



Allianz Global Artificial Intelligence

Active is: Investing in the future

May 2018

How many businesses from the “Artificial Intelligence” sphere can you name? Google? Amazon? Baidu perhaps? These are some of the largest players. But hundreds of smaller companies are involved in Artificial Intelligence. By way of analogy, only a few people know the makers of the individual components in a watch by name. But without them, the watch - or indeed your fitness tracker - won't work.

We know the names.

Summary

Artificial Intelligence (AI) is already a part of our everyday lives, but few people are fully aware of how deeply: Artificial Intelligence affects our lives. AI reaches way beyond robotics and automation.

AI is changing us: It is also changing the products we consume and the business landscape.

Allianz Global Artificial Intelligence - With Allianz Global Artificial Intelligence you can benefit from the growth of innovative companies at an early stage.¹

Artificial Intelligence is taking off

Since the launch of Allianz Global Artificial Intelligence, about a year ago, AI has taken off. One year ago it was a relatively niche theme, but now almost everybody seems to be talking about it. Just think of self-driving cars, robots at bank branches, chatbots that answer questions online, intelligent personal assistants, fitness trackers and smart-phones that advise us what clothes or what Instagram pictures we might like.

Although almost everybody in this part of the world is directly affected by one form or another of Artificial Intelligence, only very few people actually know which products contain AI.

Artificial Intelligence – hardly anyone realises when they come in contact with AI³

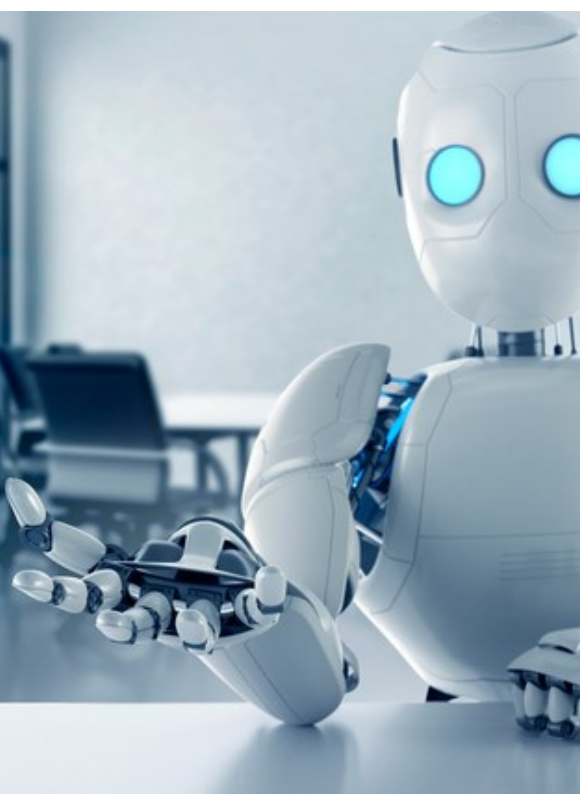
A 2017 global study conducted by the software firm pegasystems² of 6,000 end-users on their experiences with Artificial Intelligence showed that hardly anyone is aware when they come into contact with AI.

For example, 72% of the study's respondents said they understand what Artificial Intelligence is. However, 34% claimed never to have encountered it. Yet it quickly emerged that 84% of respondents had used an AI-based application in the recent past. For instance, only 41% of respondents were aware that the ordinary digital assistant sitting in their living room works using Artificial Intelligence.^{2,3}

It's clear from the data that, more often than not, we don't know when we're using Artificial Intelligence, and many of us believe AI technology is still a long way off. One consequence is that there is little awareness of the companies behind AI. They are rarely the main reason we buy a product, more a stepping-stone to an end result. Have you ever wondered who actually makes the individual components of your watch? They may be necessary for our watches to work, but we don't really care who makes them. The same goes for a fitness

tracker. Regardless of what brand it is, in most cases the underlying Artificial Intelligence it is based on - and its developers - remain in the background.

And yet, without AI none of these devices would work.



