

AllianzGI Equity & Convertible Income Fund  
Form N-14 8C  
October 21, 2013  
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As filed with the Securities and Exchange Commission on October 18, 2013

Registration Nos. 333-

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM N-14**  
**REGISTRATION STATEMENT**  
***UNDER***  
***THE SECURITIES ACT OF 1933***

.. **Pre-Effective Amendment No. \_\_**  
.. **Post-Effective Amendment No. \_\_**

**ALLIANZGI EQUITY & CONVERTIBLE INCOME FUND**  
**(Exact Name of Registrant as Specified in its charter)**

**1633 Broadway**

**New York, New York 10019**

**(Address of Principal Executive Offices)**

**(Number, Street, City, State, Zip Code)**

**(888) 852-3922**

**(Registrant's Telephone Number, including Area Code)**

**Thomas Fuccillo**

**c/o Allianz Global Investors Fund Management LLC**

**1633 Broadway**

**New York, New York 10019**

**(Name and Address (Number, Street, City, State, Zip Code) of Agent for Service)**

*Copies of Communications to:*

**David C. Sullivan, Esq.**

**Ropes & Gray LLP**

**Prudential Tower**

**800 Boylston Street**

**Boston, Massachusetts 02119**

**Approximate Date of Proposed Public Offering:**

**As soon as practicable after this Registration Statement becomes effective.**

**CALCULATION OF REGISTRATION FEE**

<b>Title of Securities</b>	<b>Amount</b>	<b>Proposed Maximum Offering Price</b>	<b>Proposed Maximum Aggregate Offering Price(1)</b>	<b>Amount of Registration Fee</b>
<b>To Be Registered</b>	<b>Registered</b>	<b>Per Share</b>		
Common Shares, \$0.00001 par value	N/A	N/A	\$1,000,000	\$128.80

(1) Estimated solely for the purpose of calculating the filing registration fee, pursuant to Rule 457(o) under the Securities Act of 1933.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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Allianz Global Investors Fund Management LLC

1633 Broadway

New York, New York 10019

[        ], 2013

Dear Shareholder:

We are proposing to merge AllianzGI Global Equity & Convertible Income Fund ( NGZ ) into AllianzGI Equity & Convertible Income Fund ( NIE and, together with NGZ, the Funds ). In this merger (the Merger ), common shares of NGZ would, in effect, be exchanged for new common shares of NIE with an equal aggregate net asset value. The Merger is intended to be tax-free for U.S. federal income tax purposes. The Merger would combine two funds with identical investment objectives that are managed by Allianz Global Investors Fund Management LLC ( AGIFM ) and sub-advised by Allianz Global Investors U.S. LLC ( AGI U.S. ) utilizing similar portfolio management strategies into a single, larger fund, which may provide the opportunity for increased economies of scale resulting, potentially, in lower total operating expenses than NGZ s current operating expenses, slightly lower or the same total operating expenses than NIE s current operating expenses, and improved net earnings as compared to the net earnings either NIE or NGZ currently experience.

We expect the proposed Merger will offer you the following advantages:

*Larger asset base and potentially enhanced earnings.* AGIFM and AGI U.S. expect that NIE s investment team will be able to deploy the assets received from NGZ in the Merger in a fashion that would improve the combined fund s net earnings as compared to each of NGZ s and NIE s current net earnings.

*Equivalent or lower expenses.* Shareholders of both Funds are expected to benefit from economies of scale resulting from a larger combined fund with a lower estimated total annual fund operating expense ratio than NGZ s current total annual fund operating expense ratio and equal to or slightly less than NIE s current total annual fund operating expense ratio.

*Improved secondary market trading.* The combined fund s greater volume of common shares is anticipated to result in increased market liquidity, which may lead to narrower bid-ask spreads and smaller trade-to-price increments. The potential for higher common share net earnings and enhanced total returns over time may increase investor interest in the combined fund and potentially increase market liquidity for its common shares.

*Continuity of Fund management.* The Merger would allow shareholders of NGZ to continue investing in a fund advised by AGIFM and sub-advised by AGI U.S., which is responsible for making day-to-day investment decisions for NGZ as well as NIE. The investment objectives of the Funds are identical and the investment strategies of the Funds are substantially similar, though NGZ s investment strategies currently include a focus on investing in non-U.S. securities, while NIE and the combined fund will not. In addition,

three of NGZ's current portfolio managers, Douglas Forsyth, Justin Kass and Michael Yee, are also portfolio managers of NIE and will continue to serve as portfolio managers of the combined fund following the Merger.

*Tax-free reorganization.* The Merger is intended to be tax-free for U.S. federal income tax purposes. Provided that the Merger is tax-free, no gain or loss will be recognized by NGZ shareholders on the distribution to them of shares of NIE, and the aggregate tax basis of NIE shares received by an NGZ shareholder will be the same as the aggregate tax basis of his or her NGZ shares.

While this Merger will bring about some changes, many of the current benefits of NGZ will stay the same:

*Continued listing of common shares on the New York Stock Exchange.* Common shares of NIE are currently listed on the New York Stock Exchange under the symbol NIE, which would remain the symbol of the combined fund.

*Continued excellent shareholder services.* As a shareholder of NIE, you will continue to receive the high level of shareholder services you receive as a shareholder of NGZ.

*Continued commitment to shareholders.* Allianz and its affiliates remain committed to shareholders in terms of fund performance, communications and service.

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**Your vote is important.**

After reviewing the proposal and considering various alternatives, each Fund's Board of Trustees unanimously agreed that the proposed Merger is in the best interests of shareholders of each Fund and voted to approve the transaction as more fully described in the accompanying Joint Prospectus/Proxy Statement. Now it is your turn to review the proposal and vote. We urge you to read the accompanying Joint Prospectus/Proxy Statement, which contains important information about the proposed Merger.

In addition to asking shareholders of NGZ to approve the Merger, the Board of Trustees of NGZ is also asking shareholders of NGZ to re-elect certain Trustees of NGZ at NGZ's annual shareholders' meeting scheduled to be held on the same day as the separate joint meeting is held to consider the Merger. The composition of the Board of Trustees of NGZ is identical to that of NIE. Although the Board of Trustees of NGZ will no longer exist if the Merger is approved and consummated, shareholders of NGZ are being asked to re-elect certain of its Trustees in the event the Merger is not approved or its approval is delayed. **Please note that shareholders of NGZ will receive two separate proxy cards, one relating to the Merger and one relating to the re-election of Trustees. We request that NGZ shareholders please complete and return both proxy cards.**

A joint meeting of the shareholders of the Funds will be held at 10:30 a.m., Eastern time, on January 14, 2014 for shareholders of both Funds to vote on the proposed Merger. In addition, a separate annual meeting of the shareholders of NGZ will be held at 11:00 a.m., Eastern time, on January 14, 2014, for shareholders of NGZ to vote on the re-election of certain Trustees of NGZ. The meetings will be held at the offices of Allianz Global Investors Fund Management LLC, 1633 Broadway, between West 50th and West 51st Streets, 42nd Floor, New York, New York 10019. If you are not able to attend the relevant meetings, please use the enclosed proxies and envelope to cast your votes so that you will be represented.

*No matter how many shares you own, your timely vote is important. If you are unable to attend the meetings, please complete, sign, date and mail the enclosed proxy card(s) (of which there are two in the case of NGZ) promptly, in order to avoid the expense of additional mailings or having our proxy solicitor, AST Fund Solutions, LLC, telephone you. If you have any questions regarding the Joint Prospectus/Proxy Statement, please call us at (800) 591-6313.*

Thank you in advance for your participation in this important event.

Sincerely,

Brian Shlissel  
President & Chief Executive Officer of the  
Funds

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NOTICE OF MEETINGS OF SHAREHOLDERS

TO BE HELD ON JANUARY 14, 2014

**ALLIANZGI GLOBAL EQUITY & CONVERTIBLE INCOME FUND**

**ALLIANZGI EQUITY & CONVERTIBLE INCOME FUND**

**1633 Broadway**

**New York, New York 10019**

To the Shareholders of AllianzGI Global Equity & Convertible Income Fund ( NGZ ) and AllianzGI Equity & Convertible Income Fund ( NIE and, together with NGZ, the Funds ):

Notice is hereby given that a Joint Meeting of Shareholders of NIE and NGZ (the Joint Special Meeting ) will be held on January 14, 2014, at 10:30 a.m., Eastern time, and a separate Annual Meeting of Shareholders of NGZ (the NGZ Annual Meeting and, together with the Joint Special Meeting, the Meetings ) will be held on January 14, 2014, at 11:00 a.m., Eastern time. The Meetings will be held at the offices of Allianz Global Investors Fund Management LLC, 1633 Broadway, between West 50th and West 51st Streets, 42nd Floor, New York, New York 10019, for the following purposes:

**Joint Special Meeting**

*Shareholders of NGZ*

1. To approve an Agreement and Plan of Reorganization (the Merger Agreement ) providing for the transfer of all of the assets of NGZ to NIE in exchange for common shares of NIE and the assumption by NIE of all of the liabilities of NGZ, and the distribution of such shares to the shareholders of NGZ in complete liquidation of NGZ, all as described in more detail in the attached Joint Prospectus/Proxy Statement.
2. To consider and act upon such other matters as may properly come before the Joint Special Meeting and any adjourned session thereof.

*Shareholders of NIE*

1. To approve the Merger Agreement and the issuance of additional common shares of NIE to be issued in connection with the Merger.
2. To consider and act upon such other matters as may properly come before the Joint Special Meeting and any adjourned session thereof.

**NGZ Annual Meeting**

1. To elect the Trustees of NGZ, each to hold office for the term indicated and until his or her successor shall have been elected and qualified.
2. To consider and act upon such other matters as may properly come before the NGZ Annual Meeting and any adjourned session thereof.

Shareholders of record as of the close of business on November 12, 2013 are entitled to notice of, and to vote at, both the Joint Special Meeting and the NGZ Annual Meeting.

By order of the Boards of Trustees of the  
Funds,

Thomas J. Fuccillo  
Secretary of the Funds

New York, New York

[        ], 2013



**It is important that your shares be represented at the Meetings in person or by proxy, no matter how many shares you own. If you do not expect to attend the Meetings, please complete, date, sign and return the applicable enclosed proxy or proxies in the accompanying envelope, which requires no postage if mailed in the United States. Please mark and mail your proxy or proxies promptly in order to save the Funds any additional costs of further proxy solicitations and in order for the Meetings to be held as scheduled.**

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**THE INFORMATION IN THIS JOINT PROSPECTUS/PROXY STATEMENT IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS JOINT PROSPECTUS/PROXY STATEMENT IS NOT AN OFFER TO SELL THESE SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.**

**SUBJECT TO COMPLETION, DATED OCTOBER 18, 2013**

**ALLIANZGI GLOBAL EQUITY & CONVERTIBLE INCOME FUND**

**ALLIANZGI EQUITY & CONVERTIBLE INCOME FUND**

**1633 Broadway**

**New York, New York 10019**

**1-800-254-5197**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS**

**FOR THE MEETINGS OF SHAREHOLDERS TO BE HELD ON JANUARY 14, 2014**

This Joint Prospectus/Proxy Statement and the Annual Reports to Shareholders for the fiscal year ended January 31, 2013 for NIE and [August 31, 2013] for NGZ are also available at [us.allianzgi.com/closedendfunds](http://us.allianzgi.com/closedendfunds).

**JOINT PROSPECTUS/PROXY STATEMENT**

**[            ], 2013**

**FOR THE MEETINGS OF SHAREHOLDERS TO BE HELD ON JANUARY 14, 2014**

**INTRODUCTION**

This Joint Prospectus/Proxy Statement is furnished to you as a shareholder of AllianzGI Global Equity & Convertible Income Fund ( NGZ ) and/or AllianzGI Equity & Convertible Income Fund ( NIE and, together with NGZ, the Funds ). Each Fund is a diversified, closed-end investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act ), and is organized as a voluntary association under Massachusetts law (commonly referred to as a Massachusetts business trust ).

This Joint Prospectus/Proxy Statement relates to (1) the proposed reorganization (the Merger ) of NGZ into NIE and (2) the re-election of certain Trustees of NGZ. The Merger is to be effected through the transfer of all of the assets of NGZ to NIE in exchange for common shares of beneficial interest of NIE (the Merger Shares ) and the assumption by NIE of all of the liabilities of NGZ, followed by the distribution of the Merger Shares to the shareholders of NGZ in complete liquidation of NGZ. As a result of the proposed Merger, NGZ will cease to be a separate fund.

In addition to asking shareholders of NGZ to approve the Merger, the Board of Trustees of NGZ is also asking shareholders of NGZ to re-elect certain Trustees of NGZ at NGZ's annual shareholders' meeting scheduled to be held on the same day as the separate meeting is held to consider the Merger. The composition of the Board of Trustees of NGZ is identical to that of NIE. Although the Board of Trustees of NGZ will no longer exist if the Merger is approved and consummated, shareholders of NGZ are being asked to re-elect certain of its Trustees in the event the Merger is not approved or its approval is delayed. **Please note that shareholders of NGZ will receive two separate proxy cards, one relating to the Merger and one relating to the re-election of Trustees. We request that NGZ shareholders please complete and return both proxy cards.**

Because NGZ shareholders are being asked to approve transactions that will result in their holding NIE shares, this document also serves as a Prospectus for the Merger Shares to be issued by NIE. The investment objective of each Fund is to seek total return comprised of capital appreciation, current income and gains. Under normal circumstances, each Fund will invest at least 80% of its net assets (plus any borrowings for investment purposes) in a combination of equity securities and income-producing convertible securities. Unlike open-end funds, exchange-traded, closed-end funds like the Funds are not continuously offered. After the initial public offering, shares are sold on the open market through a stock exchange. This Joint

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Prospectus/Proxy Statement explains concisely what you should know before voting to approve the Merger or investing in NIE. Please read it and keep it for future reference. This Joint Prospectus/Proxy Statement is first being mailed to shareholders of NGZ and NIE on or about [ ], 2013.

A joint meeting of the shareholders of the Funds will be held at 10:30 a.m., Eastern time, on January 14, 2014, for shareholders of both Funds to vote on the proposed Merger and for shareholders of NIE to vote on the proposed issuance of the Merger Shares (the Joint Special Meeting ). In addition, a separate annual meeting of the shareholders of NGZ will be held at 11:00 a.m., Eastern time, on January 14, 2014, for shareholders of NGZ to vote on the election of certain Trustees of NGZ (the NGZ Annual Meeting and, together with the Joint Special Meeting, the Meetings ). The Meetings will be held at the offices of Allianz Global Investors Fund Management LLC ( AGIFM or the Manager ), 1633 Broadway, between West 50th and West 51st Streets, 42nd Floor, New York, New York 10019. If you are not able to attend the Meetings or any adjournment or postponement thereof, please use the enclosed proxies and envelope to cast your votes so that you will be represented.

The Board of Trustees of each Fund (the Board, the Board of Trustees or the Trustees ) has fixed the close of business on November 12, 2013 as the record date (the Record Date ) for the determination of shareholders of each Fund entitled to notice of, and to vote at, the Meetings and any adjournment(s) or postponement(s) thereof. Shareholders of each Fund on the Record Date will be entitled to one vote per share on each matter to which they are entitled to vote and that is to be voted on by shareholders of the Fund, and a fractional vote with respect to fractional shares, with no cumulative voting rights in the election of Trustees.

The following table sets forth the number of common shares issued and outstanding of each Fund at the close of business on the Record Date:

	Outstanding Common Shares
NIE	[ ]
NGZ	[ ]

The classes of Shares listed for each Fund in the table above are the only classes of shares currently authorized by that Fund.

The shareholders of NGZ, voting together as a single class, and the shareholders of NIE, voting together as a single class, have the right to vote on the proposals as summarized in the table below (the Proposals ).

Proposal	NGZ Common Shareholders	NIE Common Shareholders
<b>Proposal I(a): Approval of the Merger Agreement</b>	ü	
<b>Proposal I(b): Approval of the Merger Agreement and the issuance of Merger Shares</b>		ü

**Proposal II: Re-Election of NGZ**

**Trustees**

Re-election of James A. Jacobson ii

Re-election of Bradford K. ii

Gallagher

A Statement of Additional Information dated [ ], 2013 relating to the Joint Prospectus/Proxy Statement (the Merger SAI ) has been filed with the Securities and Exchange Commission (the SEC ) and is hereby incorporated into this Joint Prospectus/Proxy statement by reference (File No. 333- \_\_\_\_\_). The Merger SAI is available upon oral or written request and without charge from the Fund at the phone number and address provided above and on the Funds website at [us.allianzgi.com/closedendfunds](http://us.allianzgi.com/closedendfunds).

