Approved

Product Review
Allianz Retire+ Allianz Guaranteed Income for Life

ISSUE DATE: 1-05-2024

Key information

INVESTMENT TYPE	LIFETIME ANNUITY
ISSUER	ALLIANZ AUSTRALIA LIFE INSURANCE LIMITED ("AALIL"), TRADING AS ALLIANZ RETIRE+ ("ALLIANZ RETIRE+" OR "MANAGER)
ABN	27 076 033 782
AFSL	296559
FUND INCEPTION	6 MARCH 2023
POLICIES	AGILE ISSUES DIFFERENT POLICIES PER LIFE INSURED, EACH HAVING ITS OWN COMMENCEMENT DATE, WITH CHOICE OF PROTECTION DURING GROWTH PHASE
INVESTMENT TERM	LIFETIME
GUARANTEES	AGILE PROVIDES TWO LEVELS OF DOWNSIDE PROTECTION DURING THE GROWTH PHASE BEING TOTAL PROTECTION (0% FLOOR) AND PARTIAL PROTECTION (10% BUFFER).
PRICING	MONTHLY
DISTRIBUTIONS	MONTHLY (DURING THE LIFETIME INCOME PHASE)
LIQUIDITY	FULL OR PARTIAL WITHDRAWALS PERMISSIABLE AT ANY TIME (MARKET VALUE ADJUSTMENT MAY BE APPLICABLE IN THE FIRST 10 YEARS)
MINIMUM INVESTMENT	$20,000
MAXIMUM INVESTMENT	$5.0M
FEES & EXPENSES	ANNUAL PRODUCT FEE OF 0.8% P.A LIFETIME INCOME PREMIUM OF 1.15% P.A.

Rating History

APRIL 2024	APPROVED
JUNE 2023	APPROVED

What this Rating Means

The **'Approved'** rating indicates that Lonsec believes the financial product can generate risk adjusted returns in line with relevant objectives.

Scope of this Rating

The research process has included, but is not restricted to, the Lonsec Ratings Process for Retirement products. Lonsec has not sought legal advice regarding the structure of the product or engaged specialist taxation or actuarial advice.

Allianz Australia Life Insurance Limited ("AALIL"), trading as Allianz Retire+ ("Allianz Retire+"), is an Australian life insurance company regulated by Australian Prudential Regulation Authority (APRA). The ability to meet its obligations is in part dependent on the assets held by the company and the capital required to be held in accordance with APRA's capital adequacy standards.

The rating does not represent a credit rating. Investors in the product must be satisfied with the credit worthiness of AALIL and the regulatory oversight provided by APRA.

Using this Product

This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page. Investors are advised to read the Product Disclosure Statement prior to making any investment decision.

Risk characteristics

	LOW	MODERATE	HIGH
LEVERAGE RISK	●		
LIQUIDITY RISK	●		
CONCENTRATION RISK	●		
INCOME VOLATILITY	●		

Risk categories are based on Lonsec's qualitative opinion of the risks inherent in the product's asset class and the risks relative to other products in the relevant Lonsec sector universe.

- Allianz Guaranteed Income For Life (AGILE) is a group policy issued by AALIL, a life insurance company. The product aims to provide several features to assist in the transition to retirement and decumulation phase by combining investment protection and lifetime income at different points of the investor's retirement journey.
- Lonsec notes that the Manager has produced a Target Market Determination (TMD) which forms part of AALIL's Design and Distribution Obligations for the Fund. Lonsec has collected the TMD that has been provided by the Manager and notes that this should be referred to for further details on the Target Market Summary, Description of Target Market and Review Triggers.

Allianz Retire+ Allianz Guaranteed Income for Life

- Investors have the option to start an AGILE policy with money from their superannuation or personal savings. An individual aged between 50 and 80 years can invest in AGILE. The investor can use superannuation money to purchase an AGILE policy during the superannuation accumulation phase.
- Lonsec considers an investment in AGILE as suitable for:
  - Investors concerned about outliving their retirement savings;
  - Investors wanting to manage both longevity risk and sequencing risk in a single product from transition to retirement to decumulation phase, with steady or increasing income payments guaranteed for life; and
  - Investors valuing flexibility to access capital through full or partial withdrawals at any stage of the policy.
- Lonsec considers the lifetime annuity to have a place alongside other retirement products available to Australian retirees and form part of an overall retirement strategy. The product is suitable as an income stream on a standalone basis, or concurrently with other income stream products to create a retirement income portfolio that meets several objectives. It is noted that the retention of the concessional tax and social security treatment is a favourable aspect of this product, with only 60% of Lifetime Income payments assessable under the Centrelink Income Test.
- Investors should refer to the PDS dated 24 November 2023 for further guidance about the product and its features.