A lack of awareness of AI^{2,3}

72 % say they understand what AI is

34 %

In fact, 84 % have recently encountered AI in some form or another

34 % say they have not yet encountered AI

Today, we are already surrounded by Artificial Intelligence

Indicators of Artificial Intelligence in your daily life



Area 1 Shopping

- Have you ever received online advice to buy clothing that fits your style perfectly?
- You wanted to buy shoes but they were a bit too expensive. Are you now being hounded by advertising for these shoes everywhere you go on the Internet?

➔ This is probably not a message from heaven, but merely AI-enhanced marketing.



Area 2 Digital Assistant

- Does your digital assistant order your favourite pizza?
- After you've just raised your voice on the telephone, does it greet you with an especially friendly "hello"?
- When you ask for cheerful music, does it play the latest summer hit from your vacation in Spain?

➔ That is less an indication of real empathy than a clever algorithm.



Area 3 Customer Service

- Can your digital assistant help you configure the features on your new car?
- Does your insurance company let you change your address with immediate effect?
- Does a chatbot answer your first question about a telephone rate?

➔ Speed and short waiting times are one advantage of using AI for customer service.

Artificial Intelligence - the future is now

We are currently going through a deep transformation, a revolution in the making, which has already changed much in our lives and will change a lot more. Be a part of it, and not just as a user of Artificial Intelligence! Tap into this theme by capturing these companies' potential and invest today in tomorrow's future.⁴



Allianz Global Artificial Intelligence – Invest today in tomorrow's future

Allianz Global Artificial Intelligence can invest in all areas of the very broad field of Artificial Intelligence. We focus on ideas that are applicable in the real world. Our investment specialists ensure that companies in which the fund invests pursue sustainable business models. Allianz Global Artificial Intelligence offers investors a broad and diversified access to the Artificial

Intelligence space.¹

Artificial Intelligence goes way beyond robotics

Investors can benefit from stock-picking driven by our global research, which seeks to assess the sustainability of companies' business models. Our specialised technology team researches which companies or concepts are the most attractive.

Allianz Global Investors is a long-term partner of promising companies that are built on innovative and sustainable business ideas. Our fund managers build a diversified portfolio of stocks from a broad range of sectors. In addition to IT, consumer goods and industrial companies form a big part of their allocation.

Allianz Global Artificial Intelligence - Reasons to invest

1

Outstanding performance in its first year⁷

Allianz Global Artificial Intelligence was launched on 31 March 2017 as the first European fund to give investors broad and diversified access to Artificial Intelligence. In its first year, the Fund has performed very well with gains of 24.20 % (before front-end load)⁸ and 18.29 % (after front-end load)⁹.

2

Specialists identify what they believe to be the most attractive companies

Allianz Global Investors has more than 600 investment experts, based in the world's leading financial centres, keeping a close watch on markets and companies. They lay the foundations on which the specialised technology team makes its decisions. Most members of the team also have practical experience of the industry. The San Francisco-based fund managers' proximity to Silicon Valley also gives the team a competitive advantage, helping it to identify attractive investment opportunities.¹

3

A good starting point for investors

The market for Artificial Intelligence companies is expanding constantly. Many products are already marketable, while others are under development or will soon be launched.

Meanwhile, demand is very high for Artificial Intelligence products. Invest in companies whose products we believe have a bright future ahead of them – with Allianz Global Artificial Intelligence.^{1,4}

A few portfolio examples (as of 31 March 2018)^{1,5,6}



Tesla produces high-end electrical cars and components for electric drives, as well as batteries. Tesla is also a leader in developing self-driving cars. It uses

Artificial Intelligence to make batteries more efficient, to automate production, and for self-driving cars themselves. All this has made Tesla a leader in new approaches to car design and in the way that cars will be bought in the future. Its developments also have far-reaching impacts on the insurance business and the structure of the job market.^{5,6}



Lending Tree is an online lending exchange that uses machine learning to better tailor its offering to clients. It also plans to expand into lending in areas