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The following documents have been filed with the SEC and are incorporated into the Merger SAI by reference, which means they are considered legally a part of the Merger SAI:

[The audited financial statements of NGZ and related report of the independent registered public accounting firm for the fiscal year ended [ ] included in the Annual Report to shareholders of NGZ (File No. 811-22067).]

The audited financial statements of NIE and related report of the independent registered public accounting firm for the fiscal year ended January 31, 2013 included in the Annual Report to shareholders of NIE (File No. 811-21989).

The unaudited financial statements of NIE for the six months ended July 31, 2013 included in the Semi-Annual Report to shareholders of NIE (File No. 811-21989).

This document will give you the information you need to vote on the Proposals. Much of the information is required under the rules of the SEC; some of it is technical. If there is anything you don't understand, please contact us at (800) 591-6313 or call your financial advisor.

Both Funds list their common shares on the New York Stock Exchange (the NYSE). The common shares of NIE are listed on the NYSE under the symbol NIE and the common shares of NGZ are listed on the NYSE under the symbol NGZ. You may inspect reports, proxy material and other information concerning either Fund at the NYSE.

The principal executive offices of the Funds are located at 1633 Broadway, New York, New York 10019. AGIFM serves as the investment manager of each Fund and retains its affiliate, Allianz Global Investors U.S. LLC (AGI U.S. or the Sub-Adviser), to serve as the sub-adviser to the Funds. Additional information regarding the Manager and the Sub-Advisers may be found under Additional Information Investment Manager and Sub-Advisers below.

Unless a Fund receives contrary instructions, only one copy of this Joint Prospectus/Proxy Statement will be mailed to a given address where two or more shareholders share that address. Additional copies of the Joint Prospectus/Proxy Statement will be delivered promptly upon request. Requests may be sent to the Secretary of the Fund c/o Allianz Global Investors Fund Management LLC, 1633 Broadway, New York, New York 10019, or by calling 1-800-591-6313 on any business day.

The Merger SAI, each Fund's most recent annual and semi-annual report, and other information about the Funds can be obtained by calling toll free (800) 254-5197 or by writing to the Funds at c/o Allianz Global Investors Fund Management LLC, 1633 Broadway, New York, New York 10019. The Funds are subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, file reports, proxy statements, proxy materials and other information with the SEC. You may obtain a copy of the Merger SAI and other materials that have been filed with the SEC from the SEC's Public Reference Room in Washington, D.C. by calling (202) 551-8090. You may also request copies of these materials, upon payment at the prescribed rates of a duplicating fee, by electronic request to the SEC's e-mail address (publicinfo@sec.gov) or by writing the Public Reference Branch, Office of Consumer Affairs and Information Services, Securities and Exchange Commission, Washington, D.C. 20549-0102. The Merger SAI and each Fund's most recent annual and semiannual reports are available, free of charge, on the Funds' website (us.allianzgi.com). You can obtain the same information, free of charge, from the SEC's web site (<http://www.sec.gov>).

**The Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of the Joint Prospectus/Proxy Statement. Any representation to the contrary is a criminal offense.**

**An investment in NIE is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.**

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**I. PROPOSALS I(A) & I(B): THE MERGER AND THE ISSUANCE OF ADDITIONAL SHARES OF NIE**

**A. OVERVIEW**

**The responses to the questions that follow provide an overview of key points NIE and NGZ believe are typically of interest to shareholders considering a transaction such as the Merger. For a more complete understanding, please refer to the remainder of the Joint Prospectus/Proxy Statement, which contains additional information and further details about the proposed Merger.**

***1. What is being proposed?***

The Boards of Trustees of NIE and NGZ are unanimously recommending that you approve the proposed reorganization of NGZ into NIE (the Merger ). The Merger is proposed to be accomplished pursuant to an Agreement and Plan of Reorganization (the Merger Agreement ) and will be effected through the transfer of all of the assets of NGZ to NIE in exchange for common shares of beneficial interest of NIE (the Merger Shares ) and the assumption by NIE of all of the liabilities of NGZ, followed by the distribution of the Merger Shares to the shareholders of NGZ in complete liquidation of NGZ. As a result of the proposed transaction, NGZ will cease to be a separate fund. The term Combined Fund as used herein refers to NIE as the surviving Fund after the Merger. The completion of these transactions will result in (i) the termination of NGZ as a separate fund and (ii) each NGZ shareholder becoming a shareholder of NIE.

In addition, shareholders of NIE are being asked to approve the issuance of the Merger Shares (*i.e.*, additional common shares of NIE) to be issued to shareholders of NGZ in connection with the Merger (the Issuance ).

In the event the Merger is consummated, shareholders of the Combined Fund, including former shareholders of NGZ, would be subject to the investment policies of NIE. See Question 4 below and [Appendix C](#) to this Joint Prospectus/Proxy Statement for a comparison of the Funds' investment objectives and significant investment strategies and operating policies.

***2. What will happen to my NGZ shares as a result of the proposed Merger?***

Your NGZ shares are expected to be exchanged on a tax-free basis for Merger Shares of NIE with an equal aggregate net asset value on the Exchange Date (as defined in Section 4(a) of the Merger Agreement).

***3. Why is the Merger being proposed at this time?***

The Trustees of each Fund, including a majority of those Trustees who are not interested persons (as defined in the 1940 Act) of the Funds (the Independent Trustees ), carefully considered the anticipated benefits and costs of the proposed Merger and approved the Merger at a meeting held on September 24, 2013.

In approving the Merger, the Trustees of each Fund determined that the Fund's participation in the proposed Merger would be in the best interests of the Fund and that the interests of the Fund's shareholders would not be diluted as a result of the Merger. The Trustees of each Fund considered that the proposed Merger is expected to offer shareholders of the Funds the following advantages:

*Larger asset base and potentially enhanced earnings.* AGIFM and AGI U.S. expect that NIE's investment team will be able to deploy the assets received from NGZ in the Merger in a fashion that would improve the Combined Fund's net earnings as compared to each of NGZ's and NIE's current net earnings.

*Equivalent or lower expenses.* Shareholders of both Funds are expected to benefit from economies of scale resulting from a larger Combined Fund with a lower estimated total annual fund operating expense ratio than NGZ's current total annual fund operating expense ratio and equal to or slightly less than NIE's current total annual fund operating expense ratio.

*Improved secondary market trading.* The Combined Fund's greater volume of common shares is anticipated to result in increased market liquidity, which may lead to narrower bid-ask spreads and smaller trade-to-price increments. The potential for higher common share net earnings and enhanced total returns over time may increase investor interest in the Combined Fund and potentially increase market liquidity for its common shares.

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*Continuity of Fund management.* The Merger would allow shareholders of NGZ to continue investing in a fund advised by AGIFM and sub-advised by AGI U.S., which is responsible for making day-to-day investment decisions for NGZ as well as NIE. The investment objectives of the Funds are identical and the investment strategies of the Funds are substantially similar, though NGZ's investment strategies currently include a focus on investing in non-U.S. securities, while NIE and the Combined Fund will not. In addition, the portfolio managers of NIE currently serve as portfolio managers of NGZ.

*Tax-free reorganization.* The Merger is intended to be tax-free for U.S. federal income tax purposes. Provided that the Merger is tax-free, no gain or loss will be recognized by NGZ shareholders on the distribution to them of shares of NIE, and the aggregate tax basis of NIE shares received by an NGZ shareholder will be the same as the aggregate tax basis of his or her NGZ shares.

The Trustees of each Fund recommend that shareholders of the Fund vote **FOR** approval of the proposed Merger and the Issuance, as applicable. For a more detailed discussion of the Trustees' deliberations, see [Background and Reasons for the Proposed Merger](#).

If the Merger is not approved by either Fund, the Manager and Sub-Adviser may, in connection with ongoing management of the Funds, recommend alternative proposals to the Boards of NGZ and NIE.

**4. *How do the investment objectives, policies and restrictions of NGZ and NIE compare?***

The investment objective of NGZ is identical to that of NIE, and the investment strategies of the Funds are substantially similar, though not identical. A comparison of the investment objectives and strategies for NIE and NGZ is set forth in the table below. As noted in the table below, the principal difference between the strategies of the two Funds is that NIE ordinarily invests principally in U.S. issuers, while NGZ normally invests at least 40% of its assets in non-U.S. securities. A more detailed description of each Fund's investment strategies is set forth in [Appendix C](#) to this Joint Prospectus/Proxy Statement.

	<b>NIE</b>	<b>NGZ</b>
<b>Investment Objective</b>	NIE's investment objective is to seek total return comprised of capital appreciation, current income and gains.	The same as NIE.
<b>Investment Strategies</b>	NIE pursues its investment objective by investing in a diversified portfolio of equity securities (the <a href="#">Equity Component</a> ) and income-producing convertible securities (the <a href="#">Convertible Component</a> ). NIE also employs a strategy of writing (selling) call options on the stocks held in the <a href="#">Equity Component</a> as well as on equity indexes, generally with respect to approximately 70% of the value of the securities in the <a href="#">Equity Component</a> (the <a href="#">Option Strategy</a> ). The extent of NIE's use of the <a href="#">Option Strategy</a> will vary depending on	The same as NIE, except that NGZ intends to invest, under normal circumstances, at least 40% of its total assets in securities of issuers that are tied economically to countries other than the United States, and to have exposure to at least eight different countries (including the United States). NGZ may invest up to 10% of its total assets in issuers that are tied economically to developing or emerging market countries. See <a href="#">Foreign (non-U.S.) Securities</a> below.

market conditions and other factors, and NIE may determine from time to time to write call options on only a portion, or none, of the stocks in the Equity Component. The Option Strategy is designed to generate gains from option premiums in an attempt to enhance distributions payable to NIE's shareholders and to reduce overall portfolio risk.

*Asset Allocation.* The percentage of NIE's total assets represented by each Component is expected to vary based on relative investment performance and the Sub-Adviser's views regarding market conditions and other factors. NIE expects that each Component will generally vary within the following ranges: 40% to 80% for the Equity Component and 20% to 60% for the Convertible Component. The risk/return profile of NIE (taken as a whole) will vary according to the level of total assets allocated to each Component.

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<b>80% Policy</b>	Under normal circumstances, NIE will invest at least 80% of its net assets (plus any borrowings for investment purposes) in a combination of equity securities and income-producing convertible securities.	The same as NIE.
<b>Foreign (non-U.S.) Securities</b>	NIE will ordinarily invest principally in securities of U.S. issuers. NIE may invest without limit in securities of non-U.S. issuers that trade on U.S. securities markets, such as American Depository Receipts ( ADRs ). Up to 20% of NIE s total assets may be invested in other non-U.S. equity and debt securities, including securities of issuers that are organized or headquartered in developing or emerging market countries.	NGZ invests, under normal circumstances, at least 40% of its total assets in securities of issuers that are tied economically to countries other than the United States, and to have exposure to at least eight different countries (including the United States). NGZ may invest up to 10% of its total assets in issuers that are tied economically to developing or emerging market countries.
<b>Equity Component</b>	The Equity Component will ordinarily consist of common stocks, but may also include other types of equity securities, including preferred stocks, depository receipts, rights and warrants. NIE may invest in securities of companies with any size market capitalization, but ordinarily expects to focus its equity investments in companies with market capitalizations of \$3 billion or more at the time of investment. NIE may purchase securities in initial public offerings ( IPOs ).	The same as NIE.
<b>Convertible Component</b>	The Convertible Component will ordinarily consist principally of income-producing convertible securities, including bonds, debentures, notes, preferred stocks, and other securities or investments that may be converted or exchanged (by the holder or issuer) into equity securities of the issuer (or cash or securities of equivalent value), as well as synthetic convertible securities.	The same as NIE.
<b>Credit Rating</b>	AGI U.S. will normally attempt to maintain the portfolio of the Convertible Component with an average credit quality that is investment grade <i>i.e.</i> , rated at least Baa3 by Moody s Investors Service, Inc. ( Moody s ) or BBB- by either Standard & Poor s Ratings Services ( S&P ) or Fitch, Inc. ( Fitch ), or, with respect to unrated securities, based on comparable credit quality determinations made by AGI U.S. Average credit quality for these purposes is determined by reference to	The same as NIE.

the credit- and dollar-weighted quality of convertible and other debt securities in the Fund's portfolio. For example, using Moody's ratings, a bond rated Aa3 together with two bonds rated Ba3, all three of the same value, would produce an average credit quality of Baa3. NIE may invest a portion of the Convertible Component in convertible and other debt securities that are of below investment grade quality, including unrated securities and distressed securities that are in default or the issuers of

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which are in bankruptcy. Securities of below investment grade quality are regarded as having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal when due, and are commonly referred to as high yield securities or junk bonds. The Convertible Component normally will have an average credit quality that is investment grade, although it may include convertible and other debt securities that are of below investment grade quality.

<b>Weighted Average Maturity</b>	The weighted average maturity of securities comprising the Convertible Component will typically range from 5 to 10 years, although it may be shorter or longer at any time and from time to time depending upon market conditions.	The same as NIE.
<b>Non-Convertible Fixed Income Securities</b>	NIE may also invest up to 20% of its total assets in non-convertible income-producing securities including, but not limited to, bonds, debentures, notes, government securities, mortgage-related securities and other types of debt instruments. To the extent that NIE does so, the non-convertible income-producing securities will be treated as being part of the Convertible Component for purposes of the asset-allocation, maturity and credit quality parameters.	The same as NIE.
<b>Illiquid Securities</b>	NIE may invest up to 10% of its total assets in illiquid securities (determined using the SEC's standard applicable to open-end investment companies, <i>i.e.</i> , securities that cannot be disposed of within seven days in the ordinary course of business at approximately the value at which the Fund has valued the securities). NIE may invest a significant portion of its total assets in securities that have not been registered for public sale, but that are eligible for purchase and sale pursuant to Rule 144A under the Securities Act of 1933, as amended (the Securities Act ).	The same as NIE.
<b>Other Investment Companies</b>	NIE may invest in securities of other investment companies, including exchange traded funds, and may invest in real estate	The same as NIE.

investment trusts.

<b>Diversification</b>	As a diversified fund, NIE generally may not, with respect to 75% of its total assets, purchase the securities of any issuer, except securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities or securities of other investment companies, if, as a result, (i) more than 5% of NIE's total assets would be invested in the securities of that issuer, or (ii) NIE would hold more than 10% of the outstanding voting securities of that issuer.	The same as NIE.
<b>Concentration</b>	NIE will not concentrate its investments in a particular industry by investing more than 25% of its total assets in that industry.	The same as NIE.
<b>Leverage</b>	Although it has no current intention to do so, the Fund reserves the flexibility to issue preferred shares or debt securities or to engage in borrowings to add leverage to its portfolio. The Fund may also enter into derivative transactions that may in some circumstances produce effects similar to leverage. Any leverage used by the Fund would be limited to approximately 35% of the Fund's total assets (including the proceeds of the leverage) at the time utilized.	The same as NIE.



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Following approval of the Merger Agreement by the shareholders of each Fund, but before the Valuation Time (as defined in Section 4(b) of the Merger Agreement), it is expected that NGZ will restructure its investment portfolio by selling the majority of its non-U.S. holdings and making certain other adjustments to better facilitate the Merger. Such repositioning may result in NGZ having less than 40% of its assets invested in securities of issuers that are tied economically to countries other than the United States, or having exposure to fewer than eight different countries (including the United States) during the period between shareholder approval of the Merger and the consummation of the Merger. For a discussion of the tax consequences of this potential repositioning, see [Information About the Proposed Merger](#) [Information About the Merger](#) [Federal Income Tax Consequences](#).

NIE and NGZ have adopted certain fundamental investment policies. Fundamental investment policies cannot be changed as to a Fund without the approval of the holders of a majority, as such term is defined in the 1940 Act, of the Fund's outstanding common shares, voting together as a single class; other investment policies can be changed without shareholder consent. The fundamental investment policies of NIE and NGZ are identical. Please see the Merger SAI for more information on the Funds' fundamental investment policies.