Changes Since Last Review

- AGILE has been fully integrated into the HUB24 platform which is believed to support ease of access for financial advisers and further growth.
- Two new product features have been introduced:
  1) Age Pension+: qualifies the life insured for additional Age Pension requirements subject to a reduced Age Pension asset test treatment.
  2) Spouse Insured Option: Lifetime Income can continue to be paid to the Investor in the event of the death of the life insured, assuming their spouse is still alive.

Lonsec Opinion of this Product

Overall

- Lonsec has maintained the 'Approved' rating for AGILE at its latest review.
- Lonsec considers AGILE to be a thoughtfully considered and well-designed product, that may assist in overcoming a major challenge facing retirees, specifically longevity risk. Lonsec highlights that policy owners will benefit from certainty of payment and the ability to access capital partially or fully at any stage of the policy.
- AGILE provides investors with a vehicle to participate in market linked returns with inbuilt protection in both the Growth and Lifetime Income phases. Furthermore, the product offers flexibility with transparent costs.
- Lonsec notes AGILE remains in its relative infancy and continues to build a track record.

Corporate

- Allianz Australia Life Insurance Holdings Limited (AALIHL) is the holding company for Allianz Australia Life Insurance Limited (AALIL). AALIL, as an Australian life insurance company, is subject to the Life Insurance Act. Neither AALIL's ultimate parent, Allianz SE, nor any of its subsidiaries guarantees the performance of AALIL or its obligations to AALIL's customers or benefits under the Product.
- AALIL itself is a small life insurer focusing on life, total permanent disability, and critical illness insurance (underwriting less than 0.5% of Australia's life risk insurance market) but has the financial backing of its parent company. Despite the relatively low level of FUM managed by AALIL having launched its first product in 2019, Lonsec holds adequate conviction in the parent's long-term commitment to the Australian business.
- As an Australian life insurance company, AALIL is subject to the Life Insurance Act and the prudential standards made under it. Compliance with these regulations is monitored by APRA to ensure AALIL can meet its obligations. The regulatory oversight by APRA and the Australian Securities and Investments Commission (ASIC) is very active with reports being sent regularly and reviews conducted on a rotational basis, by senior individuals experienced across the life and banking sectors.
- APRA's capital adequacy standards, to which Allianz Retire+ is required to adhere, are broadly designed to ensure there are sufficient assets to meet policy liabilities even in extremely adverse market conditions. AALIL intends to hold well in excess of the required regulatory capital.
- Monies received from investors are invested in AALIL's Statutory Fund No. 2 and invested alongside money from other investors. In accordance with APRA's capital adequacy standards, AALIL will invest their own assets into their statutory funds. APRA's capital adequacy standards, to which AALIL is required to adhere, are broadly designed to ensure there is enough of a financial 'buffer' available to AALIL to absorb any unexpected losses. In particular, the statutory fund must meet strict criteria and hold sufficient assets to meet annuity liabilities even in extremely adverse market conditions. As of 31 December 2022, AALIL had a capital base of $86.8 million, well in excess of the APRA prescribed capital amount of $8.4 million.

People and Resources

- Allianz Retire+ is an established boutique that has recently built out its infrastructure and team. The firm currently employs over 60 staff. Importantly, key leadership and functional roles are in place and policies and procedures documented. The business is well structured, with a robust governance framework and clear lines of accountability. Despite total FUM of $68m as at December 2023 ($60m 12 months prior), Allianz Retire+ has a 10-year business plan, reflecting the parent's patient insurance temperament and understanding that there is typically a long breakeven period for this type of product. As with most new ventures, Lonsec assesses overall business risk to remain reasonably high, however believes it is somewhat mitigated by the long-term commitment shown by a large scale and well-resourced parent, Allianz SE, and the quality and experience of those employed by Allianz Retire+ to date.