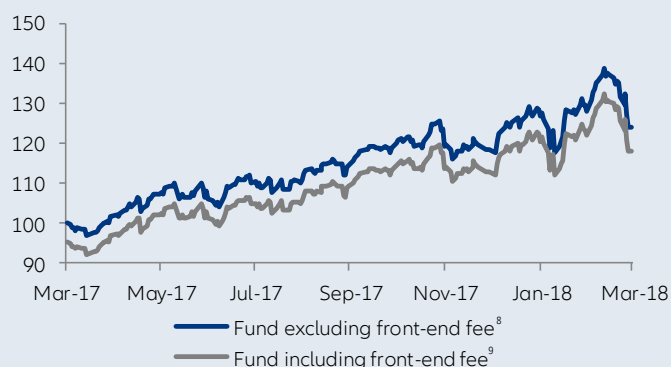
outside real-estate, for example in credit cards and collateral loans. Customers can set up their accounts online, making it possible to fine-tune product recommendations even more through the use of their personal data. Artificial Intelligence helps customers to improve their credit ratings as well as find cheaper refinancing.^{5,6}



athenahealth offers cloud-based software to help healthcare professionals simplify an entire range of central tasks, including the management of medical records, settlements, and patient

handling. Artificial Intelligence is currently being used, for example, to shorten patients' waiting times significantly.^{5,6}

Performance Allianz Global Artificial Intelligence Performance from 31.3.2017-31.3.2018^{8,9}



	Fund including front end load in % ⁹	Fund excluding front end load in % ⁸
31.03.2017-31.03.2018	18.29 %	24.20 %
Year to date 2018	-	4.81 %

Allianz Global Artificial Intelligence

Management company	Allianz Global Investors GmbH, Frankfurt
ISIN (AT USD)	LU1548497426
Launch Date	31.03.2018
Distribution	Accumulation
Front end Load ¹⁰	currently 5.00 % (max. 5.00 %)
All-in fee ¹¹	currently 2.05 % p.a. (max. 2.05 % p.a.)
Total Expense Ratio (TER) ¹²	2.04 %
Fiscal year end	30.09.
Redemption	daily

Opportunities

- + High return potential of stocks in the long run
- + Investments specifically in the artificial intelligence area
- + Currency gains possible
- + Broad diversification across numerous securities
- + Possible extra returns through single security analysis and active management

Risks

- High volatility of stocks, losses possible. The volatility of fund unit prices may rise strongly.
- Underperformance of the investment theme possible
- Currency losses possible
- Limited participation in the yield potential of single securities
- Success of single security analysis and active management not guaranteed

¹ Performance of the strategy is not guaranteed and losses remain possible. ² Pegasystems claims to be the market leader in cloud software for customer loyalty and operational excellence. www.pegasystems.com ³ Source: pegasystems (3.4.2017) What Consumers Really Think About AI: A Global Study, Insights into the minds of consumers to help business reshape their customer engagement strategies; <https://www.pegasystems.com/sites/pegasystems/files/docs/2017/Apr/what-consumers-really-think-about-ai.pdf> [13.3.2018]. ⁴ The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. We assume no obligation to update any forward-looking statement. ⁵ This is no recommendation or solicitation to buy or sell any particular security. ⁶ A security mentioned as example above will not necessarily be comprised in the portfolio by the time this document is disclosed or at any other subsequent date. ⁷ Past performance is not a reliable indicator of future results. ⁸ Data gross of fees; calculation at the net asset value (BVI method) based on the assumption that distributions are reinvested and excluding initial charges. Individual costs such as fees, commissions and other charges have not been taken into consideration and would have a negative impact on the performance if they were included. ⁹ The calculation is based on the net asset value per unit/share (front-end load in the first year of investment deducted) assuming distributions were reinvested. Calculation according to BVI method. The performance in this model calculation is based on an invested amount of EUR 1,000 and is adjusted for the following expenses: front-end load of 5% (invested amount reduced by EUR 47.62 on the date of the subscription) in the first year of investment. The management of the account may involve annual custodian fees, which will reduce the performance. Past performance is not a reliable indicator of future results. ¹⁰ If the acquisition of Fund units/shares is subject to a sales charge, up to 100% of such sales charge may be collected by the distributor; the exact amount shall be mentioned by the distributor as part of the investment advisory process. This also applies to any payment by the Management Company of a trail fee from the all-in fee to the distributor. ¹¹ The all-in fee covers the fees formerly designated as management, administration and distribution fee. A potential payment of a trail fee from the management company to the distribution partner would be taken out of the all-in fee. ¹² Total Expense Ratio (TER): Total cost (except transaction costs) charged to the fund during the last financial year.

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