**5. *How do the management fees and other expenses of NGZ and NIE compare, and what are they estimated to be following the proposed Merger?***

The following tables compare the advisory fees and other expenses of NGZ and NIE and the estimated *pro forma* expenses that AGIFM estimates NIE will bear in the first year following the Merger. **The annual contractual advisory fee rate payable by NIE currently and after the Merger (1.00% of average daily total managed assets) is the same as the annual contractual advisory fee rate payable by NGZ (1.00% of average daily total managed assets).** Total managed assets means the total assets of a Fund (including assets attributable to any preferred shares and borrowings that may be outstanding) minus accrued liabilities (other than liabilities representing borrowings). The table below sets forth (i) the expenses paid by each Fund for the 12-month period ended July 31, 2013 and (ii) the *pro forma* expenses for the Combined Fund, assuming the Merger had taken place on July 31, 2013. It is expected that NIE's Total Annual Expenses will stay the same or decrease slightly as a result of the Merger. The *pro forma* expenses of the Combined Fund (taking into account the Merger) are expected to be lower than NGZ's expenses as reflected in the right-most column of the expense tables below.

	NGZ	NIE	Combined Fund(1)
<b>Shareholder Transaction Expenses</b>			
Sales Load (as a percentage of offering price)(2)	None	None	None
Dividend Reinvestment Plan Fees(3)	None	None	None
<b>Annual Expenses (as a percentage of net assets attributable to common shares)</b>			
Management Fees	1.00%	1.00%	1.00%
Other Expenses	0.29%	0.08%	0.07%
Total Annual Expenses	1.29%	1.08%	1.07%

(1) Assumes the Merger took place on July 31, 2013.

(2)

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Shares of each Fund purchased on the secondary market are not subject to sales loads, but may be subject to brokerage commissions or other charges. The table does not include any underwriting commission paid by shareholders in the initial offering of each Fund.

- (3) You will pay brokerage charges if you direct the plan agent to sell your common shares held in a dividend reinvestment account.

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The following example is intended to help you compare the costs of investing in the common shares of the Combined Fund *pro forma* if the Merger is completed with the costs of investing in NGZ and NIE without the Merger. An investor in common shares would pay the following expenses on a \$1,000 investment, assuming (1) the Total Annual Expenses ratio for each Fund set forth in the table above and (2) a 5% annual return throughout the period:

	1 Year	3 Years	5 Years	10 Years
Common Shares:				
NGZ (Current)	\$ 131	\$ 409	\$ 708	\$ 1,556
NIE (Current)	\$ 110	\$ 343	\$ 595	\$ 1,317
Combined Fund ( <i>Pro Forma</i> )	\$ 109	\$ 340	\$ 590	\$ 1,306

The examples set forth above assume common shares of each Fund were owned as of the completion of the Merger and the reinvestment of all dividends and distributions and uses a 5% annual rate of return as mandated by SEC regulations. **The examples above should not be considered a representation of future expenses. Actual expenses may be higher or lower than those assumed. Moreover, the actual rate of return may be greater or less than the hypothetical 5% annual return shown in the examples.**

**6. Will my dividends be affected by the proposed Merger?**

NGZ's regular quarterly distributions during fiscal years 2009, 2010 and 2012, in addition to including income and net realized gains, have also included return of capital ( RoC ) as one of their components. Assuming a constant distribution rate, the Manager and Sub-Adviser believe that RoC will continue to constitute a percentage of NGZ's total distributions in future years if the Merger is not approved and consummated. During the same periods (with the exception of fiscal year 2010), NIE's distributions have generally comprised income and net realized gains and have not included RoC as a component of the Fund's total distributions.

In part as a result of the repositioning of NGZ's portfolio securities in connection with the Merger, the Combined Fund's earnings are expected to be higher than that of each Fund prior to the Merger; however, the Combined Fund's earnings and distribution rate may change over time, and depending on market conditions, may be significantly higher or lower than each Fund's earnings and distribution rate prior to the Merger.

A Fund's earnings and net investment income vary over time and depend on many factors, including its asset mix, portfolio turnover level, the movement of interest rates and general market conditions. There can be no assurance that the future earnings of a Fund, including the Combined Fund after the Merger, will remain constant or will not decline.

**7. At what prices have common shares of NGZ and NIE historically traded?**

As of September 30, 2013 and on a historical average basis, NIE's common shares have traded at a wider discount to net asset value (*i.e.*, the market price of the Fund's common shares is below the Fund's net asset value per share) than that of NGZ's common shares. Depending on the relative discount or premium of the common shares of one Fund to the common shares of the other Fund at the time of the Merger, the discount of a Fund's common shares may widen or the premium of a Fund's common shares may narrow (*i.e.*, the market price of the common shares may decrease relative to its net asset value ( NAV )), which may result in the Merger Shares received by NGZ shareholders and/or the

Combined Fund's common shares held by NIE shareholders following the Merger having an aggregate market value that is less than the aggregate market value of the NGZ common shares that are exchanged in the Merger or than the market value of the NIE common shares prior to the Merger, respectively. There can be no assurance that, after the Merger, common shares of the Combined Fund will trade at, above or below NAV. In the Merger, shareholders of NGZ will receive common shares of NIE based on the relative net asset values (not the market values) of each NIE's common shares. The market value of the common shares of the Combined Fund may be less than the market value of the common shares of NIE or NGZ prior to the Merger.

**Trading Information.** Common shares of each Fund are expected to continue to be traded on the NYSE until the Valuation Time (as defined in Section 4(b) of the Merger Agreement) and common shares of NIE are expected to continue to be traded on the NYSE after the Merger. Shares of the Funds may at times trade at a market price greater or less than net asset value. The Trustees regularly monitor the relationship between the market price and net asset value of the common shares of each Fund. If the common shares of a Fund were to trade at a substantial discount to net asset value for an extended period of time, the Trustees may consider the repurchase of its common shares on the open market or in private transactions, the making of a tender offer for such shares, or the conversion of such Fund to an open end investment company. The Funds cannot assure you that the Trustees

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will decide to take or propose any of these actions, or that share repurchases or tender offers will actually reduce market discount. Depending on market conditions immediately prior to the Merger, common shares of NIE may trade at a greater or smaller discount or premium to net asset value than common shares of NGZ, which would cause the Merger Shares to have an aggregate market value that is greater or less than the then current market value of the common shares of NGZ that are exchanged in the Merger. The following tables set forth the high and low market prices for common shares of each Fund on the NYSE, for each full quarterly period within each Fund's two most recent fiscal years and each full quarter since the beginning of each Fund's current fiscal year, along with the NAV and discount or premium to NAV for each quotation.

**NGZ**

<b>Quarter</b>	<b>Common share market price<sup>(1)</sup></b>		<b>Common share net asset value</b>		<b>Premium (discount) as a % of net asset value</b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
Quarter ended November 30, 2011	\$ 14.87	\$ 12.43	\$ 15.74	\$ 13.34	2.39%	-9.66%
Quarter ended February 29, 2012	\$ 14.71	\$ 12.80	\$ 16.10	\$ 14.19	-6.49%	-11.86%
Quarter ended May 31, 2012	\$ 14.69	\$ 12.50	\$ 16.13	\$ 14.11	-8.24%	-12.12%
Quarter ended August 31, 2012	\$ 13.59	\$ 12.16	\$ 15.04	\$ 13.86	-9.28%	-12.30%
Quarter ended November 30, 2012	\$ 13.69	\$ 12.32	\$ 15.34	\$ 14.35	-8.49%	-14.15%
Quarter ended February 28, 2013	\$ 14.30	\$ 13.11	\$ 15.90	\$ 14.79	-8.17%	-12.13%
Quarter ended May 31, 2013	\$ 15.19	\$ 14.06	\$ 16.66	\$ 15.37	-5.83%	-10.45%
Quarter ended August 31, 2013	\$ 14.62	\$ 13.43	\$ 16.37	\$ 15.19	-9.27%	-12.69%

**NIE**

<b>Quarter</b>	<b>Common share market price<sup>(1)</sup></b>		<b>Common share net asset value</b>		<b>Premium (discount) as a % of net asset value</b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
Quarter ended April 30, 2011	\$ 19.87	\$ 18.56	\$ 21.14	\$ 19.76	-3.92%	-9.44%
Quarter ended July 31, 2011	\$ 19.21	\$ 17.59	\$ 20.97	\$ 19.24	-6.89%	-10.40%
Quarter ended October 31, 2011	\$ 17.81	\$ 14.60	\$ 19.71	\$ 16.40	-9.02%	-13.58%
Quarter ended January 31, 2012	\$ 17.22	\$ 14.97	\$ 19.38	\$ 17.34	-10.68%	-14.70%
Quarter ended April 30, 2012	\$ 18.07	\$ 17.27	\$ 20.18	\$ 19.23	-9.09%	-11.62%
Quarter ended July 31, 2012	\$ 17.65	\$ 15.86	\$ 19.73	\$ 17.88	-8.19%	-12.12%
Quarter ended October 31, 2012	\$ 17.65	\$ 16.96	\$ 19.74	\$ 18.54	-8.26%	-11.88%
Quarter ended January 31, 2013	\$ 17.91	\$ 16.01	\$ 20.16	\$ 18.47	-8.42%	-13.36%
Quarter ended April 30, 2013	\$ 18.31	\$ 17.45	\$ 20.67	\$ 19.82	-10.61%	-12.37%
Quarter ended July 31, 2013	\$ 19.42	\$ 17.54	\$ 21.55	\$ 20.13	-9.59%	-12.87%
Quarter ended October 31, 2013	\$ [ ]	\$ [ ]	\$ [ ]	\$ [ ]	[ ]%	[ ]%

(1) Such prices reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.



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NIE's net asset value per common shares at the close of business on [ ] was \$[ ] and the last reported sale price of a common share of NIE on the NYSE on that day was \$[ ], representing a [ ]% [discount/premium] to such net asset value. NGZ's net asset value per common shares at the close of business on [ ] was \$[ ] and the last reported sale price of a common share of NGZ on the NYSE on that day was \$[ ], representing a [ ]% [discount/premium] to such net asset value.

**8. *Why is the vote of shareholders of NIE and NGZ being solicited in connection with the proposed Merger?***

Although NIE will continue its legal existence and operations after the Merger, the rules of the NYSE (on which NIE's common shares are listed) require NIE's shareholders to approve the issuance of additional common shares in connection with the Merger. In addition, the Board of Trustees of NIE has determined to present the Merger itself to the shareholders of NIE and NGZ for approval. If the Issuance is not approved by NIE shareholders and the Merger is not approved by shareholders of NIE and NGZ, the Merger will not occur.

**9. *Who manages the Funds?***

Allianz Global Investors Fund Management LLC is the investment adviser to each Fund. AGI U.S. serves as the sub-adviser to each Fund. AGI U.S. and AGIFM are each affiliates of Allianz Global Investors of America L.P. (Allianz Global Investors). Following the Merger, AGIFM and AGI U.S. will continue to advise and sub-advise, respectively, NIE. In addition, three of NGZ's current portfolio managers, Douglas Forsyth, Justin Kass and Michael Yee, are also portfolio managers of NIE and will continue to serve as portfolio managers of the Combined Fund following the Merger.

**10. *What are the U.S. federal income tax consequences of the proposed Merger?***

The Merger of NGZ into NIE is intended to be a tax-free reorganization for U.S. federal income tax purposes. Provided that the Merger is tax-free, no gain or loss will be recognized by NGZ or its shareholders or NIE or its shareholders directly as a result of the Merger, the aggregate tax basis of the Merger Shares received by each NGZ shareholder will be the same as the aggregate tax basis of the shareholder's NGZ shares, and the holding period of the Merger Shares in the hands each NGZ shareholder will include the holding period for the shareholder's NGZ shares, provided in each case that the shareholder held the NGZ shares as a capital assets. If the Merger goes forward, a substantial portion of the portfolio assets held by NGZ are expected to be sold in connection with the Merger. The actual tax impact of such sales will depend on the difference between the price at which such portfolio assets are sold and NGZ's basis in such assets. If NGZ were to recognize capital gains in these sales on a net basis, it would distribute such gains, as reduced by any other current-year capital losses and capital loss carryforwards, to its shareholders as capital-gain dividends (to the extent of net realized long-term capital gains distributed) and/or ordinary dividends (to the extent of net realized short-term capital gains distributed) during or with respect to the year of sale, and such distributions would be taxable to shareholders. Furthermore, because the Merger will end the tax year of NGZ, if NGZ were to have any undistributed net investment company taxable income or net capital gains for the short tax year ending on the date of the Merger, the Merger would accelerate the distribution of such income and such net capital gains to NGZ shareholders. Based on market values of NGZ assets as of August 31, 2013, AGIFM expects NGZ to realize net capital losses as a result of the anticipated sales of its portfolio assets in connection with the Merger and does not expect NGZ to declare or pay any significant capital gain dividends prior to the Merger; AGIFM does expect that NGZ will declare and pay some distributions of ordinary income dividends and returns of capital prior to the

Merger. At any time prior to the consummation of the Merger, a shareholder may sell its shares of a Fund on the market, likely resulting in the current recognition of gain or loss to such shareholder for federal income tax purposes. For more information about the federal income tax consequences of the Merger, see [Information About the Proposed Merger](#) [Information About the Merger](#) [Federal Income Tax Consequences](#).

**11. *How will I be notified of the outcome of the vote?***

If the proposed Merger is approved by shareholders, shareholders of NGZ will receive confirmation after the Merger is completed indicating the number of common shares of NIE they are receiving.

**12. *Will the number of shares I own change?***

The number of shares of NGZ you own may change, but the total net asset value of the shares of NIE you receive will equal the total net asset value of the shares of NGZ that you hold at the time of the Merger. Even though the net asset value per share of the Funds may be different, the total net asset value of your holdings (as determined at the time of the Merger) will not change as a result of the Merger. However, the total market value of a shareholder's holdings in NGZ may be more or less than the total market value of NIE shares received in the Merger depending upon the relative discount or premium to net asset value at which the shares of both Funds are trading at the time of the Merger. The number of shares of NIE you own will not change as a result of the Merger.



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### ***13. How does the Board of my Fund suggest that I vote?***

After careful consideration, the Board of your Fund recommends that you vote **FOR** each of the Proposals for your Fund.

### ***14. How do I vote my proxy?***

You may vote by mail by returning a properly executed proxy card, by Internet by going to the website listed on the proxy card, by telephone using the toll-free number listed on the proxy card, or in person by attending the Meetings. Shares represented by duly executed and timely delivered proxies will be voted as instructed on the proxy. At any time before it has been voted, your proxy may be revoked in one of the following ways: (i) by delivering a signed, written letter of revocation to the Secretary of the appropriate Fund at 1633 Broadway, New York, New York 10019, (ii) by properly executing and submitting a later-dated proxy vote, or (iii) by attending the Meeting and voting in person. Please call 1-800-591-6313 for information on how to obtain directions to be able to attend the Meeting and vote in person. If any proposal, other than the Proposals set forth herein, properly comes before a Meeting, the persons named as proxies will vote in their sole discretion.

### ***15. Whom do I contact for further information?***

You may contact your financial advisor for further information. You may also call AST Fund Solutions, LLC, the Funds' proxy solicitor, at 1-800-591-6313.

## **B. PRINCIPAL RISK FACTORS**

### **Risks Related to the Merger**

#### *Expenses.*

After the Merger, the Combined Fund is expected to have a total annual fund operating expense ratio that is equal to or slightly less than NIE's current total annual fund operating expense ratio. However, the Combined Fund may incur higher total expenses for a period after the completion of the Merger due to expenses associated with the Merger prior to experiencing any savings or may never experience any savings if its fixed costs were to increase or the value of its assets were to decrease. The realization of any reduced expenses will not affect shareholders of the Funds proportionately, and may take longer than expected to be realized or may not be realized at all.

The Board of each of NIE and NGZ believes that its respective Fund's shareholders should realize lower total annual fund operating expenses after the Merger than they would realize if the Merger did not occur after the expenses associated with the Merger have been paid. For the 12-month period ended July 31, 2013, the total annual fund operating expenses of NIE and NGZ were 1.08% and 1.29%, respectively. The Funds estimate that the completion of the Merger would result in total annual operating expenses for the Combined Fund of 1.07% on a historical and *pro forma* basis for the 12-month period ended July 31, 2013, representing a reduction in the total operating expenses for the shareholders of NIE and NGZ of 0.01% and 0.22%, respectively. There can be no assurance that future expenses will not increase or that any expense savings (or increases) will be realized.