- Lonsec notes the impressive breadth and depth of resources used in the product design assembled from across the Allianz Group. This includes:
  - Allianz Life Insurance Company of North America (Allianz Life) provides actuarial product design support and IT platforms.
  - Allianz Investment Management (AIM) is the Centre of Excellence in derivatives hedging for market-linked insurance products sold by Allianz entities globally.
  - PIMCO is a wholly owned subsidiary of Allianz SE and one of the world's largest fixed income managers. PIMCO provides investment management expertise, specifically with managing Statutory Fund No.2.
- Allianz Life is one of the largest annuity providers in the US with 20-year track record and more than US$160bn in annuities/retirement products (as at December 2023). The AGILE product is similar and modelled on the Index Variable Annuity product introduced to the US approximately eight years ago. Allianz Investment Management (AIM) is a well-resourced and experienced provider of hedging solutions with US$150.0bn in AUM (as at December 2023).
- PIMCO, as a wholly owned subsidiary of Allianz SE has managed its parent's balance sheet for over a decade now and has been appointed investment manager for the Statutory Fund No. 2 (where investor funds will reside). Lonsec considers PIMCO to be a high quality and well-resourced fixed income manager. As one of the largest global fixed interest managers in the world, PIMCO is considered well positioned to develop and maintain specialist expertise across the entire fixed interest risk spectrum. Lonsec notes that in terms of complexity, the Statutory Fund No.2, would lie at the simpler end of mandates managed by the firm. Lonsec holds the Statutory Fund's designated portfolio manager, Robert Mead, in a high regard given his significant experience and track record at PIMCO in running fixed income strategies.
- Martin Wilkinson, Head of Investments for Allianz Retire+, oversees the investment process and is responsible for working with the investment managers (AIM and PIMCO) to ensure the underlying fixed interest portfolio provides the appropriate risk profile and that the hedging program efficiently matches the liability profile Allianz Retire+ is offering investors.
- The Allianz Retire+ Board is of high quality and well structured, with representation from senior members of Allianz as well as three experienced external directors. Adrian Stewart was appointed CEO in July 2021. Stewart joined Allianz from PIMCO and most notably has served as a Board Member since 2018. Lonsec is comforted by Stewart's involvement in the ideation for the product when he was at PIMCO.
- Notwithstanding the quality of the individual business units and direct employees hired to-date, Allianz Retire+ is still a relatively new venture and has struggled to gain significant traction in the Australian market, with only $68m of external assets being managed (as at December 2023) following the launch of its Future Safe product in 2019. Furthermore, Lonsec highlights that the AGILE product was launched in March 2023 and currently does not have a track record. While Lonsec expects the introduction of AGILE in 2023 to increase assets under management, in particular with the two products to be made available on various platforms, the scalable level of assets to efficiently manage the strategy is an area Lonsec will closely monitor.
- Despite this, Allianz Retire+ business is continuing to build a track record and Lonsec is gaining comfort in the efficacy of the operational aspects of the process, with the offering of two products in the market. While Lonsec understands that both product offerings, AGILE and Future Safe, have inherent operational complexities (with a few parties requiring input for a successful end outcome), Lonsec is comfortable that potential issues have been thoughtfully considered and can be managed. That said, the communication and co-ordination between the various contributors to AGILE will be an area of focus for Lonsec at future reviews.

Product Design

- AGILE is the second product offering from Allianz Retire+, launched in March 2023. Future Safe, which was launched in March 2019 was designed to solve sequencing risk. AGILE aims to solve longevity risk by providing investors with a lifetime income. AGILE has two distinct product phases being the Growth Phase and the Lifetime Income Phase.
- Lonsec considers the resultant product design to be intuitive and flexible. During the Growth Phase of the product, AGILE provides investors with two choices for market exposures (Australian Equities and Global Equities) and two protection levels (total protection with a 0% floor and partial protection against the first 10% of any negative returns). Investors can access their capital at any stage in either a full or partial withdrawal (subject to conditions). Lonsec considers the early exit benefits of AGILE to be advantageous compared to other Retirement Products available in the market.
- Investors can switch to the Lifetime Income Phase after three years from the commencement of the policy. The Lifetime Income payments will be based off the Investment Value of the policy, accumulated from the Growth Phase. Lonsec notes the flexibility provided to investors to extend the Growth phase at their discretion to accumulate a larger Investment Value, a higher lifetime income rate (which is guaranteed to rise for every year of deferral) and in

turn higher income payments in the Lifetime Income Phase.

- Payments in the Lifetime Income Phase can be either fixed or rising. Lonsec highlights the benefit of income certainty, as payments will never be less than the previous year. Increases to the rising income payments will be based off the Australian equities index with total protection, subject to a maximum return each year. Lonsec highlights however that the initial payment under the rising payment option in the Lifetime Income Phase will be lower than the fixed payment option.
- Lifetime Income payments will continue to be made even after the investor's Investment Value is depleted, providing them with an income stream until death.
- Under the Age Pension+ feature, investors may be eligible for additional age pension eligibility due to their AGILE investment being subject to a reduced Age Pension assets test treatment. Election of this feature will reduce the Withdrawal Value payable upon death and vary the applicable Lifetime Income Rates. Election of this feature must be made at the earliest of either commencing Lifetime Income or meeting a relevant Condition of Release of superannuation benefits. This decision is irrevocable and cannot be made or changed at a later date.
- In the event of the death of the investor, a death benefit will be paid equal to the Investment Value (if greater than zero) or continued to be paid if the Spouse Insured Option is elected. This feature does not provide the AGILE investment to be held as a joint interest, but instead, allows the surviving spouse to receive Lifetime Income from the policy for the remainder of their life. This income will be paid to the Investor, beneficiary or estate and will not be paid directly to the surviving spouse.
- AGILE charges an annual Product Fee of 0.80% per annum. In addition, AGILE also charges a Lifetime Income Premium of 1.15% per annum. Both the product fee and the Lifetime Income Premium are deducted from the investor's Investment Value on the anniversary date of the policy. In the event the investor outlives the Investment Value (i.e. the Investment Value falls to zero), no fees will be charged however the Lifetime Income payments will continue.
- Lonsec highlights that during the Growth Phase, the Product Fee and Lifetime Income Premium are deducted from the Investment Value. Likewise, during the Lifetime Income Phase, the Product Fee and Lifetime Income Premium are also deducted from the Investment Value, however they will not impact the Lifetime Income Payments.
- Lonsec considers the fee for AGILE to be higher than other traditional product offerings in the market. However, Lonsec highlights the product's benefit of liquidity compared to its peers, with the ability to access capital at any stage of the policy. Lonsec also highlights the transparency with the product's fees.

