Tactical Balanced ER Index reacts to changes in the short-term and long-term averages of interest rates to potentially help address the risk of rising rates. If the 5-day average of interest rates is higher in relationship to the 40-day average, the index will generally adjust to lower the duration of the underlying bond portfolio. The relationship between the 5-day average and the 40-day average could be a leading indicator of a trend in the interest rate environment. On the other hand, if the 5-day average of interest rates is lower in comparison to the 40-day average, the index would generally adjust back toward the target duration for the index.

The indexes available within the policy are constructed to keep track of diverse segments of the U.S. or international markets, or specific market sectors. These indexes are benchmarks only. Indexes can have different constituents and weighting methodologies. Some indexes have multiple versions that can weight components or may track the impact of dividends differently. Although an index may affect your interest credited, you cannot buy, directly participate in or receive dividend payments from any of them through the policy.

The S&P 500® Index is comprised of 500 stocks representing major U.S. industrial sectors.

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The PIMCO Tactical Balanced ER Index is comprised of the U.S. Equity Futures Custom Index, a bond component comprised of the PIMCO Synthetic Bond ER Index and a duration overlay, and shifts weighting between them daily based on historical realized volatility of the components. The U.S. Equity Futures Custom Index provides exposure to large cap U.S. stocks in excess of a benchmark rate. The PIMCO Synthetic Bond ER Index is comprised of a small number of derivative instruments designed to provide exposure to U.S. Investment-grade and Treasury bond markets in excess of a benchmark rate.

## How could PIMCO Tactical Balanced ER Index have worked within Allianz Life Pro+ Advantage<sup>SM</sup> Fixed Index Universal Life Insurance Policy?

The PIMCO Tactical Balanced ER Index allocation is available on Life Pro+ Advantage with an annual point-to-point crediting method. It resets annually, which provides you with the opportunity to receive interest every year the index rises. The following chart highlights the last 14 years of hypothetical historical returns of the PIMCO Tactical Balanced ER index, and the interest that Allianz would have credited after the participation rate was applied.

This hypothetical historical chart is intended to show how the index and crediting method could have worked together, had the index and product been available during the time periods shown.

You also have the opportunity to choose between Select index allocations that include a 40% guaranteed interest bonus percentage and 1% annual asset charge or Bonused index allocations that include the opportunity for a 15% guaranteed interest bonus percentage each year. The participation rate will vary based on whether the index allocations selected offer a bonus or not.<sup>1</sup> The chart on the right does not include the interest bonus; however, each year that the policy is credited with indexed interest, the applicable bonus and charge would be applied.

The PIMCO Tactical Balanced ER Index return reflects hypothetical historical data from 1/1/2005 to 12/31/2018. The 14-year period shown reflects the longest common period of historical data available for the components that make up the PIMCO Tactical Balanced ER Index. Remember, this chart represents past hypothetical results only and assumes current rates. Actual rates that could have been applied over this time frame would have been different from the figures shown in this example and, in some cases, significantly higher or lower depending on a number of factors, including market conditions. No single crediting method consistently delivers the most interest under all market conditions. This is not intended to project or predict future results. Although an external index may affect your interest credited, the policy does not directly participate in any equity or fixed income investments. You are not buying shares in an index.

| Policy year | PIMCO Tactical Balanced ER Index | Select index allocation with a current 150% participation rate | Bonused index allocation option with a current 155% participation rate |
|-------------|----------------------------------|--|--|
| 2005        | -2.18%                           | 0.00%  | 0.00%  |
| 2006        | 5.17%                            | 7.75%  | 8.01%  |
| 2007        | 2.95%                            | 4.42%  | 4.57%  |
| 2008        | 5.86%                            | 8.80%  | 9.09%  |
| 2009        | 4.21%                            | 6.31%  | 6.52%  |
| 2010        | 11.32%                           | 16.97%   | 17.54%   |
| 2011        | 3.84%                            | 5.76%  | 5.96%  |
| 2012        | 6.81%                            | 10.21%   | 10.55%   |
| 2013        | 7.75%                            | 11.62%   | 12.01%   |
| 2014        | 1.53%                            | 2.30%  | 2.37%  |
| 2015        | -2.33%                           | 0.00%  | 0.00%  |
| 2016        | 5.75%                            | 8.63%  | 8.92%  |
| 2017        | 14.46%                           | 21.69%   | 22.41%   |
| 2018        | -2.10%                           | 0.00%  | 0.00%  |

The least amount of interest a client will receive in any given year is 0.10%.

**To learn more** about the PIMCO Tactical Balanced ER Index and Allianz Life Pro+ Advantage, contact your financial professional.

<sup>1</sup>Bonused products may include higher surrender charges, longer surrender periods, lower caps, or other restrictions that are not included in similar products that don't offer a bonus. The index allocations that offer the interest bonus will generally have lower caps and participation rates. There is no guarantee that a policy will be credited with an interest bonus every year as it is based on the growth of an index.

The "PIMCO Tactical Balanced ER Index" (the "Index") is a rules-based index that tactically allocates across U.S. equity and fixed income markets using quantitative signals. The Index is a trademark of Pacific Investment Management Company LLC ("PIMCO") and has been licensed for use for certain purposes by Allianz Life Insurance Company of North America (the "Company" or "Allianz") with respect to this Allianz product (the "Product"). The Index is the exclusive property of PIMCO and is made and compiled without regard to the needs, including, but not limited to, the suitability or appropriateness needs, as applicable, of the Company, the Product, or any Product owners. The Product is not sold, sponsored, endorsed or promoted by PIMCO or any other party involved in, or related to, making or compiling the Index.

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Through a line of innovative products and a network of trusted financial professionals, and with over 3.6 million contracts issued, Allianz helps people as they seek to achieve their financial and retirement goals. Founded in 1896, Allianz is proud to play a vital role in the success of our global parent, Allianz SE, one of the world's largest financial services companies.

While we are proud of our financial strength, we are made of much more than our balance sheet. By being true to our commitments and keeping our promises we believe we make a real difference for our clients. It's why so many people rely on Allianz today and count on us for tomorrow – when they need us most.

Guarantees are backed solely by the financial strength and claims-paying ability of Allianz Life Insurance Company of North America.

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