The Funds will bear all expenses incurred in connection with the Merger, including, without limitation, the costs of printing, mailing, and soliciting proxies; accounting fees; registration fees of the SEC; and NYSE listing fees, which costs will be borne directly by the Fund incurring the expense or based upon such other reasonable methodology as

shall be approved by the Trustees of each Fund. Notwithstanding the foregoing, all legal fees and related expenses incurred by or on behalf of the Funds in connection with the Merger will be allocated equally between AGIFM, on the one hand, and the Funds, on the other hand, such that AGIFM will bear 50% of such fees and the Funds shall together bear 50% of such fees. Such legal fees and other related expenses allocated to NIE and NGZ shall be further allocated between the two Funds based on the projected relative benefits to each of NIE and NGZ of the Merger as determined by AGIFM.

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Neither the Funds nor the Manager will pay any expenses of shareholders arising out of or in connection with the Merger (*e.g.*, expenses incurred by the shareholder as a result of attending the shareholder meeting, voting on the Merger or other action taken by the shareholder in connection with the Merger). See Background and Reasons for the Proposed Merger.

### *Earnings and Distribution Rate.*

NGZ's regular quarterly distributions during fiscal years 2009, 2010 and 2012, in addition to including income and net realized gains, have also included return of capital ( RoC ) as one of their components. Assuming a constant distribution rate, the Manager and Sub-Adviser believe that RoC will continue to constitute a percentage of NGZ's total distributions in future years if the Merger is not approved and consummated. During the same periods (with the exception of fiscal year 2010), NIE's distributions have generally comprised income and net realized gains and have not included RoC as a component of the Fund's total distributions.

In part as a result of the repositioning of NGZ's portfolio securities in connection with the Merger, the Combined Fund's earnings are expected to be higher than that of each Fund prior to the Merger; however, the Combined Fund's earnings and distribution rate may change over time, and depending on market conditions, may be significantly higher or lower than each Fund's earnings and distribution rate prior to the Merger.

A Fund's earnings and net investment income vary over time and depend on many factors, including its asset mix, portfolio turnover level, the movement of interest rates and general market conditions. There can be no assurance that the future earnings of a Fund, including the Combined Fund after the Merger, will remain constant or will not decline.

### *Premium/Discount to NAV.*

As with any capital stock, the price of each Fund's common shares will fluctuate based on market conditions and other factors. If shares are sold, the price received may be more or less than the original investment. Each Fund's common shares are designed for long-term investors and should not be treated as trading vehicles. Shares of closed-end management investment companies frequently trade at a discount from their NAV. This risk may be greater for investors who sell their shares in a relatively short period of time after completion of the Merger.

As of September 30, 2013 and on a historical average basis, NIE's common shares have traded at a wider discount to net asset value (*i.e.*, the market price of the Fund's common shares is below the Fund's net asset value per share) than that of NGZ's common shares. Depending on the relative discount or premium of the common shares of one Fund to the common shares of the other Fund at the time of the Merger, the discount of a Fund's common shares may widen or the premium of a Fund's common shares may narrow (*i.e.*, the market price of the common shares may decrease relative to NAV), which may result in the Merger Shares received by NGZ shareholders and/or the Combined Fund's common shares held by NIE shareholders following the Merger having an aggregate market value that is less than the aggregate market value of the NGZ common shares that are exchanged in the Merger or than the market value of the NIE common shares prior to the Merger, respectively. There can be no assurance that, after the Merger, common shares of the Combined Fund will trade at, above or below NAV. In the Merger, shareholders of NGZ will receive common shares of NIE based on the relative net asset values (not the market values) of each NIE's common shares. The market value of the common shares of the Combined Fund may be less than the market value of the common shares of NIE or NGZ prior to the Merger.

## **General Risks of Investing in the Funds**

Because the Funds have an identical investment objective and substantially similar investment policies, the principal risks of investing in the Funds are substantially similar. The value of the common shares will fluctuate with and be affected by, among other things, the principal risks of a Fund. The principal risks of the Funds are summarized below. Each Fund may be subject to additional principal risks and risks other than those described below because the types of investments made by each Fund can change over time. There is no guarantee that a Fund will be able to achieve its investment objective. It is possible to lose money on investments in the Funds. These and other risks are summarized below.

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*Both NGZ and NIE are subject to the following risks:*

**Market Discount Risk.** As with any stock, the price of each Fund's common shares will fluctuate with market conditions and other factors. If you sell your common shares, the price received may be more or less than your original investment. The shares are designed for long-term investors and should not be treated as trading vehicles. Shares of closed-end management investment companies frequently trade at a discount from their net asset value. The shares may trade at a price that is less than the offering price for shares issued pursuant to an offering. This risk may be greater for investors who sell their shares relatively shortly after completion of an offering.

**Market Risk.** The market price of securities owned by a Fund may go up or down, sometimes rapidly or unpredictably. Securities may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets. The value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously.

**Equity Securities and Related Market Risk.** Each Fund will ordinarily have substantial exposure to common stocks and other equity securities in pursuing its investment objective and policies, through direct investments in equity securities and investments in convertible securities. The market price of common stocks and other equity securities may go up or down, sometimes rapidly or unpredictably. Equity securities may decline in value due to factors affecting equity securities markets generally, particular industries represented in those markets, or the issuer itself. See Principal Risk Factors Issuer Risk. The values of equity securities may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Equity securities generally have greater price volatility than bonds and other debt securities.

Each Fund may invest in both equity securities of companies that AGI U.S. believes will experience relatively rapid earnings growth (growth securities) and equity securities of companies that AGI U.S. believes are selling at a price lower than their true value (value securities). Growth securities typically trade at higher multiples of current earnings than other securities. Therefore, the value of growth securities may be more sensitive to changes in current or expected earnings than the value of other securities. Companies that issue value securities may have experienced adverse business developments or may be subject to special risks that have caused their securities to be out of favor. If AGI U.S.'s assessment of a company's prospects is wrong, or if the market does not recognize the value of the company, the price of its securities may decline or may not approach the value that AGI U.S. anticipates.

**Convertible Securities Risk.** Each Fund may invest in convertible securities, which may include, among others, bonds, debentures, notes, preferred stocks or other securities. Convertible securities will ordinarily constitute a principal component of each Fund's investment program. Convertible securities generally offer lower interest or dividend yields than non-convertible debt securities of similar quality. The market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. However, a convertible security's market value tends to reflect the market price of the common stock of the issuing company when that stock price approaches or is greater than the convertible security's conversion price. The conversion price is defined as the predetermined price at which the convertible security could be exchanged for the associated stock. As the market price of the underlying common stock declines, the price of the convertible security tends to be influenced more by the

yield of the convertible security. Thus, it may not decline in price to the same extent as the underlying common stock. In the event of a liquidation of the issuing company, holders of convertible securities would be paid before the company's common stockholders but after holders of any senior debt obligations of the company. Consequently, the issuer's convertible securities generally entail less risk than its common stock but more risk than its debt obligations. Convertible securities are often rated below investment grade or not rated because they fall below debt obligations and just above common equity in order of preference or priority on the issuer's balance sheet. See **Principal Risk Factors** **High Yield Risk**.

***Synthetic Convertible Securities Risk.*** Each Fund may invest without limit in synthetic convertible securities, which are created through a combination of separate securities that possess the two principal characteristics of a traditional convertible security, *i.e.*, an income-producing security ( **income-producing component** ) and the right to acquire an equity security ( **convertible component** ). The income-producing component is achieved by investing in non-convertible, income-producing securities such as bonds, preferred stocks and money market instruments. The convertible component is achieved by purchasing warrants or options to buy common stock at a certain exercise price, or options on a stock index. The values of synthetic

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convertible securities will respond differently to market fluctuations than a traditional convertible security because a synthetic convertible is composed of two or more separate securities or instruments, each with its own market value. Synthetic convertible securities are also subject to the risks associated with derivatives. See **Principal Risk Factors Other Derivatives Risk**. In addition, if the value of the underlying common stock or the level of the index involved in the convertible element falls below the strike price of the warrant or option, the warrant or option may lose all value.

**Preferred Securities Risk.** In addition to equity securities risk (see **Principal Risk Factors Equity Securities and Related Market Risk**), credit risk (see **Principal Risk Factors Credit Risk**) and possibly high yield risk (see **Principal Risk Factors High Yield Risk**), investment in preferred securities involves certain other risks. Certain preferred securities contain provisions that allow an issuer under certain conditions to skip or defer distributions. If a Fund owns a preferred security that is deferring its distribution, the Fund may be required to include the amount of the deferred distribution in its taxable income for tax purposes despite the fact that it does not currently receive such amount. In order to receive the special U.S. federal income tax treatment accorded to RICs and their shareholders and to avoid U.S. federal income and/or excise taxes at the Fund level, the Funds may be required to distribute this income to shareholders in the tax year in which the income is recognized (without a corresponding receipt of cash). Therefore, a Fund may be required to pay out as an income distribution in any such tax year an amount greater than the total amount of cash income the Fund actually received, and to sell portfolio securities, including at potentially disadvantageous times or prices, to obtain cash needed for these income distributions. Preferred securities often are subject to legal provisions that allow for redemption in the event of certain tax or legal changes or at the issuer's call. In the event of redemption, a Fund may not be able to reinvest the proceeds at comparable rates of return. Preferred securities are subordinated to bonds and other debt securities in an issuer's capital structure in terms of priority for corporate income and liquidation payments, and therefore will be subject to greater credit risk than those debt securities. Preferred securities may trade less frequently and in a more limited volume and may be subject to more abrupt or erratic price movements than many other securities, such as common stocks, corporate debt securities and U.S. Government securities. The Fund may invest in convertible preferred securities, which are subject to the same risks as convertible securities generally. See **Principal Risk Factors Convertible Securities Risk**. In addition, convertible preferred securities may generate lower rates of income than other preferred securities, and the conversion option of a convertible preferred security may cause it to trade more like an equity security than a typical debt instrument.

**Interest Rate Risk.** Generally, when market interest rates rise, the prices of debt obligations fall, and vice versa. Interest rate risk is the risk that debt obligations and other instruments in a Fund's portfolio will decline in value because of increases in market interest rates. This risk may be particularly acute because market interest rates are currently at historically low levels. The prices of long-term debt obligations generally fluctuate more than prices of short-term debt obligations as interest rates change. Because the weighted average maturity of each Fund's portfolio will typically range from five to ten years, each Fund's net asset value and market price per share will tend to fluctuate more in response to changes in market interest rates than if the Funds invested mainly in short-term debt securities. During periods of rising interest rates, the average life of certain types of securities may be extended due to lower than expected rates of prepayments, which could cause the securities' durations to extend and expose the securities to more price volatility. This may lock in a below market yield, increase the security's duration and reduce the security's value. In addition to directly affecting debt securities, rising interest rates may also have an adverse effect on the value of any equity securities held by the Funds. AGI U.S. may utilize certain strategies, including without limitation investments in structured notes or interest rate futures contracts or swap, cap, floor or collar transactions, for the purpose of reducing the interest rate sensitivity of the Funds' portfolios, although there is no assurance that it will do so or that, if used, such strategies will be successful. Each Fund may invest in variable- and floating-rate debt instruments, which generally are less sensitive to interest rate changes than longer duration fixed-rate instruments, but may decline in value in response to rising interest rates if, for example, the rates at which they pay interest do not rise as much, or as

quickly, as market interest rates in general. Conversely, variable- and floating-rate instruments generally will not increase in value if interest rates decline. Each Fund also may invest in inverse floating-rate debt securities, which may decrease in value if interest rates increase, and which also may exhibit greater price volatility than fixed-rate debt obligations with similar credit quality. To the extent a Fund holds variable- or floating-rate instruments, a decrease (or, in the case of inverse floating-rate securities, an increase) in market interest rates will adversely affect the income received from such securities and the net asset value of the Fund's shares.

**Issuer Risk.** The value of securities may decline for a number of reasons that directly relate to the issuer, such as its financial strength, management performance, financial leverage and reduced demand for the issuer's goods and services, as well as the historical and prospective earnings of the issuer and the value of its assets. These risks can apply to the shares issued by the Funds and to the issuers of securities and other instruments in which the Funds invest.

**Liquidity Risk.** Illiquid securities may trade at a discount from comparable, more liquid investments, and may be subject to wide fluctuations in market value. Also, a Fund may not be able to dispose readily of illiquid securities when that would be beneficial at a favorable time or price or at prices approximating those at which the Fund then values them. Further, the lack of an established secondary market for illiquid securities may make it more difficult to value such securities, which may negatively affect the price the Fund would receive upon disposition of such securities. See **Principal Risk Factors** Valuation Risk.



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**Options Risk.** There are various risks associated with the Funds' option strategies. As the writer (seller) of a call option, a Fund would receive cash (the premium) from the purchaser of the option, and the purchaser would have the right to receive from the Fund any appreciation in the underlying security or the cash value of the underlying index over the strike price upon expiration or exercise. In effect, the Fund forgoes, during the life of the option, the opportunity to profit from increases in the market value of the underlying security or securities held by the Fund (in the case of an index option, to the extent the performance of the index is correlated with the corresponding securities held by the Fund) with respect to which the option was written above the sum of the premium and the strike price of the call. Therefore, each Fund's use of the option strategy will generally limit each Fund's ability to benefit from the full upside potential of its Equity Component. However, when a Fund writes call options, it retains the risk of loss (net of premiums received) should the price of the Fund's portfolio securities decline. This combination of potentially limited appreciation and full depreciation over time may lead to erosion in the value of each Fund's portfolio and each Fund's performance may be lower than it otherwise would have been if it did not use the option strategy.

There are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. In the case of index options, AGI U.S. will attempt to maintain for each Fund written call options positions on equity indexes whose price movements, taken in the aggregate, are closely correlated with the price movements of securities held in such Fund's Equity Component. However, this strategy involves significant risk that the changes in value of the indexes underlying a Fund's written call options positions will not correlate closely with changes in the market value of the corresponding securities held by the Fund. To the extent that there is a lack of correlation, movements in the indexes underlying the options positions may result in net losses to the Fund (including at times when the market values of securities held by the Fund are declining) that exceed any gains received by the Fund from options premiums and any increase in value of the Fund's portfolio securities. In these and other circumstances, the Fund may be required to sell portfolio securities to satisfy its obligations as the writer of an index call option, when it would not otherwise choose to do so, or may choose to sell portfolio securities to realize gains to supplement Fund distributions. Such sales would involve transaction costs borne by the Fund and may also result in realization of taxable capital gains, including short-term capital gains taxed to shareholders at ordinary income tax rates when distributed to them, and may adversely impact the Fund's after-tax returns.

The exercise price of an option may be adjusted downward before the option's expiration as a result of the occurrence of certain corporate events affecting underlying securities, such as extraordinary dividends, stock splits, mergers, or other extraordinary distributions or events. A reduction in the exercise price of an option might reduce a Fund's capital appreciation potential on underlying securities held by the Fund.

The value of options written by each Fund, which will be priced daily, are determined by trading activity in the broad options market and will be affected by, among other factors, changes in the value of the underlying securities (including those comprising an index) in relation to the strike price, changes in dividend rates of underlying securities, changes in interest or currency rates, changes in actual or perceived volatility of the stock market and underlying securities, and the time remaining until the expiration date. The value of options written by the Fund may be adversely affected if the market for the option is reduced or becomes illiquid. See "Principal Risk Factors Listed options risk" and "Principal Risk Factors Over-the-counter options risk."

Each Fund's use of put options would involve certain risks similar to those of call options, including in the case of index put options that the strategy may not work as intended due to a lack of correlation between changes in value of an index underlying a put option and changes in the market value of a Fund's portfolio securities. Further, a put option purchased by a Fund and not sold prior to expiration will expire worthless if the cash value of the index or market

value of the underlying security at expiration exceeds the exercise price of the option, thereby causing the Fund to lose its entire investment in the option. Put options sold by a Fund involve a tradeoff between the options premiums received and the Fund's exposure to declines in the value of the stock or indexes with respect to which the put options are written.

**Listed Options Risk.** When a Fund uses listed or exchange-traded options, a liquid secondary market may not exist on an exchange when the Fund seeks to close out the option position. Reasons for the absence of a liquid secondary market on an exchange include the following: (i) there may be insufficient trading interest in certain options; (ii) restrictions may be imposed by an exchange on opening transactions or closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or the OCC may not at all times be adequate to handle current trading

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volume; or (vi) one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options). If trading were discontinued, the secondary market on that exchange (or in that class or series of options) would cease to exist. In addition, the hours of trading for options may not conform to the hours during which securities held by the Funds are traded. To the extent that the options markets close before the markets for underlying securities, significant price and rate movements can take place in the underlying markets that cannot be reflected in the options markets. In addition, the Funds' listed options transactions may be subject to limitations established by each of the exchanges, boards of trade or other trading facilities on which the options are traded. These limitations govern the maximum number of options in each class that may be written by a single investor or group of investors acting in concert, regardless of whether the options are written on the same or different exchanges, boards of trade or other trading facilities or are written in one or more accounts or through one or more brokers. Thus, the number of options that each Fund may write may be affected by options written by other investment advisory clients of the Manager, AGI U.S. or their affiliates. An exchange, board of trade or other trading facility may order the liquidation of positions found to be in excess of these limits, and it may impose other sanctions.