Investment Process

- AGILE employs a liability driven investment process, whereby assets are matched to the liabilities of investors. The focus is ensuring cash flows derived from the mix of assets will meet the Product's payment obligations both on a near-term and long-term basis. Investors' money will be invested in Statutory Fund No.2, which is invested by PIMCO in fixed income securities, comprising mainly cash, sovereign bonds, corporate bonds, and securitised (e.g. RMBS) assets.
- The strategic asset allocation (SAA) for the Fund is bar-belled between BBB credits and cash/treasuries. Unlike some competing retirement products assessed by Lonsec, the Statutory Fund No.2 does not invest in property, infrastructure or equities.
- Derivative strategies are employed by AIM to protect investment returns from downside losses. The strategies are straightforward, typically a combination of put spreads and call spreads, and well within the Manager's capabilities. All derivatives are traded on AIM's Global Hedging Platform (GHP).
- Investment Management Agreements (IMAs) are in place with PIMCO and AIM ensuring both portfolios are managed in accordance with pre-defined limits.

Risk Management

- Allianz Retire+ operates in a highly regulated industry with oversight provided by APRA and ASIC. The Manager has a strong risk management framework, designed to comply with the relevant APRA and Allianz SE policies and standards.
- The custodian, NAS, provides daily valuation of assets, including derivatives, as well as monthly performance reports which are reconciled with AIM and PIMCO.
- Appropriate monitoring and reporting procedures are also in place, including ongoing monitoring of the IMAs in place with both AIM and PIMCO to ensure adherence to mandates.
- While Lonsec has observed a strong governance and risk management framework on paper, Lonsec notes these policies and procedures are yet to be tested over an investment cycle given Allianz's launch in Australia in 2019.

How Does the Product Work?

Overview

AGILE is a lifetime annuity product solving for both longevity risk and sequencing risk, that offers guaranteed payments until death. Upon death, any remaining assets will be payable as a benefit. A key feature of the product is that it can be designed to supplement pension and account-based pension payments.

The product is designed to have two phases, the Growth Phase and the Lifetime Income Phase.

Growth Phase

During the Growth Phase, investments will have access to market-linked performance, with returns linked to either an Australian Equity Index or a Global Equity Index, along with a level of investment protection, subject to a maximum return. The level of protection can be a choice of Total Protection, or Partial Protection (initial 10% of loss).

In the case of a market downturn, the investors' investment return will never be lower than the chosen level of protection (either 0% floor or a buffer against the first 10% of any negative returns), even if the performance of the selected investment index is worse.

Investors have the flexibility to allocate across all investment options and change allocations at each anniversary date of the policy.

Maximum Return

To achieve the protection outcome, Allianz Retire+ employs derivative strategies, which results in a maximum allowable return that the investor can achieve over a 12-month period ('Maximum Return').

The Maximum Return is set at the policy commencement date and will remain at that level until the following anniversary date. Note the renewal Maximum Return at each anniversary may be higher or lower than the previous one/s.

The Maximum Return for each investment option are calculated separately based on several factors, including price and availability of derivative instruments, the performance of the underlying investment assets in the Statutory Fund II, and operating costs and profit margins of the business.

Allianz Retire+ publishes the Maximum Return for each monthly cohort (based on the month of the commencement date) on its website.

The Maximum Return, for each protected investment option, applicable for investors with an April anniversary date, as at April 2024, are shown below:

- Australian Equity Index - Total Protection (6.0%)
- Australian Equity Index - Partial Protection (13%)
- Global Equity Index - Total Protection (5.8%)
- Global Equity Index - Partial Protection (12.8%)

Lonsec notes that for the Total Protection option, Allianz Retire+ may from time to time apply a guaranteed fixed return which can be higher than the Maximum Return for that given year.

Additionally, Lonsec highlights that the Maximum Return in any given year will never be lower than the Guaranteed Minimums. The Guaranteed Minimums are set at the commencement of the product and will apply for the full duration of the product.

For the current Maximum Return levels, and Guaranteed Minimums, please visit the Manager's website at www.allianzretireplus.com.au.

