PIMCO Tactical Balanced Index

(R-6/2019)

Allianz Life Insurance Company of North America

An allocation with an innovative approach to **managing volatility**

A closer look at the PIMCO Tactical Balanced Index allocation with Allianz 222® Annuity

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

Allianz 222 offers traditional fixed index annuity (FIA) benefits such as tax deferral, principal protection from market downturns, and the opportunity to earn credited interest. 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 Index.

Index overview

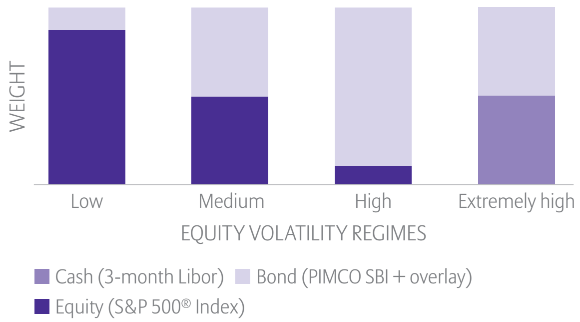
An exclusive allocation option that's available **ONLY WITH ALLIANZ**

The PIMCO Tactical Balanced Index reflects the performance of an allocation strategy that shifts between the S&P 500®, a bond component comprised of the PIMCO Synthetic Bond Index and a duration overlay, and cash.

The PIMCO Synthetic Bond Index is a unique PIMCO-developed custom index comprised of a small number of derivative instruments designed to provide exposure to 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 Index dynamically allocates between the equity component, the bond component, and cash based on historical realized volatility (a measure of the magnitude of daily movements, regardless of direction, of an index). In general, when the S&P 500® Index volatility is low, the balance shifts more toward the S&P 500® Index. And vice versa: When the S&P 500® Index volatility is high, the balance shifts toward the bond component. If the volatility is high in both the S&P 500® and the bond component, the balance will shift a portion toward cash. This balancing of risk every day seeks to stabilize index performance over time.

Tactical allocation during different volatility regimes



For all that's ahead.®

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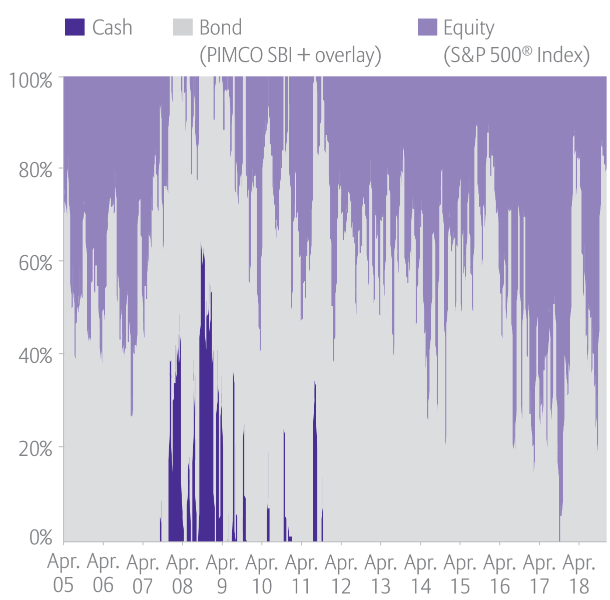
About hypothetical historical depictions

This index was launched on December 7, 2015. 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 Balance Index existed – which it did not. The index came into existence on December 7, 2015. As you can see, in periods like 2008, when market volatility was high, the index would have shifted heavily to the bond component as well as cash.

PIMCO Tactical Balanced 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 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 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 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 contract 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 contract.

How could PIMCO Tactical Balanced Index work within Allianz 222 Annuity?

The PIMCO Tactical Balanced Index allocation is available on Allianz 222® Annuity with an annual point-to-point crediting method that has either a cap or spread. With either option, 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 index, and the interest that Allianz would have credited after the cap or spread 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.

It assumes the Allianz 222 was issued on 1/1/2005 and was available during this time period, and assumes current caps and spreads. The PIMCO Tactical Balanced Index return reflects hypothetical historical data from 12/31/2004 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 Index. Remember, this chart represents past hypothetical results only. Actual caps and spreads 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.

Contract year	PIMCO Tactical Balanced Index	Allocation indexed interest at 3.85% spread	Allocation indexed interest at 2.65% cap
2005	0.44%	0.00%	0.44%
2006	9.59%	5.74%	2.65%
2007	7.75%	3.90%	2.65%
2008	8.68%	4.83%	2.65%
2009	4.57%	0.72%	2.65%
2010	11.09%	7.24%	2.65%
2011	3.53%	0.00%	2.65%
2012	6.28%	2.43%	2.65%
2013	7.41%	3.56%	2.65%
2014	1.00%	0.00%	1.00%
2015	-2.60%	0.00%	0.00%
2016	5.26%	1.41%	2.65%
2017	14.08%	10.23%	2.65%
2018	-0.62%	0.00%	0.00%

In an index scenario with flat or negative results, the LOWEST possible indexed interest rate is 0%. This is not intended to project or predict future results.

To learn more about the PIMCO Tactical Balanced Index and the Allianz 222 Annuity, contact your financial professional.

Although changes in the PIMCO Tactical Balanced Index may affect contract values, the contract does not directly participate in any stocks, bonds, or other investments. A contract owner does not own any shares of the index or any equity or bond investments.

The PIMCO Tactical Balanced Index is comprised of the S&P 500® Index, a bond component comprised of the PIMCO Synthetic Bond Index and a duration overlay and cash, and shifts weighting between them daily based on historical realized volatility of the components. The PIMCO Synthetic Bond Index is comprised of a small number of derivative instruments designed to provide exposure to U.S. investment-grade and Treasury bond markets.

Products are issued by Allianz Life Insurance Company of North America, PO Box 59060, Minneapolis, MN 55459-0060.
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