***Over-the-Counter Options Risk.*** Each Fund may write and purchase unlisted (or over-the-counter) options, particularly with respect to foreign securities and indexes. Over-the-counter options differ from traded options in that they are two-party contracts, with price and other terms negotiated between buyer and seller, and generally do not have as much market liquidity as exchange-traded options. The counterparties to these transactions will typically be major international banks, broker-dealers and financial institutions. A Fund may be required to treat as illiquid over-the-counter options purchased, as well as securities being used to cover certain written over-the-counter options. The over-the-counter options written by a Fund will not be issued, guaranteed or cleared by the OCC. In addition, a Fund's ability to terminate over-the-counter options may be more limited than with exchange-traded options and may involve enhanced risk that banks, broker-dealers or other financial institutions participating in such transactions will not fulfill their obligations. In the event of default or insolvency of the counterparty, a Fund may be unable to liquidate an over-the-counter option position.

***Other Derivatives Risk.*** In addition to each Fund's use of written options pursuant to its option strategy, each Fund may utilize various other derivative strategies (both long and short positions) for investment or risk management purposes, as well as to leverage its portfolio. These may include derivatives used as a component of a synthetic convertible security or to gain exposure to high yield securities and other securities in which the Fund may invest. See **Principal Risk Factors – Leverage Risk.** Derivatives transactions that the Funds may utilize include, but are not limited to, purchases or sales of futures and forward contracts, call and put options, credit default swaps, total return swaps, basis swaps and other swap agreements. The Funds may also have exposure to derivatives, such as interest rate or credit-default swaps, through investment in credit-linked trust certificates and other securities issued by special purpose or structured vehicles. The Funds' use of derivative instruments involves risks different from, and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks described elsewhere in this prospectus, such as liquidity risk, interest rate risk, issuer risk, credit risk, leveraging risk, counterparty risk, management risk and, if applicable, smaller company risk. They also involve the risk of mispricing or improper valuation, the risk of unfavorable or ambiguous documentation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. If a Fund invests in a derivative instrument, it could lose more than the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that the Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial. A Fund's use of derivatives also may affect the character and/or timing of distributions to shareholders and increase the amount of taxes payable by shareholders.

**Counterparty Risk.** A Fund will be subject to credit risk with respect to the counterparties to the derivative contracts and other instruments entered into by the Fund or held by special purpose or structured vehicles in which the Fund invests. In the event that a Fund enters into a derivative transaction with a counterparty that subsequently becomes insolvent or becomes the subject of a bankruptcy case, the derivative transaction may be terminated in accordance with its terms and the Fund's ability to realize its rights under the derivative instrument and its ability to distribute the proceeds could be adversely affected. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery (including recovery of any collateral it has provided to the counterparty) in a dissolution, assignment for the benefit of creditors, liquidation, winding-up, bankruptcy, or other analogous proceeding. In addition, in the event of the insolvency of a counterparty to a derivative transaction, the derivative transaction would typically be terminated at its fair market value. If a Fund is owed this fair market value in the termination of the derivative transaction and its claim is unsecured, the Fund will be treated as a general creditor of such counterparty, and will not have any claim with respect to any underlying security or asset. A Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

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**Leverage Risk.** A Fund's use of leverage, if any, creates the opportunity for increased common share net income, but also creates special risks for common shareholders. To the extent used, there is no assurance that a Fund's leverage strategies will be successful. Leverage is a speculative technique that may expose the Funds to greater risk and increased costs. A Fund's assets attributable to any outstanding preferred shares or the net proceeds the Fund obtains from its use of reverse repurchase agreements, dollar rolls and/or borrowings, if any, will be invested in accordance with the Fund's investment objective and policies as described in this Joint Prospectus/Proxy Statement. Dividends payable with respect to any preferred shares and interest expense payable by a Fund with respect to any reverse repurchase agreements, dollar rolls and borrowings will generally be based on shorter-term interest rates that would be periodically reset. So long as a Fund's portfolio investments provide a higher rate of return (net of applicable Fund expenses) than the dividend rate on any preferred shares outstanding and the interest expenses and other costs to the Fund of such other leverage, the investment of the proceeds thereof will generate more income than will be needed to pay the costs of the leverage. If so, and all other things being equal, the excess may be used to pay higher dividends to common shareholders than if the Fund were not so leveraged. If, however, shorter-term interest rates rise relative to the rate of return on the Fund's portfolio, the interest and other costs to the Fund of leverage (including the dividend rate on any outstanding preferred shares and interest expenses on any reverse repurchase agreements, dollar rolls and borrowings) could exceed the rate of return on the debt obligations and other investments held by the Fund, thereby reducing return to common shareholders. In addition, fees and expenses of any form of leverage used by a Fund will be borne entirely by the common shareholders (and not by preferred shareholders of the Fund, if any) and will reduce the investment return of the Fund's common shares. Therefore, there can be no assurance that a Fund's use of leverage will result in a higher yield on the common shares, and it may result in losses. In addition, any preferred shares pay cumulative dividends, which may tend to increase leverage risk.

Leverage creates several major types of risks for common shareholders, including:

the likelihood of greater volatility of net asset value and market price of the common shares, and of the investment return to common shareholders, than a comparable portfolio without leverage;

the possibility either that the common share dividends will fall if the interest and other costs of leverage rise, or that dividends paid on common shares will fluctuate because such costs vary over time; and

the effects of leverage in a declining market or a rising interest rate environment, as leverage is likely to cause a greater decline in the net asset value of the common shares than if the Fund were not leveraged and may result in a greater decline the market value of the common shares.

In addition, any preferred shareholders of a Fund, and the counterparties to the Fund's leveraging transactions, will have priority of payment over the Fund's common shareholders.

The use by the Fund of reverse repurchase agreements and dollar rolls, if any, to obtain leverage also involves special risks. For instance, the market value of the securities that the Fund is obligated to repurchase under a reverse repurchase agreement or dollar roll may decline below the repurchase price.

In addition to reverse repurchase agreements, dollar rolls and/or borrowings (or a future issuance of preferred shares), the Funds may engage in other transactions that may give rise to a form of leverage including, among others, futures and forward contracts, credit default swaps, total return swaps and other derivative transactions, loans of portfolio securities, short sales and when-issued, delayed delivery and forward commitment transactions). A Fund's use of such

transactions give rise to associated leverage risks described above, and may adversely affect the Fund's income, distributions and total returns to common shareholders. Each Fund manages some of its derivative positions by segregating an amount of cash or liquid securities equal to the face value or the market value, as applicable, of those positions. The Funds may also offset derivatives positions against one another or against other assets to manage effective market exposure resulting from derivatives in its portfolio. To the extent that any offsetting positions do not behave in relation to one another as expected, the Funds may perform as if it is leveraged through use of these derivative strategies.

Because the fees received by the Manager and the Sub-Adviser are based on the total managed assets of the Funds (including any assets attributable to any preferred shares or other forms of leverage of the Fund that may be outstanding), the Manager and the Sub-Adviser have a financial incentive for the Funds to use certain forms of leverage (*e.g.*, preferred shares, reverse repurchase agreements and other borrowings), which may create a conflict of interest between the Manager and the Sub-Adviser, on the one hand, and the Funds' common shareholders, on the other hand.

***Credit Risk.*** Credit risk is the risk that one or more of a Fund's investments in debt securities or other instruments will decline in price, or fail to pay interest, liquidation value or principal when due, because the issuer of the obligation or the issuer of a reference security experiences an actual or perceived decline in its financial status.

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**High Yield Risk.** Each Fund may invest in debt instruments that are, at the time of purchase, rated below investment grade or unrated but determined by AGI U.S. to be of comparable quality, and may invest without limit in securities of any rating.

In general, lower rated debt securities carry a greater degree of risk that the issuer will lose its ability to make interest and principal payments, which could have a negative effect on the net asset value of a Fund's shares or share dividends. Securities of below investment grade quality are regarded as having predominantly speculative characteristics with respect to capacity to pay interest and repay principal, and are commonly referred to as high yield securities or junk bonds. High yield securities involve a greater risk of default and their prices are generally more volatile and sensitive to actual or perceived negative developments, such as a decline in the issuer's revenues or revenues of underlying borrowers or a general economic downturn, than are the prices of higher grade securities. Debt securities in the lowest investment grade category also may be considered to possess some speculative characteristics by certain rating agencies. The Fund may purchase distressed securities that are in default or the issuers of which are in bankruptcy, which involve heightened risks. See **Principal Risk Factors Distressed and Defaulted Securities Risk.** An economic downturn could severely affect the ability of issuers (particularly those that are highly leveraged) to service their debt obligations or to repay their obligations upon maturity. Lower-rated securities are generally less liquid than higher-rated securities, which may have an adverse effect on a Fund's ability to dispose of a particular security. For example, under adverse market or economic conditions, the secondary market for below investment grade securities could contract further, independent of any specific adverse changes in the condition of a particular issuer, and certain securities in a Fund's portfolio may become illiquid or less liquid. As a result, a Fund could find it more difficult to sell these securities or may be able to sell these securities only at prices lower than if such securities were widely traded. See **Principal Risk Factors Liquidity Risk.** To the extent a Fund focuses on below investment grade debt obligations, AGI U.S.'s capabilities in analyzing credit quality and associated risks will be particularly important, and there can be no assurance that AGI U.S. will be successful in this regard. Due to the risks involved in investing in high yield securities, an investment in a Fund should be considered speculative.

Each Fund's credit quality policies, if any, apply only at the time a security is purchased, and a Fund is not required to dispose of a security in the event that a rating agency or AGI U.S. downgrades its assessment of the credit characteristics of a particular issue. In determining whether to retain or sell such a security, AGI U.S. may consider factors including, but not limited to, AGI U.S.'s assessment of the credit quality of the issuer of such security, the price at which such security could be sold and the rating, if any, assigned to such security by other rating agencies. Analysis of creditworthiness may be more complex for issuers of high yield securities than for issuers of higher quality debt securities.

**Distressed and Defaulted Securities Risk.** Each Fund may invest in the debt securities of financially distressed issuers, including those that are in default or the issuers of which are in bankruptcy. Investments in the securities of financially distressed issuers involve substantial risks. These securities may present a substantial risk of default or may be in default at the time of investment. A Fund may incur additional expenses to the extent it is required to seek recovery upon a default in the payment of principal or interest on its portfolio holdings. In any reorganization or liquidation proceeding relating to an investment, a Fund may lose its entire investment or may be required to accept cash or securities with a value substantially less than its original investment. Among the risks inherent in investments in a troubled issuer is that it frequently may be difficult to obtain information as to the true financial condition of such issuer. AGI U.S.'s judgments about the credit quality of a financially distressed issuer and the relative value of its securities may prove to be wrong.

**Dividend and Income Risk.** The income shareholders receive from a Fund is based primarily on the dividends and interest such Fund earns from its investments as well as the gains the Fund receives from writing options and selling portfolio securities, each of which can vary widely over the short and long term. The dividend income from a Fund's

investments in equity securities will be influenced by both general economic activity and issuer-specific factors. In the event of a recession or adverse events affecting a specific industry or issuer, the issuers of the equity securities held by the Fund may reduce the dividends paid on such securities. If prevailing market interest rates decline, distribution rates on convertible securities and other debt instruments in which the Fund invests, and shareholders' income from the Fund, would likely decline as well.

**Management Risk.** Each Fund is subject to management risk because it is an actively managed portfolio. AGI U.S. and the portfolio managers will apply investment techniques and risk analyses in making investment decisions for each Fund, but there can be no guarantee that these decisions will produce the desired results.

**Reinvestment Risk.** Income from a Fund's portfolio will decline if and when such Fund invests the proceeds from matured, traded or called debt obligations at market interest rates that are below the portfolio's current earnings rate. For instance, during periods of declining interest rates, an issuer of debt obligations may exercise an option to redeem securities prior to maturity, forcing a Fund to invest in lower-yielding securities. A Fund also may choose to sell higher yielding portfolio securities and to purchase lower yielding securities to achieve greater portfolio diversification, because the portfolio managers believe the current holdings are overvalued or for other investment-related reasons. A decline in income received by a Fund from its investments is likely to have a negative effect on dividend levels and the market price, net asset value and/or overall return of the shares.



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***Inflation/Deflation Risk.*** Inflation risk is the risk that the value of assets or income from a Fund's investments will be worth less in the future as inflation decreases the value of payments at future dates. As inflation increases, the real value of a Fund's portfolio could decline. Deflation risk is the risk that prices throughout the economy decline over time. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of a Fund's portfolio and shares.

***Tax Risk.*** A Fund's use of the Option Strategy may cause the Fund to realize higher amounts of short-term capital gains (generally taxed to shareholders at ordinary income tax rates when distributed to them) than if it had not used the Option Strategy.

The tax treatment and characterization of the Fund's distributions may vary significantly from time to time because of the varied nature of the Fund's investments and the Fund's maintenance of stable quarterly distributions. Although the Fund intends to make distributions quarterly, the ultimate tax characterization of the Fund's distributions made in a taxable year cannot finally be determined until after the end of that taxable year. As a result, there is a possibility that the Fund may make total distributions during a taxable year in an amount that exceeds the net investment income and net capital gains of the Fund with respect to that year, in which case the excess generally will be treated as a return of capital that is tax-free to the holders of the shares, up to the amount of the shareholder's tax basis in the applicable shares, with any amounts exceeding such basis treated as gain from the sale of such shares.

***Foreign (Non-U.S.) Investment Risk.*** Each Fund may invest in U.S. dollar-denominated securities of foreign issuers based in developed countries. A Fund's investments in and exposure to foreign securities involve special risks.

For example, the value of these investments may decline in response to unfavorable political and legal developments, unreliable or untimely information or economic and financial instability. Foreign securities may experience more rapid and extreme changes in value than investments in securities of U.S. issuers. The securities markets of many foreign countries are relatively small, with a limited number of companies representing a small number of industries. Issuers of foreign securities are usually not subject to the same degree of regulation as U.S. issuers. Reporting, accounting, auditing and custody standards of foreign countries differ, in some cases significantly, from U.S. standards. Also, nationalization, expropriation or other confiscation, currency blockage, political changes or diplomatic developments could adversely affect a Fund's investments in foreign securities. In the event of nationalization, expropriation or other confiscation, a Fund could lose its entire investment in foreign securities. To the extent that a Fund invests a significant portion of its assets in a particular foreign country or a concentrated geographic area (such as Asia or South America), such Fund will generally have more exposure to regional economic risks associated with foreign investments. Also, adverse conditions in a certain region can adversely affect securities from other countries whose economies appear to be unrelated. The costs of investing in foreign countries frequently are higher than the costs of investing in the United States. Foreign countries may impose taxes on income from or transactions in foreign securities, thereby reducing a Fund's return on such securities.

***Smaller Company Risk.*** The general risks associated with debt instruments or equity securities are particularly pronounced for securities issued by companies with small market capitalizations. Small capitalization companies involve certain special risks. They are more likely than larger companies to have limited product lines, markets or financial resources, or to depend on a small, inexperienced management group. Securities of smaller companies may trade less frequently and in lesser volume than more widely held securities and their values may fluctuate more sharply than other securities. They may also have limited liquidity. These securities may therefore be more vulnerable to adverse developments than securities of larger companies, and a Fund may have difficulty purchasing or selling securities positions in smaller companies at prevailing market prices. Also, there may be less publicly available information about smaller companies or less market interest in their securities as compared to larger companies. Companies with medium-sized market capitalizations may have risks similar to those of smaller companies.



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***Initial Public Offerings (IPOs) Risk.*** Each Fund may purchase securities in initial public offerings ( IPOs ). These securities are often subject to the general risks associated with investments in companies with small market capitalizations, and typically to a heightened degree. Securities issued in IPOs have no trading history, and information about the companies may be available for very limited periods. In addition, the prices of securities sold in an IPO may be highly volatile. At any particular time or from time to time the Fund may not be able to invest in IPOs, or to invest to the extent desired, because, for example, only a small portion (if any) of the securities being offered in an IPO may be available to a Fund. In addition, under certain market conditions, a relatively small number of companies may issue securities in IPOs. The investment performance of a Fund during periods when it is unable to invest significantly or at all in IPOs may be lower than during periods when it is able to do so.