Upon each anniversary date, the investor's policy Investment Value will:

- Increase/reduce by any interest earned/deducted
- Increase/reduce by any tax payable on that interest
- Reduce by the annual fee and the lifetime income premium fee

Lifetime Income Phase

The product can transition to the Lifetime Income Phase at any time following three years from the commencement of the Growth Phase. The product offers a choice of fixed or rising lifetime income payments. Rising income payment increases are linked to Australian equity index returns which over the long term may help to offset against the effects of inflation.

Lonsec highlights the transparency of the product's income payment, with the Starting Lifetime Income ($ p.a.) payment, being the first payment during the Lifetime Income Phase, being based off the following formula:

Starting Lifetime Income ($ p.a.) = Investment Value ($) x Lifetime Income Rate (%)

Where:

Lifetime Income Rate (%) = Age Based Rate + Total Annual Income Escalators (%)

The Age Based Rates are advised at the initial commencement of the policy, and freely available on the website. Both the fixed and rising income option will have a different Age Based Rate, with the rising option having a lower Age Based Rate than the fixed option. As such, the initial payment for the rising option will be lower than the fixed option, notwithstanding that the payment is expected to increase over the remainder of the policy. The annual return of the rising option will be linked to an Australian equities index with total protection, subject to a maximum return each year. Payments will increase by the annual return in the following year. In the event the annual return is zero or negative, the payment will remain the same and will never reduce.

The Total Annual Income Escalators is the sum of all the Annual Income Escalators accumulated for every complete year the policy is in the Growth Phase.

As a lifetime annuity product, AGILE has an investment term for the rest of the investor's life. In the event of the death of the investor, a death benefit will be paid equal to the Investment Value (if greater than zero) or continued to be paid if the Spouse Insured Option is elected.

Withdrawals

Investors can request for a partial or full withdrawal of their capital at any stage of the policy. During the Growth phase and within the first 10 years of the policy commencement, withdrawals up to 5% of the Investment Value ('Free Withdrawal Amount') can be made annually without attracting a Market Value Adjustment ('MVA'). The MVA works to recover any losses on investments assets that are required to be sold to service the withdrawal. The maximum amount that can be withdrawn is 95% of the investor's Investment Value for the policy to remain active. Withdrawals greater than this amount will be considered as a full withdrawal and closure of the policy.

During the Lifetime Income Phase, withdrawals greater than the Lifetime Income payment per annum will attract an MVA, for the first 10 years of the policy commencement.

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Please refer to the PDS for further information on withdrawals.

Relevant Parties

The Issuer of AGILE is Allianz Australia Life Insurance Limited ("AALIL"), trading as Allianz Retire+ ("Allianz Retire+" or "Manager"). AALIL is a small life insurer focusing on life, total permanent disability, and critical illness insurance (underwriting less than 0.5% of Australia's life risk insurance market). Allianz also operates a large general insurer in Australia.

AALIHL is part of the Allianz Group. Allianz SE is the holding company of the Allianz Group and has a market capitalisation of €105.2bn as of April 2024. Its asset management division, which consists of PIMCO and Allianz Global Investors, has €2,224bn of assets under management (as at December 2023).

In developing AGILE, Allianz Retire+ has engaged various entities within the Allianz Group, including (but not limited to):

- Allianz Investment Management (AIM) manages derivatives hedging for market-linked insurance products sold by Allianz entities globally. AIM employs over 80 employees including 35 hedging experts and manages more than US$150.0bn in AUM (31/3/2024). AIM provides derivative and hedging expertise in terms of strategy, execution and ongoing monitoring of hedging effectiveness for AGILE.
- Allianz Life Insurance Company of North America (Allianz Life) provides actuarial product design support and IT platforms. Allianz Life has expertise in developing retirement and annuity-style solutions in North America and has US$160bn in assets under management (as at December 2023).
- PIMCO is a wholly owned subsidiary of Allianz SE and one of the world's largest fixed income managers. PIMCO provides investment management expertise, specifically with managing the statutory fund. PIMCO has assets under management of US$1.86 trillion as at December 2023.

Regulatory Environment

AALIL is a registered life company under the Life Insurance Act 1995 (Cth) and is regulated by the Australian Prudential Regulation Authority (APRA). Under the legislation, life insurance policies (including AGILE) are required to be held within statutory funds and are subject to prudential supervision by APRA.

AGILE is classified as an 'annuity' life policy under the Life Insurance Act 1995 (Cth).

Capital Management

APRA's prudential standards on capital adequacy require AALIL to provide levels of support in relation to its liabilities through capital adequacy standards. These capital adequacy standards are broadly designed to ensure that there are sufficient assets in Statutory Fund No.2 to meet liabilities even in extremely adverse market conditions. The capital adequacy requirements are similar to the requirements APRA imposes on banks in Australia and are risk sensitive (i.e. as the risk of the asset increases so does the amount of capital required to be held).

The amount of statutory capital AALIL is required to hold is set by APRA (Prescribed Capital Amount). AALIL holds a buffer above this amount to ensure it does not breach its regulatory requirements. Capital adequacy is monitored on an ongoing basis.

AALIL Capital Position

	31 Dec 2022	30 June 2023
REG CAP. BASE	$86.8M	$86.0M
APRA PCA	$8.4M	$10M
EXCESS CAP.	$76.8M	$76M
MULTIPLE	8.7X	8.64X

It is an Allianz SE Group capital requirement that Allianz Retire+ targets to hold excess capital above APRA's Prescribed Capital Amount at a level that ensures that after a subsequent 1-in-5-year shock, binding local requirements remain fulfilled. In relation to the Australian environment these Group defined 1-in-5-year shocks (which are globally calibrated) are representative of a confidence level greater than 1-in-5.

People and Resources

Allianz Retire+ and PIMCO — Senior Executives

Name	Position	Years Exp./ Tenure
ADRIAN STEWART	CEO, ALLIANZ RETIRE+	28/2
MARTIN WILKINSON	HEAD OF INVESTMENTS, ALLIANZ RETIRE+	19/<1
SANDRINE DE BONHOME	CHIEF FINANCIAL OFFICER, ALLIANZ RETIRE+	13/1
ROB MEAD	HEAD OF AUSRALIA PORTFOLIO MANAGEMENT, PIMCO,	34/21
ADAM BOWE	PORTFOLIO MANAGER, PIMCO	27/12

Allianz Retire+ employs in excess of 60 staff. The Allianz Retire+ team is headed by CEO Adrian Stewart. Having founded Allianz Retire+, Stewart has served as a Board Member since 2018 and has executive experience in financial services across investment management, product development and distribution. Stewart joined from PIMCO where he was most recently Head of Client Management, Asia Pacific ex Japan, PIMCO, and prior to that Head of Australia and New Zealand. Stewart has also held a variety of senior roles at Macquarie Group, Challenger Financial Services and ASGARD Capital Management.

Stewart is supported by the senior management team which comprises Chief Financial Officer (Sandrine de Bonhome), Chief Product and Marketing Officer (Simon Aboud), General Counsel (Catherine James), Head of Product (Mark Lapedus), Chief Distribution Officer (Brendon Rodda), Chief Operating Officer (David Kane), Chief Risk Officer (Petar Andric), Head of Human Resources (Sandra Bridgewater-Dunn), Head of

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Life Insurance (Malcolm Weir) and recently appointed Head of Group Retirement Solutions Client Delivery (Joint - Lucy Foster and Catherine van der Veen).

Specific to AGILE, key individuals include Allianz Retire+ Head of Investments, Martin Wilkinson, who oversees the investment process and is responsible for working with the investment managers, ensuring underlying fixed interest portfolio provides the appropriate risk profile that balances yield and capital cost and that the hedging program efficiently matches the liability profile Allianz Retire+ is offering investors. Prior to this role, Foxall was a portfolio manager at PIMCO for 16 years managing global and domestic fixed interest portfolios.

From a risk perspective, Petar Andric in his role as Chief Risk Officer oversees a team of two responsible for the design, implementation and maintenance of the risk management frameworks for Allianz Retire+. Andric commenced at Allianz Retire+ in 2018 in the role Head of Enterprise Risk before being appointed as the Chief Risk Officer in November 2020. Prior to this Andric was at Ernst and Young for two years in Risk Advisory and has a further 15 years' experience including five years as an Actuary for the Australian Government.

The PIMCO's Australia-based team is responsible for the management of the Statutory Fund. Rob Mead leads the Australian portfolio management team, and prior to this, held several senior investment positions at Citigroup Asset Management in London. Mead is chiefly supported in the management of AGILE by Adam Bowe. Bowe joined PIMCO in October 2011 and prior to that, held various portfolio management roles at Tudor Investment Corporation, UBS, and QIC.

Allianz Australia provides several support services for AGILE including tax, regulatory reporting, strategic procurement and financial systems.

The Allianz Retire+ Board consists of Director, Adrian Stewart (CEO, Allianz Retire+), two Non-Executive Directors in Thomas Naumann (Executive Vice President, Allianz SE) and Jasmine Jirele (President & CEO, Allianz Life Insurance North America), as well as three external Non-Executive Directors (David Plumb, Sally Evans, Hon. Bernie Ripoll).

Investment Process

Statutory Fund

The underlying objective of the Statutory Fund is to generate returns from the fixed income assets to fund the obligations to investors and to provide a return to the business.