***Real Estate Risk.*** To the extent that a Fund invests in real estate related investments, including real estate investment trusts ( REITs ) or real-estate linked derivative instruments, it will be subject to the risks associated with owning real estate and with the real estate industry generally. These include difficulties in valuing and disposing of real estate, the possibility of declines in the value of real estate, risks related to general and local economic conditions, the possibility of adverse changes in the climate for real estate, environmental liability risks, the risk of increases in property taxes and operating expenses, possible adverse changes in zoning laws, the risk of casualty or condemnation losses, limitations on rents, the possibility of adverse changes in interest rates and in the credit markets and the possibility of borrowers paying off mortgages sooner than expected, which may lead to reinvestment of assets at lower prevailing interest rates. To the extent that a Fund invests in REITs, it will also be subject to the risk that a REIT may default on its obligations or go bankrupt. By investing in REITs indirectly through a Fund, a shareholder will bear not only his or her proportionate share of the expenses of the Fund, but also, indirectly, similar expenses of the REITs. A Fund's investments in REITs could cause the Fund to recognize income in excess of cash received from those securities and, as a result, the Fund may be required to sell portfolio securities, including when it is not advantageous to do so, in order to make distributions.

***Mortgage-Related and Other Asset-Backed Securities Risk.*** Each Fund may invest in a variety of mortgage-related and other asset-backed securities issued by government agencies or other governmental entities or by private originators or issuers. Generally, rising interest rates tend to extend the duration of fixed-rate mortgage-related securities, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, the Funds may exhibit additional volatility. This is known as extension risk. In addition, adjustable and fixed-rate mortgage-related securities may involve special risks relating to unanticipated rates of prepayment on the mortgages underlying the securities. This is known as prepayment risk. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the returns of a Fund because the Fund may have to reinvest that money at the lower prevailing interest rates. A Fund's investments in other asset-backed securities are subject to risks similar to those associated with mortgage-related securities, as well as additional risks associated with the nature of the assets and the servicing of those assets.

The market for mortgage-backed and other asset-backed securities has recently experienced high volatility and a lack of liquidity. As a result, the value of many of these securities has significantly declined. There can be no assurance that these markets will become more liquid or less volatile, and it is possible that the value of these securities could decline further. Investments in mortgage-related and other asset-backed securities may involve particularly high levels of risk under current market conditions. See **Principal Risk Factors Mortgage Market/Subprime Risk**. See also **Principal Risk Factors Recent Economic Conditions Risk**.

***Mortgage Market/Subprime Risk.*** The mortgage markets in the United States and in various foreign countries have experienced extreme difficulties over the past few years that may adversely affect the performance and market value of certain of the Fund's mortgage-related investments. Delinquencies and losses on residential and commercial mortgage loans (especially subprime and second-lien mortgage loans) generally have increased during that period and

may continue to increase, and a decline in or flattening of housing and other real property values (as has been experienced during that period and may continue to be experienced in many real estate markets) may exacerbate such delinquencies and losses. Borrowers with adjustable rate mortgage loans are more sensitive to changes in interest rates, which affect their monthly mortgage payments, and may be unable to secure replacement mortgages at comparably low interest rates. Also, a number of mortgage loan originators have experienced serious financial difficulties or bankruptcy in recent periods. Owing largely to the foregoing, reduced investor demand for mortgage loans and mortgage-related securities and increased investor yield requirements have caused limited liquidity in the secondary market for mortgage-related securities, which can adversely affect the market value of mortgage-related securities. It is possible that such limited liquidity in such secondary markets could continue or worsen.

***Private Placements Risk.*** A private placement involves the sale of securities that have not been registered under the Securities Act, or relevant provisions of applicable non-U.S. law, to certain institutional and qualified individual purchasers, such as the Funds. In addition to the general risks to which all securities are subject, securities received in a private placement generally are subject to strict restrictions on resale, and there may be no liquid secondary market or ready purchaser for such securities. See **Principal Risk Factors** **Liquidity Risk**. Therefore, a Fund may be unable to dispose of such securities when it desires to do so, or at the most favorable time or price. Private placements may also raise valuation risks. See **Principal Risk Factors** **Valuation Risk**.

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**Valuation Risk.** When market quotations are not readily available or are deemed to be unreliable, a Fund values its investments at fair value as determined in good faith pursuant to policies and procedures approved by the Board of Trustees of the Fund. Fair value pricing may require subjective determinations about the value of a security or other asset. As a result, there can be no assurance that fair value pricing will result in adjustments to the prices of securities or other assets, or that fair value pricing will reflect actual market value, and it is possible that the fair value determined for a security or other asset will be materially different from quoted or published prices, from the prices used by others for the same security or other asset and/or from the value that actually could be or is realized upon the sale of that security or other asset.

**Confidential Information Access Risk.** In managing the Funds, AGI U.S. may from time to time have the opportunity to receive material, non-public information ( Confidential Information ) about the issuers of certain investments, including, without limitation, senior floating rate loans, other bank loans and related investments being considered for acquisition by a Fund or held in a Fund's portfolio. For example, a bank issuer of privately placed senior floating rate loans considered by a Fund may offer to provide AGI U.S. with financial information and related documentation regarding the bank issuer that is not publicly available. Pursuant to applicable policies and procedures, AGI U.S. may (but is not required to) seek to avoid receipt of Confidential Information from the issuer so as to avoid possible restrictions on its ability to purchase and sell investments on behalf of the Funds and other clients to which such Confidential Information relates (e.g., other securities issued by the bank used in the example above). In such circumstances, the Funds (and other AGI U.S. clients) may be disadvantaged in comparison to other investors, including with respect to the price a Fund pays or receives when it buys or sells an investment. Further, AGI U.S.'s and the Funds' abilities to assess the desirability of proposed consents, waivers or amendments with respect to certain investments may be compromised if they are not privy to available Confidential Information. AGI U.S. may also determine to receive such Confidential Information in certain circumstances under its applicable policies and procedures. If AGI U.S. intentionally or unintentionally comes into possession of Confidential Information, it may be unable, potentially for a substantial period of time, to purchase or sell investments to which such Confidential Information relates.

**Risk of Regulatory Changes.** To the extent that legislation or national or sub-national bank or other regulators in the U.S. or relevant foreign jurisdiction impose additional requirements or restrictions on the ability of certain financial institutions to make loans, particularly in connection with highly leveraged transactions, the availability of investments sought after by a Fund may be reduced. Further, such legislation or regulation could depress the market value of investments held by a Fund. Additionally, legislative, regulatory or tax developments may affect the investment techniques available to AGI U.S. and the portfolio managers in connection with managing a Fund and may also adversely affect the ability of a Fund to achieve its investment objective.

On July 21, 2010, the President signed into law major financial services reform legislation in the form of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act ). The Dodd-Frank Act, among other things, grants regulatory authorities, such as the Commodity Futures Trading Commission (the CFTC ) and the SEC, broad rulemaking authority to implement various provisions of the Dodd-Frank Act, including comprehensive regulation of the over-the-counter derivatives market. It is unclear how these regulators will exercise these revised and expanded powers and whether they will undertake rulemaking, supervisory or enforcement actions (in addition to those that have been proposed or taken thus far) that would adversely affect a Fund or investments made by a Fund. Possible regulatory actions taken under these revised and expanded powers may include actions related to, among others, financial consumer protection, proprietary trading and derivatives. There can be no assurance that future regulatory actions authorized by the Dodd-Frank Act will not adversely affect a Fund's performance and/or yield, perhaps to a significant extent. For example, the implementation of the Dodd-Frank Act could adversely affect the Funds by increasing transaction and/or regulatory compliance costs. In addition, greater regulatory scrutiny may increase the Funds' and the Manager's or Sub-Adviser's exposure to potential liabilities or restrictions. Increased

regulatory oversight can also impose administrative burdens on the Funds and the Manager or Sub-Adviser including, without limitation, making them subject to examinations or investigations and requiring them to implement new policies and procedures.

**Regulatory risk Commodity Pool Operator.** The CFTC has recently adopted certain regulatory changes that subject registered investment companies and their investment advisers to regulation by the CFTC if the registered investment company invests more than a prescribed level of its liquidation value in commodity futures, options on commodities or commodity futures, swaps, or other financial instruments ( commodity interests ) regulated under the Commodity Exchange Act of 1936, as amended (the CEA ), or if the fund markets itself as providing investment exposure to such instruments. In connection with these regulatory changes, the Manager has registered with the National Futures Association as a commodity pool operator ( CPO ) under the CEA with respect to certain funds it manages. The Manager has claimed an exclusion from CPO registration pursuant to CFTC Rule 4.5 with respect to each Fund. To remain eligible for this exclusion with respect to a Fund, such Fund must comply with certain limitations, including limits on its ability to use any commodity interests and limits on the manner in which such

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Fund holds out its use of such commodity interests. These limitations may restrict a Fund's ability to pursue its investment objective and strategies, increase the costs of implementing its strategies, result in higher expenses for a Fund, and/or adversely affect a Fund's total return. Further, in the event the Manager becomes unable to rely on the exclusion in Rule 4.5 with respect to a Fund, such Fund will be subject to additional regulation and its expenses may increase.

***Recent Economic Conditions Risk.*** The debt and equity capital markets in the United States and in foreign countries have been negatively affected by significant write-offs in the banking and financial services sectors relating to subprime mortgages and the re-pricing of credit risk in the broadly syndicated market, among other things. These events, along with the deterioration of housing markets, the failure of banking and other major financial institutions and resulting governmental actions have led to worsening general economic conditions, which have materially and adversely affected the broader financial and credit markets and have reduced the availability of debt and equity capital for the market as a whole and financial firms in particular. These developments may increase the volatility of the value of securities owned by a Fund, and also may make it more difficult for a Fund to accurately value securities or to sell securities on a timely basis. These developments have adversely affected the broader global economy, and may continue to do so, which in turn may adversely affect the ability of issuers of securities owned by the Fund to make payments of principal and interest when due, lead to lower credit ratings and increase the rate of defaults. Such developments could, in turn, reduce the value of securities owned by a Fund and adversely affect the net asset value and/or market value of a Fund's common shares. In addition, the prolonged continuation or further deterioration of current market conditions could adversely affect a Fund's portfolio.

The above-noted instability in the financial markets discussed above has led the U.S. and certain foreign governments to take a number of unprecedented actions designed to support certain banking and other financial institutions and segments of the financial markets that have experienced extreme volatility, and in some cases a lack of liquidity. Federal, state and other governments and their regulatory agencies or self-regulatory organizations may take actions that affect the regulation of the instruments in which a Fund invests, or the issuers of such instruments, in ways that are unforeseeable or not fully understood or anticipated. See **Principal Risk Factors** **Risk of Regulatory Changes**.

The implications of government ownership and disposition of these assets are unclear, and such programs may have positive or negative effects on the liquidity, valuation and performance of a Fund's portfolio holdings and the value of a Fund's common shares. Governments or their agencies have and may in the future acquire distressed assets from financial institutions and acquire ownership interests in those institutions.

U.S. legislation or regulation may also change the way in which the Funds themselves are regulated. Such legislation or regulation could limit or preclude a Fund's ability to achieve its investment objective. See **Principal Risk Factors** **Risk of Regulatory Changes**.

According to various reports, certain financial institutions, commencing as early as 2005 and throughout the global financial crisis, routinely made artificially low submissions in the LIBOR rate setting process. In June 2012, one such financial institution was fined a significant amount by various financial regulators in connection with allegations of manipulation of LIBOR rates, and other financial institutions in various countries are being investigated for similar actions. These developments may have adversely affected the interest rates on securities whose interest payments were determined by reference to LIBOR. Any future similar developments could, in turn, adversely affect the value of securities owned by a Fund.

***Potential Conflicts of Interest Risk Allocation of Investment Opportunities.*** The Manager and the Sub-Adviser are involved worldwide with a broad spectrum of financial services and asset management activities and may engage in the ordinary course of business in activities in which their interests or the interests of their clients may conflict with

those of a Fund. The Manager and the Sub-Adviser may provide investment management services to other funds and discretionary managed accounts that follow an investment program similar to that of the Funds. Subject to the requirements of the 1940 Act, the Manager and the Sub-Adviser intend to engage in such activities and may receive compensation from third parties for their services. The results of a Fund's investment activities may differ from those of the Funds' affiliates, or another account managed by the Funds' affiliates, and it is possible that a Fund could sustain losses during periods in which one or more of the Funds' affiliates and/or other accounts achieve profits on their trading for proprietary or other accounts.

***Market Disruption and Geopolitical Risk.*** The wars with Iraq and Afghanistan and similar conflicts and geopolitical developments, their aftermath and substantial military presence in Afghanistan are likely to have a substantial effect on the U.S. and world economies and securities markets. The nature, scope and duration of the wars and the potential costs of rebuilding infrastructure cannot be predicted with any certainty. Terrorist attacks on the World Trade Center and the Pentagon on September 11, 2001 closed some of the U.S. securities markets for a four-day period and similar future events cannot be ruled out. The war and occupation, terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on U.S. and world economies and markets generally. Likewise, natural



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and environmental disasters, such as the earthquake and tsunami in Japan in early 2011, and systemic market dislocations of the kind surrounding the insolvency of Lehman Brothers in 2008, if repeated, could be highly disruptive to economies and markets. Those events, as well as other changes in foreign and domestic economic and political conditions also could have an acute effect on individual issuers or related groups of issuers. These risks also could adversely affect individual issuers and securities markets, interest rates, secondary trading, ratings, credit risk, inflation, deflation and other factors relating to the Funds' investments and the market value and net asset value of each Fund's shares.

***Certain Affiliations.*** Certain broker-dealers may be considered to be affiliated persons of the Funds, the Manager and/or AGI U.S. due to their possible affiliations with Allianz SE, the ultimate parent of the Manager and AGI U.S. Absent an exemption from the SEC or other regulatory relief, each Fund is generally precluded from effecting certain principal transactions with affiliated brokers, and its ability to purchase securities being underwritten by an affiliated broker or a syndicate including an affiliated broker, or to utilize affiliated brokers for agency transactions, is subject to restrictions. This could limit the Funds' ability to engage in securities transactions and take advantage of market opportunities.

***Other Investment Company Risk.*** Each Fund may invest in securities of other open- or closed-end investment companies, including without limitation ETFs, to the extent that such investments are consistent with such Fund's investment objective and policies and permissible under the 1940 Act. As a shareholder in an investment company, a Fund will bear its ratable share of that investment company's expenses, and would remain subject to payment of the Fund's investment management fees with respect to the assets so invested. Shareholders would therefore be subject to duplicative expenses to the extent the Fund invests in other investment companies. In addition, these other investment companies may utilize leverage, in which case an investment would subject a Fund to additional risks associated with leverage. See "Principal Risk Factors" "Leverage Risk."

*NGZ is also subject to the following principal risks:*

***Emerging Markets Risk.*** Foreign investment risk may be particularly high to the extent that the Fund invests in securities of issuers based in or doing business in emerging market countries or invests in securities denominated in the currencies of emerging market countries. Investing in securities of issuers based in or doing business in emerging markets entails all of the risks of investing in foreign securities noted above, but to a heightened degree.

Investments in emerging market countries pose a greater degree of systemic risk (*i.e.*, the risk of a cascading collapse of multiple institutions within a country, and even multiple national economies). The inter-relatedness of economic and financial institutions within and among emerging market economies has deepened over the years, with the effect that institutional failures and/or economic difficulties that are of initially limited scope may spread throughout a country, a region or even among all or most emerging market countries. This may undermine any attempt by the Fund to reduce risk through geographic diversification of its portfolio investments among emerging market countries.

There is a heightened possibility of imposition of withholding taxes on interest or dividend income generated from emerging market securities. Governments of emerging market countries may engage in confiscatory taxation or expropriation of income and/or assets to raise revenues or to pursue a domestic political agenda. In the past, emerging market countries have nationalized assets, companies and even entire sectors, including the assets of foreign investors, with inadequate or no compensation to the prior owners. There can be no assurance that the Fund will not suffer a loss of any or all of its investments or, interest or dividends thereon, due to adverse fiscal or other policy changes in emerging market countries.