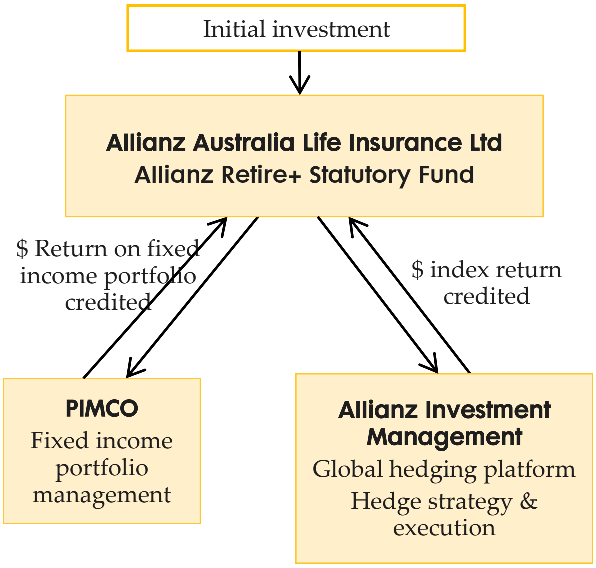
Investors' money is invested in Statutory Fund No.2, most of which is invested by PIMCO in fixed income securities, comprising mainly cash, government and semi-government bonds, corporate bonds and RMBS. All securities will typically be in Australian dollars, although they may be denominated in foreign currencies at some stage in the future. Income from the fixed income assets is used in part to fund the derivative overlay that provides the exposure to the equity markets within limits.

The Strategic Asset Allocation (SAA) for the Statutory Fund is set by Allianz Retire+ in consultation with Allianz Investment Management. The SAA is determined by optimising the yield from the assets, subject to the regulatory capital charges, economic and market conditions and liquidity constraints. The capital charges are set by assessing the impact of various stresses on both the assets and liabilities.

The Statutory Fund is expected to invest in 100% investment grade securities, with limited active duration calls. Bonds that fall below investment grade can continue to be held if deemed appropriate. The Funds' duration is expected to closely match investor liabilities (approximately 9.8 years). As at April 2024 the Statutory Fund yield was 4.90%.

Hedging Process

Hedging is performed as part of Allianz's broader underlying derivatives overlay. Simultaneous trades are executed which include put and call options, to create a level of protection for holders on the downside, but also to limit upside gains, which is represented by the product's Maximum Return.



Risk Management

Governance Framework

The AALIL Board overseas a range of Board Committees (Risk, Audit, Remuneration Customer, Culture and Conduct), Management Committee, and range of Sub-Committees (Risk Management, Customer and Product, Finance and Reporting). Documented policies are designed to cover a wide range of risks including governance, operational, market (liquidity, counterparty etc.) and compliance risks.

The Risk Management Framework is designed to comply with the relevant APRA and Allianz SE policies and standards, and comprises the following elements:

- Risk Management and Strategy
- Risk Governance

- Risk Appetite
- Risk Reporting
- Risk Culture
- Risk Limits

The Allianz Retire+ Statutory Fund No. 2 does have broad risk limits set within the PIMCO IMA to implement the SAA. Allianz Retire+ notifies PIMCO from time to time of investment risk limits that allow only limited discretion to sector allocations and duration, leaving stock selection within those limits to PIMCO. Allianz Retire+ operates in a highly regulated environment under statutory rules for Life Insurance companies, supervised by APRA. Investments that Allianz Retire+ makes on behalf of the Statutory Fund No. 2 are funded through a combination of investor funds and shareholder capital (provided by Allianz Australia Life Insurance Ltd).

Strict limits are also set out within the AIM IMA for the hedging policy. Derivatives are to be used solely for hedging purposes.

Monitoring and Reporting

Market risk and cash positions are calculated daily and compared to limits. The efficiency of the hedging policy is also monitored daily. AALIL has a breach and incident reporting process under which any limit breaches are reported to the Finance Committee (FiCo). The custodian, NAS, also provides daily valuation of assets, including derivatives, as well as monthly performance reports. These are reconciled with AIM and PIMCO.

AALIL has an obligation to report material regulatory breaches to ASIC and/or APRA. AALIL has not reported any material regulatory breach to ASIC or APRA within the last 24 months.

Securities Pricing Policy

It is also important to note that as an Australian life insurance company, AALIL **is required to value all its assets on a fair value (or mark-to-market) basis**, irrespective of the type of asset or their intention in respect of holding the asset. This is an important point of differentiation in the regulation of Australian life insurance companies (as compared to Australian banks or to most offshore life insurance companies).

Risks

An investment in the Allianz Retire+ AGILE carries several standard investment risks associated with investment markets. These include economic, political, legal, tax and regulatory risks. Other specific risks are outlined in the PDS and should be read in full and understood by investors.

Counterparty risk

Counterparty risk is the risk that Allianz Retire+ does not meet its contractual commitments to investors.

Allianz Retire+ is a registered life insurer and is regulated by APRA in accordance with the Life Act. Allianz Retire+ must comply with minimum prescribed capital and solvency requirements to ensure that it meets its obligations to investors. APRA actively monitors compliance with these requirements and other requirements of the Life Act.

It should be noted that, whilst financial institutions may be APRA regulated, this does not provide a financial guarantee.

Market risk

During the Growth phase, the value of your investment will rise and fall in line with the value of the selected index. This means that your investment is exposed to the risks similar to investing in the share market and you may incur a loss. This risk is mitigated through the selection of either a total or partial protection (the first 10% of market index losses protected) of your investment for each given year.

Your exposure to the risk of falls in the value of the selected index will not exceed the level of protection you have chosen. In exchange for limiting your exposure to a market downturn, your exposure to increases in the value of the index will be capped by the policy's Maximum Return. This means that any returns of the index above the Maximum Return will not be reflected in the value of your investment. The Maximum Return will however be no less than the Guaranteed Minimum of your policy.

Early withdrawal risk

If you need to access your funds earlier than the investment term, your withdrawal may be subject to an MVA charge which reduces the amount returned to you on withdrawal.

The Manager allows for a Free Withdrawal Amount each year for the first ten years of the Growth Phase and the MVA charge will apply to any amounts above this. The MVA will only be applicable during the first ten years of investment. Beyond this period, investors can access their funds without charge. Please refer to the PDS for a worked example.

Return risk

During the Growth phase, the Manager resets the allowable Maximum Return on each anniversary date of your policy, so these may vary from year to year. This means that the return on your investment may change over the term of your investment, albeit subject to guaranteed minimum levels according to the formula outlined in the PDS.

Issuer risk

Any investment carries a risk that the product issuer will not have sufficient funds to repay amounts to investors as and when they fall due. The Manager is an APRA authorised life insurance company, and the issuer risk associated with your investment in AGILE is mitigated through a prudential capital regime enforced by our regulator, APRA. This requires the Manager to keep the assets of investor in a segregated Statutory Fund, in addition to keeping adequate assets in both the life company and the Statutory Fund to minimise the risk that assets are insufficient to meet their obligations to investors. The Manager holds assets more than the minimum amount prescribed by APRA.

Allianz Retire+ Allianz Guaranteed Income for Life

Investment risk

The Statutory Fund's ability to meet its obligations is dependent on the assets it holds and on capital support in accordance with the capital adequacy standards it is required to meet under APRA prudential standards.

Allianz Retire+ ability to meet these capital support obligations is dependent on its ability to meet its financial obligations as and when they fall due, i.e. on its credit worthiness. The payments that Allianz Retire+ is required to make are subject to any changes to relevant laws (including taxation laws) that apply to life insurance companies.

In the event that Allianz Retire+ becomes insolvent and is wound up, all payments due to AGILE investors become liabilities of the Statutory Fund.

Regulatory risk

Changes in government policies, regulations and laws could affect the value, and/or tax treatment, of any investment in the Product.

Taxation

For Annuities purchased with private monies, the income stream received will be net of any PAYG taxes.

For Annuities purchased with superannuation monies, the income stream received should be tax free in pension phase. For investments in accumulation or TTR phase, there may be amounts assessed at prevailing rates.

These comments constitute 'General Advice' only and Lonsec advises potential investors to consult a taxation specialist before deciding to invest (or not to invest) based upon these taxation considerations. Investors should refer to the Taxation considerations of the PDS for further information.

Contact Information

For further information:

Website: www.allianzretireplus.com.au

Telephone: 1300 371 136

Social Security

AGILE is defined as an 'asset-tested income stream (lifetime)' product for social security purposes. Centrelink and the Department of Veterans' Affairs entitlements are determined using two 'means' tests: an assets test and an income test.

Please refer to the product's PDS for further information.

Lonsec

Allianz Retire+ Allianz Guaranteed Income for Life

About Lonsec

Lonsec Research Pty Ltd (Lonsec) is an investment research house with specialist areas of expertise, that was originally established in 1994 and the current entity was registered on 23 June 2011. From 1 July 2011, Lonsec became a fully owned subsidiary of Lonsec Fiscal Holdings Pty Ltd, a privately owned and independent entity with a multi-brand strategy of providing leading financial services research and investment execution.

Lonsec believes that professional financial advisers need informed opinions on the best investment strategies and financial products to provide real value for their clients. To meet this need, Lonsec has in place an experienced research team, which draws on a robust research process to undertake in-depth assessment of managed fund products.

Analyst Disclosure and Certification

Analyst remuneration is not linked to the rating outcome. The analyst(s) may hold the financial product(s) referred to in this document, but Lonsec considers such holdings not to be sufficiently material to compromise the rating or advice. Analyst(s) holdings may change during the life of this document. The analyst(s) certify that the views expressed in this document accurately reflect their personal, professional opinion about the financial product(s) to which this document refers.

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