There is also a greater risk that an emerging market government may take action that impedes or prevents the Fund from taking income and/or capital gains earned in the local currency and converting into U.S. dollars (*i.e.*, repatriating local currency investments or profits). Certain emerging market countries have sought to maintain foreign exchange reserves and/or address the economic volatility and dislocations caused by the large international capital flows by controlling or restricting the conversion of the local currency into other currencies. This risk tends to become more acute when economic conditions otherwise worsen. There can be no assurance that if the Fund earns income or capital gains in an emerging market currency or PIMCO otherwise seeks to withdraw the Fund's investments from a given emerging market country, capital controls imposed by such country will not prevent, or cause significant expense in, doing so.

Bankruptcy law and creditor reorganization processes may differ substantially from those in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain emerging market countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain. In addition, it may be impossible to seek legal redress against an issuer that is a sovereign state.

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Other heightened risks associated with emerging markets investments include without limitation: (i) risks due to less social, political and economic stability; (ii) the smaller size of the market for such securities and a lower volume of trading, resulting in a lack of liquidity and in price volatility; (iii) certain national policies which may restrict the Fund's investment opportunities, including restrictions on investing in issuers or industries deemed sensitive to relevant national interests and requirements that government approval be obtained prior to investment by foreign persons; (iv) certain national policies that may restrict the Fund's repatriation of investment income, capital or the proceeds of sales of securities, including temporary restrictions on foreign capital remittances; (v) the lack of uniform accounting and auditing standards and/or standards that may be significantly different from the standards required in the United States; (vi) less publicly available financial and other information regarding issuers; (vii) potential difficulties in enforcing contractual obligations; and (viii) higher rates of inflation, higher interest rates and other economic concerns. The Fund may invest to a substantial extent in emerging market securities that are denominated in local currencies, subjecting the Fund to a greater degree of foreign currency risk. See *Principal Risk Factors Foreign Currency Risk*. Also, investing in emerging market countries may entail purchases of securities of issuers that are insolvent, bankrupt or otherwise of questionable ability to satisfy their payment obligations as they become due, subjecting the Fund to a greater amount of credit risk and/or high yield risk. See *Principal Risk Factors Credit Risk* and *Principal Risk Factors High Yield Securities Risk*.

***Foreign Currency Risk.*** The Fund may engage in practices and strategies that will result in exposure to fluctuations in foreign exchange rates, in which case the Fund will be subject to foreign currency risk. The Fund's Common Shares are priced in U.S. dollars and the distributions paid by the Fund to Common Shareholders are paid in U.S. dollars. However, a substantial portion of the Fund's assets may be denominated in foreign (non-U.S.) currencies and income received by the Fund from many foreign debt obligations will be paid in foreign currencies. The Fund may also invest in or gain exposure to foreign currencies themselves in order to gain local currency exposure with respect to foreign instruments denominated in other currencies or for other investment or hedging purposes. The Fund's investments in or exposure to foreign currencies or in securities or instruments that trade, or receive revenues, in foreign currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar or, in the case of hedging positions (if utilized), that the U.S. dollar will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, rates of inflation, balance of payments and governmental surpluses or deficits, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the U.S. or abroad. These fluctuations may have a significant adverse impact on the value of the Fund's portfolio and/or the level of Fund distributions made to Common Shareholders. As noted above, the Fund may (but is not required to) seek exposure to foreign currencies, or attempt to hedge exposure to reduce the risk of loss due to fluctuations in currency exchange rates relative to the U.S. dollar. There is no assurance, however, that these strategies will be available or will be used by the Fund or, if used, that they will be successful.

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**C. INFORMATION ABOUT THE PROPOSED MERGER**

**Background and Reasons for the Proposed Merger**

At a meeting held on September 24, 2013, the Trustees of each Fund, including the Independent Trustees, determined that the Merger would be in the best interests of both Funds, and that the interests of such shareholders would not be diluted as a result of effecting the Merger. The Trustees have unanimously approved the proposed Merger and have recommended its approval by shareholders. The principal factors considered by the Trustees in recommending approval of the Merger included, but were not limited to, the following:

*Larger asset base and potentially enhanced earnings.* AGIFM and AGI U.S. expect that NIE's investment team will be able to deploy the assets received from NGZ in the Merger in a fashion that would improve the Combined Fund's net earnings as compared to each of NGZ's and NIE's current net earnings.

*Equivalent or lower expenses.* Shareholders of both Funds are expected to benefit from economies of scale resulting from a larger Combined Fund with a lower estimated total annual fund operating expense ratio than NGZ's current total annual fund operating expense ratio and equal to or slightly less than NIE's current total annual fund operating expense ratio.

*Improved secondary market trading.* The Combined Fund's greater volume of common shares is anticipated to result in increased market liquidity, which may lead to narrower bid-ask spreads and smaller trade-to-price increments. The potential for higher common share net earnings and enhanced total returns over time may increase investor interest in the Combined Fund and potentially increase market liquidity for its common shares.

*Continuity of Fund management.* The Merger would allow shareholders of NGZ to continue investing in a fund advised by AGIFM and sub-advised by AGI U.S., which is responsible for making day-to-day investment decisions for NGZ as well as NIE. The investment objectives of the Funds are identical and the investment strategies of the Funds are substantially similar, though NGZ's investment strategies currently include a focus on investing in non-U.S. securities, while NIE and the Combined Fund will not. In addition, three of NGZ's current portfolio managers, Douglas Forsyth, Justin Kass and Michael Yee, are also portfolio managers of NIE and will continue to serve as portfolio managers of the Combined Fund following the Merger.

*Tax-free reorganization.* The Merger is intended to be tax-free for U.S. federal income tax purposes. Provided that the Merger is tax-free, no gain or loss will be recognized by NGZ shareholders on the distribution to them of shares of NIE, and the aggregate tax basis of NIE shares received by an NGZ shareholder will be the same as the aggregate tax basis of his or her NGZ shares.

*Potential Effects of the Merger on Premium/Discount to NAV.* The NGZ Board considered that, depending on the relative discount or premium of the common shares of one Fund to the common shares of the other

Fund at the time of the Merger, the discount of a Fund's common shares may widen or the premium of a Fund's common shares may narrow (*i.e.*, the market price of the common shares may decrease relative to NAV), which may result in the Merger Shares received by NGZ shareholders and/or the Combined Fund's common shares held by NIE shareholders following the Merger having an aggregate market value that is less than the aggregate market value of the NGZ common shares that are exchanged in the Merger or than the market value of the NIE common shares prior to the Merger, respectively.

*Potential Effects of the Merger on Undistributed Net Investment Income.* All of the undistributed net investment income ( UNII ), if any, of NGZ is expected to be distributed to NGZ's shareholders prior to the Merger if the Merger is approved by shareholders. The Trustees noted that although NIE's UNII would decrease immediately following the Merger, the Combined Fund's future distributions are expected to be aligned with sustainable earnings.

*Expected Costs of the Merger.* Each Board considered the terms and conditions of the Merger Agreement, including the estimated costs associated with the Merger and the allocation of such costs among the Funds. The Trustees also noted that AGIFM is bearing 50% of the legal expenses incurred in connection with the Merger.

*Terms of the Merger and Impact on Shareholders.* Each Board noted that the aggregate NAV (not the market value) of the Merger Shares that NGZ shareholders will receive in the Merger is expected to equal the aggregate NAV (not the market value) of the NGZ common shares that NGZ shareholders own immediately prior to the Merger, and the NAV of NGZ shares will not be diluted as a result of the Merger.

*Effect on Shareholder Rights.* Each Board noted that both Funds are organized as Massachusetts business trusts. Each Board also noted that the common shareholders of each Fund have identical voting rights and rights with respect to the payment of dividends and distribution of assets upon liquidation of their respective Fund and have no preemptive, conversion or exchange rights.

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*Potential Benefits to AGFIM and AGI U.S. and their Affiliates.* Each Board recognized that the Merger may result in some benefits and economies of scale for the Manager, the Sub-Adviser and their affiliates. These may include, for example, administrative and operational efficiencies or a reduction in certain operational expenses as a result of the elimination of NGZ as a separate fund in the Fund Complex.

*Potential for Operating and Administrative Efficiencies.* Each Board considered potential operating and administrative efficiencies for the Combined Fund, including greater investment flexibility and investment options, greater diversification of portfolio investments, the ability to trade in larger positions and more favorable transaction terms. Benefits from having fewer closed-end funds in the market, including an increased focus by investors on the remaining funds in the market (including the Combined Fund) and additional research coverage. Benefits from having fewer similar funds in the same fund complex, including a simplified operational model and a reduction in risk of operational, legal and financial errors.

*Effect on Tax Attributes.* The Trustees also considered information from AGIFM relating to the historical and *pro forma* tax attributes (certain gains and losses) of the Funds, and the effect of the Merger on the tax attributes of the Funds. Using information as of August 31, 2013, had the transaction occurred on that date, the realized and unrealized gains and losses of the Funds' securities, the capital loss carryforwards of the Funds, and the net losses (defined as capital loss carryforwards as adjusted by year-to-date net realized gains or losses and current unrealized gains or losses) of each Fund and the Combined Fund would have been as follows:

All numbers as of August 31, 2013

<b>Fund</b>	<b>Net Assets</b>	<b>Capital Loss Carry-forwards</b>	<b>Fiscal YTD Net Realized Capital Gains (Losses)</b>	<b>Net Unrealized Gain (Loss)</b>
<b>NGZ</b>	\$ 111,285,182	\$ (23,945,794)*		\$ (15,866,613)*
<b>NIE</b>	\$ 466,005,902	None	\$ 22,608,475	\$ (81,002,304)
<b>Pro Forma Combined Fund</b>	\$ 577,291,084	\$ (23,945,794)**	\$ 22,608,475	\$ (96,868,917)

\* These amounts reflect the loss that would be realized in the anticipated sale by NGZ of various holdings prior to the Merger. For purposes of this table, it is assumed that these sales occurred on and NGZ's tax year ended with a August 31, 2013 Merger date, resulting in a loss carryforward as shown.

\*\* This number does not reflect the effect of the loss limitation rules as a result of the Merger under Sections 381-384 of the Internal Revenue Code of 1986, as amended (see Information About the Merger Federal Income Tax Consequences below).

The Trustees considered the potential tax costs to NGZ shareholders resulting primarily from the application of the loss limitation rules to NGZ's realized and unrealized pre-Merger losses, and determined that any such costs were likely to be outweighed by benefits to shareholders resulting from the Merger.

**Information About the Merger**

The shareholders of NGZ and NIE are being asked to approve the proposed Merger of NGZ into NIE pursuant to the Merger Agreement. The following is a brief summary of the principal terms of the Merger Agreement, a form of

which is attached to this Joint Prospectus/Proxy Statement as Appendix D. This discussed is qualified in its entirety by the Merger Agreement. For a more complete understanding of the Merger Agreement, you should read Appendix D.

**Merger Agreement.** The Merger Agreement provides, among other things, that NIE will acquire all of the assets of NGZ in exchange for the assumption by NIE of all of the liabilities of NGZ existing at the time of valuation (as defined in the Agreement) and for the issuance to NGZ's shareholders of the Merger Shares, all as of the Exchange Date (as defined in Section 4(a) of the Agreement). If the Merger is approved by shareholders of both Funds, it is expected the Exchange Date will occur on or about January 27, 2014.

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NGZ will transfer all of its assets to NIE, and, in exchange, NIE will assume all of the liabilities of NGZ and deliver to NGZ a number of full and fractional Merger Shares having an aggregate net asset value equal to the net asset value of NGZ attributable to its common shares on the Exchange Date less the value of the liabilities of NGZ on the Exchange Date.

Immediately following the Exchange Date, NGZ will distribute in complete liquidation to its shareholders of record as of the Exchange Date the full and fractional Merger Shares received by NGZ, with Merger Shares being distributed to holders of common shares of NGZ. As a result of the proposed Merger, each holder of NGZ common shares would receive a number of full and fractional Merger Shares having an aggregate net asset value equal to the net asset value attributable to their NGZ common shares. This distribution will be accomplished by the establishment of accounts on the share records of NIE in the names of NGZ shareholders, each account holding the respective number of full and fractional Merger Shares due such shareholder.

The consummation of the Merger is subject to the conditions set forth in the Merger Agreement and the approval of the shareholders of both NGZ and NIE. In addition, the Merger Agreement may be terminated and the Merger abandoned at any time, before or after approval by the shareholders of NGZ and NIE, prior to the Exchange Date, by consent of the Trustees, or if any condition set forth in the Merger Agreement has not been fulfilled and has not been waived by the party entitled to its benefits.

***Expenses of the Merger.*** The Funds will bear all expenses incurred in connection with the Merger, including, without limitation, the costs of printing, mailing, and soliciting proxies; accounting fees; registration fees of the SEC; and NYSE listing fees, which costs will be borne directly by the Fund incurring the expense or based upon such other reasonable methodology as shall be approved by the Trustees of each Fund. Notwithstanding the foregoing, all legal fees and related expenses incurred by or on behalf of the Funds in connection with the Merger will be allocated equally between AGIFM, on the one hand, and the Funds, on the other hand, such that AGIFM will bear 50% of such fees and the Funds shall together bear 50% of such fees. Such legal fees and other related expenses allocated to NIE and NGZ shall be further allocated between the two Funds based on the projected relative benefits to each of NIE and NGZ of the Merger as determined by AGIFM.

***Dissenting Shareholders Rights of Appraisal.*** Under the charter documents of each Fund, shareholders of the Funds do not have dissenters' rights of appraisal with respect to the Merger.

***Federal Income Tax Consequences.*** The Merger is intended to be a tax-free reorganization for U.S. federal income tax purposes. The Merger will be conditioned on receipt of an opinion from Ropes & Gray LLP, counsel to the Funds, to the effect that, on the basis of the existing provisions of the Internal Revenue Code of 1986, as amended (the Code), current administrative rules and court decisions, as further described below, for federal income tax purposes: (i) the Merger will constitute a reorganization within the meaning of Section 368(a) of the Code and NIE and the NGZ will each be a party to the reorganization within the meaning of Section 368(b) of the Code; (ii) under Sections 361 and 357 of the Code, NGZ will not recognize any gain or loss upon the transfer of NGZ's assets to NIE pursuant to this Agreement in exchange for the Merger Shares and the assumption by NIE of all liabilities of NGZ, or upon the distribution of the Merger Shares by NGZ to its shareholders in liquidation, except for (A) any gain or loss recognized on section 1256 contracts as defined in Section 1256(b) of the Code as a result of the closing of the tax year of NGZ, (B) any gain recognized on the transfer of stock in a passive foreign investment company as defined in Section 1297(a) of the Code, and (C) any other gain or loss required to be recognized (1) as a result of the closing of the tax year of NGZ, (2) upon the termination of a position, or (3) upon the transfer of an asset regardless of whether such a transfer would otherwise be a nontaxable transaction; (iii) under Section 354 of the Code, NGZ shareholders will not recognize any gain or loss upon the exchange of their NGZ shares for Merger Shares; (iv) under Section 358 of the Code, the aggregate basis of the Merger Shares that NGZ shareholders receive in exchange for their NGZ shares will



be the same as the aggregate basis of NGZ shares exchanged therefor; (v) under Section 1223(1) of the Code, an NGZ shareholder's holding period for the Merger Shares received pursuant to the Agreement will include the period during which such shareholder held or was treated for federal income tax purposes as having held the NGZ shares exchanged for those Merger Shares, provided that the shareholder held the NGZ shares as capital assets; (vi) under Section 1032 of the Code, NIE will not recognize any gain or loss upon the receipt of NGZ's assets in exchange for Merger Shares and the assumption by NIE of the liabilities of NGZ; (vii) under Section 362(b) of the Code, NIE's tax basis in NGZ's assets will be the same as NGZ's tax basis immediately prior to the transfer, increased by any gain or decreased by any loss required to be recognized as described in (ii) above; (viii) under Section 1223(2) of the Code, the holding period of each NGZ asset in the hands of NIE, other than any asset with respect to which gain or loss is required to be recognized as described in (ii) above, will include the period during which such asset was held or treated for federal income tax purposes as held by NGZ; and (ix) NIE will succeed to and take into account the items of NGZ described in Section 381(c) of the Code, subject to the conditions and limitations specified in Sections 381, 382, 383 and 384 of the Code and the regulations thereunder.

The tax opinion will be based upon certain factual representations made by officers of NGZ and NIE and will also be based on customary assumptions. The opinion will note and distinguish certain published precedent. It is possible that the Internal Revenue Service (the "IRS") could disagree with Ropes & Gray LLP's opinion, which therefore cannot be free from doubt. Opinions of counsel are not binding upon the IRS or the courts.

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AGIFM expects that a substantial portion of the portfolio assets held by NGZ will be sold in connection with its Merger into NIE. The actual tax impact of such sales will depend on the difference between the price at which such portfolio assets are sold and NGZ's basis in such assets. If NGZ were to recognize capital gains in these sales on a net basis, as reduced by any other current-year capital losses and capital loss carryforwards, such gains would be distributed to NGZ's shareholders as capital gain dividends (to the extent of net realized long-term capital gains) and/or ordinary dividends (to the extent of net realized short-term capital gains) during or with respect to the year of sale. Such distributions would be taxable to shareholders of NGZ if such sales occur before the Merger, and would be taxable to shareholders of both Funds if such sales occur after the Merger. Based on market values of NGZ assets as of August 31, 2013, AGIFM expects NGZ to realize net capital losses as a result of the anticipated sales of its portfolio assets in connection with the Merger.

Prior to the Exchange Date, NGZ will declare a distribution to its shareholders that, together with all of NGZ's previous distributions, will have the effect of distributing to shareholders all of NGZ's investment company taxable income (computed without regard to the deduction for dividends paid) and net realized capital gains, if any, through the Exchange Date. AGIFM does not expect NGZ to declare or pay any significant capital gain dividends prior to the Merger; AGIFM does expect that NGZ will declare and pay some distributions of ordinary income dividends and returns of capital prior to the Merger. If a shareholder holds NGZ shares in a non-taxable account, distributions and redemption proceeds with respect to those shares will not be taxable to the shareholder to the extent those amounts remain in the non-taxable account.

A Fund's ability to carry forward capital losses and to use them to offset future gains may be limited as a result of the Merger. First, pre-acquisition losses of either NGZ or NIE (including capital loss carryforwards, net current-year capital losses, and unrealized losses that exceed certain thresholds) may become unavailable to offset gains of the Combined Fund. Second, one Fund's pre-acquisition losses cannot be used to offset unrealized gains in the other Fund that are built-in at the time of the Merger and that exceed certain thresholds (non-de minimis built-in gains) for five tax years. Third, NGZ's loss carryforwards, as limited under the previous two rules, are permitted to offset only that portion of the income of NIE for the taxable year of the Merger that is equal to the portion of NIE's taxable year that follows the date of the Merger (prorated according to number of days). Therefore, in certain circumstances, shareholders of either Fund may pay taxes sooner, or pay more taxes, than they would have had the Merger not occurred.

In addition, the Combined Fund will have tax attributes that reflect a blending of the tax attributes of NGZ and NIE at the time of the Merger (including as affected by the rules set forth above). Therefore, the shareholders of NGZ will receive a proportionate share of any built-in (unrealized) gains in NIE's assets, as well as any taxable gains realized by NIE but not distributed to its shareholders prior to the Merger, when such gains are eventually distributed by NIE. As a result, shareholders of NGZ may receive a greater amount of taxable distributions than they would have had the Merger not occurred. Any pre-acquisition losses of NGZ (whether realized or unrealized) remaining after the operation of the limitation rules described above will become available to offset capital gains realized by the Combined Fund after the Merger and thus may reduce subsequent capital gain distributions to a broader group of shareholders than would have been the case absent the Merger, such that the benefit of those losses to NGZ shareholders may be further reduced relative to what the benefit would have been had the Merger not occurred.

The amount of realized and unrealized gains and losses of each Fund, as well as the size of each Fund, at the time of the Merger will determine the extent to which the Funds' respective losses, both realized and unrealized, will be available to reduce gains realized by the Combined Fund following the Merger, and consequently the extent to which the Combined Fund may be required to distribute gains to its shareholders earlier than would have been the case absent the Merger. Thus the impact of the rules described above will depend on factors that are currently unknown, such that this impact cannot be calculated precisely prior to the Merger.

This description of the federal income tax consequences of the Merger is made without regard to the particular facts and circumstances of any particular shareholder. Shareholders are urged to consult their own tax advisers as to the specific consequences to them of the Merger, including the applicability and effect of state, local, non-U.S. and other tax laws.

***Description of the Merger Shares.*** The Merger Shares are common shares of NIE, which have characteristics similar to those of the corresponding class of shares of NGZ. Some of the important characteristics of the Merger Shares are discussed below.

As of [ ], NIE had [ ] common shares outstanding. According to the terms of the Merger Agreement, NGZ shareholders will receive full and fractional Merger Shares. NIE intends to hold annual meetings of shareholders so long as the common shares are listed on a national securities exchange and such meetings are required as a condition to such listing.

All common shares of NIE have equal rights as to the payment of dividends and the distribution of assets upon liquidation of the Fund. Merger Shares will, when issued, be fully paid and will have no pre-emptive or conversion rights or rights to cumulative voting.

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Shares of closed-end investment companies frequently trade at prices lower than net asset value. Whether investors will realize gains or losses upon the sale of common shares will not depend upon the Fund's net asset value but will depend entirely upon whether the market price of the common shares at the time of sale is above or below the original purchase price for the shares. Since the market price of NIE's common shares will be determined by factors beyond the control of NIE, NIE cannot predict whether the common shares will trade at, below, or above net asset value or at, below or above the initial public offering price. Accordingly, the common shares are designed primarily for long-term investors, and investors in common shares should not view NIE as a vehicle for trading purposes.

***Trustees' Recommendation.*** The Trustees of each Fund have voted unanimously to approve the proposed Merger Agreement. The Trustees recommend that the shareholders of NGZ also approve the Merger Agreement and the shareholders of NIE approve the Merger Agreement and the Issuance.

***Required Shareholder Vote.*** The Merger Agreement is being submitted for approval by the shareholders of both Funds. The Joint Prospectus/Proxy Statement will serve as a proxy statement for the Joint Special Meeting of each Fund's shareholders to be held to consider the Merger Agreement. Because NGZ's shareholders are, in effect, being asked to invest in NIE shares to be issued in the Merger, the Joint Prospectus/Proxy Statement will also serve as a prospectus for the Merger Shares. Each Fund's Bylaws, as amended and restated, require at least 30% of the Fund's common shares present in person or by proxy to establish a quorum and require a plurality of the quorum of shares (effectively a majority of votes cast) to, with respect to NGZ, approve the Merger Agreement and, with respect to NIE, approve the Merger Agreement and the Issuance. In addition, the NYSE requires a majority of the NIE votes cast on the proposal to issue the Merger Shares to approve the Issuance.

The Merger is subject to a number of conditions. In the event that the Merger Agreement is not approved by the shareholders of NGZ and the Merger Agreement and the Issuance are not approved by shareholders of NIE, NGZ and NIE will continue to be managed as separate funds in accordance with their current investment objectives and policies.

***THE BOARDS OF TRUSTEES OF NGZ AND NIE UNANIMOUSLY RECOMMEND THAT YOU VOTE FOR THE MERGER AGREEMENT AND THE ISSUANCE.***

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## II. PROPOSAL II: ELECTION OF NGZ TRUSTEES

In addition to asking shareholders of NGZ to approve the Merger, the Board of Trustees of NGZ is also asking shareholders of NGZ to re-elect certain Trustees of NGZ at NGZ's annual shareholders meeting, which is scheduled to be held on the same day as the Joint Special Meeting is held to consider the Merger. The composition of the Board of Trustees of NGZ is identical to that of NIE. Although the Board of Trustees of NGZ will no longer exist if the Merger is approved and consummated, shareholders of NGZ are being asked to re-elect certain of its Trustees in the event the Merger is not approved or its approval is delayed. **Please note that shareholders of NGZ will receive two separate proxy cards, one relating to the Merger and one relating to the re-election of Trustees. We request that NGZ shareholders please complete and return both proxy cards.**

In accordance with NGZ's Amended and Restated Declaration of Trust (the "NGZ Declaration"), the Trustees of NGZ have been divided into the following three classes (each, a "Class"): Class I, Class II and Class III. The Nominating Committee of the Board of Trustees of NGZ has recommended Mr. Jacobson and Mr. Gallagher for re-election as Trustees by the shareholders of NGZ.

The term of office of the Class III Trustees will expire at the NGZ Annual Meeting; and (if the Merger is not approved and consummated) the term of office of the Class I Trustees will expire at the 2014-2015 annual meeting of shareholders; and the term of the Class II Trustees will expire at the 2015-2016 annual meeting of shareholders. Currently, James A. Jacobson and Bradford K. Gallagher are Class III Trustees. The Nominating Committee has recommended to the Board that Messrs. Jacobson and Gallagher be nominated by the shareholders of NGZ as Class III Trustees at the Meeting. Consistent with the NGZ Declaration, if re-elected, the nominees shall hold office for a term consistent with the Class of Trustees to which they have been designated. Therefore, if re-elected at the Meeting, Messrs. Jacobson and Gallagher will serve a term consistent with the Class III Trustees, which, if the Merger is not approved, will expire at NGZ's 2016-2017 annual meeting.

All members of the Board of NGZ are and will remain, if elected, "Continuing Trustees" of NGZ, as such term is defined in the NGZ Declaration, having either served as Trustee since the inception of NGZ or having been nominated by at least a majority of the Continuing Trustees then members of NGZ's Board of Trustees.

At any annual meeting of shareholders, any Trustee elected to fill a vacancy that has arisen since the preceding annual meeting of shareholders (whether or not such vacancy has been filled by election of a new Trustee by the Board) shall hold office for a term that coincides with the remaining term of the Class of Trustees to which such office was previously assigned, if such vacancy arose other than by an increase in the number of Trustees, and until his or her successor shall be elected and shall qualify. In the event such vacancy arose due to an increase in the number of Trustees, any Trustee so elected to fill such vacancy at an annual meeting shall hold office for a term which coincides with that of the Class of Trustee to which such office has been apportioned and until his or her successor shall be elected and shall qualify.

The following table summarizes the nominees who will stand for election at the NGZ Annual Meeting, the Class of Trustees to which they have been designated and the expiration of their term if elected:

<b>Trustee/Trustee Nominee</b>	<b>Class</b>	<b>Expiration of Term if Elected</b>
James A. Jacobson	Class III	Annual Meeting for the 2016-2017 fiscal year
Bradford K. Gallagher	Class III	Annual Meeting for the 2016-2017 fiscal year

Under this classified Board structure, generally only those Trustees in a single Class may be replaced in any one year, and it would require a minimum of two years to change a majority of the Board of NGZ under normal circumstances. This structure, which may be regarded as an anti-takeover provision, may make it more difficult for NGZ's Shareholders to change the majority of Trustees of NGZ and, thus, promotes the continuity of management.

Unless authority is withheld, it is the intention of the persons named in the enclosed proxy for NGZ to vote each proxy for the persons listed above. Each of the nominees has indicated he or she will serve if elected, but if he or she should be unable to serve for NGZ, the proxy holders may vote in favor of such substitute nominee as the Board may designate (or, alternatively, the Board may determine to leave a vacancy).

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### Trustees and Officers

**Board Leadership Structure** The composition of the Boards of Trustees of both Funds is identical. The Board of Trustees of each Fund consists of seven Trustees, six of whom are not interested persons (within the meaning of Section 2(a)(19) of the 1940 Act) of the Fund or of the Manager (the Independent Trustees). An Independent Trustee serves as Chairman of the Trustees and is selected by a vote of the majority of the Independent Trustees. The Chairman presides at meetings of the Board and acts as a liaison with service providers, officers, attorneys and other Trustees generally between meetings, and performs such other functions as may be requested by the Board from time to time.

The Board of Trustees meets regularly four times each year to discuss and consider matters concerning the Funds, and also holds special meetings to address matters arising between regular meetings. The Independent Trustees regularly meet outside the presence of management and are advised by independent legal counsel. Regular meetings generally take place in-person; other meetings may take place in-person or by telephone.

The Board of Trustees of each Fund has established four standing Committees to facilitate oversight of the management of the Funds: the Audit Oversight Committee, the Nominating Committee, the Valuation Committee and the Compensation Committee. The functions and role of each Committee are described below under Board Committees and Meetings. The membership of each Committee consists of all of the Independent Trustees, which the Board believes allows them to participate in the full range of the Board's oversight duties.

The Board reviews its leadership structure periodically and has determined that this leadership structure, including an Independent Chairman, a supermajority of Independent Trustees and Committee membership limited to Independent Trustees, is appropriate in light of the characteristics and circumstances of each Fund. In reaching this conclusion, the Board considered, among other things, the predominant role of the Manager and the Sub-Adviser in the day-to-day management of Fund affairs, the extent to which the work of the Board is conducted through the Committees, the number of portfolios that comprise the Fund Complex (defined below), the variety of asset classes those portfolios include, the net assets of each Fund and the Fund Complex and the management and other service arrangements of each Fund and the Fund Complex. The Boards also believe that their structure, including the presence of one Trustee who is an executive with various Manager-affiliated entities, facilitates an efficient flow of information concerning the management of each Fund to the Independent Trustees.

**Risk Oversight** Each Fund has retained the Manager and the Sub-Adviser to provide investment advisory services, and, in the case of the Manager, administrative services, and these service providers are principally responsible for the management of risks that may arise from Fund investments and operations. Some employees of the Manager and its affiliates serve as the Funds' officers, including the Funds' principal executive officer and principal financial and accounting officer, chief compliance officer and chief legal officer. The Manager and the Sub-Adviser employ different processes, procedures and controls to identify and manage different types of risks that may affect the Funds. The Board oversees the performance of these functions by the Manager and Sub-Adviser, both directly and through the Committee structure it has established. The Board receives from the Manager and Sub-Adviser a wide range of reports, both on a regular and as-needed basis, relating to the Funds' activities and to the actual and potential risks of the Funds. These include reports on investment risks, custody and valuation of Fund assets, compliance with applicable laws, and the Funds' financial accounting and reporting. In addition, the Board meets periodically with the individual portfolio manager of the Funds or his delegates to receive reports regarding the portfolio management of the Funds and their performance, including their investment risks. The Board has emphasized to the Manager and the Sub-Adviser the importance of maintaining vigorous risk-management programs and procedures.

In addition, the Board has appointed a Chief Compliance Officer ( CCO ). The CCO oversees the development of compliance policies and procedures that are reasonably designed to minimize the risk of violations of the federal securities laws ( Compliance Policies ). The CCO reports directly to the Independent Trustees, interacts with individuals within the Manager s organization, including its Head of Risk Management, and provides presentations to the Board at its quarterly meetings and an annual report on the application of the Compliance Policies. The Board periodically discusses relevant risks affecting the Funds with the CCO at these meetings. The Board has approved the Compliance Policies and reviews the CCO s reports. Further, the Board annually reviews the sufficiency of the Compliance Policies, as well as the appointment and compensation of the CCO.

The Board recognizes that the reports it receives concerning risk management matters are, by their nature, typically summaries of the relevant information. Moreover, the Board recognizes that not all risks that may affect the Funds can be identified in advance; that it may not be practical or cost-effective to eliminate or mitigate certain risks; that it may be necessary to bear certain risks (such as investment-related risks) in seeking to achieve the Funds investment objectives; and that the processes, procedures and controls employed to address certain risks may be limited in their effectiveness. As a result of the foregoing and for other reasons, the Board s risk management oversight is subject to substantial limitations.



**Table of Contents****Information Regarding Trustees and Nominees.**

The following table provides information concerning the Trustees of the Funds and Nominees of NGZ.

Name, Address*, Year of Birth and Class Independent Trustees/Nominees	Position(s) Held with the Funds	Term of Office and Length of Time Served	Principal Occupation(s) During the Past 5 Years	Number of	Other
				Portfolios in Fund Complex Overseen by Trustee/ Nominee	Directorships Held by Trustee/Nominee During the Past 5 Years
Bradford K. Gallagher 1944  Class III	Trustee, Nominee	Since March 2011	Partner, New Technology Ventures Capital Management LLC, a venture capital fund (since 2011); Chairman and Trustee, Atlantic Maritime Heritage Foundation (since 2007); Chairman and Trustee, The Common Fund (since 2005); Founder, Spyglass Investments LLC, a private investment vehicle (since 2001); and Founder, President and CEO, Cypress Holding Company and Cypress Tree Investment Management Company (since	67	Formerly, Chairman and Trustee of Grail Advisors ETF Trust (2009-2010) and Trustee of Nicholas-Applegate Institutional Funds (2007-2010)

1995). Trustee of the funds in the Allianz/PIMCO Fund Complex since 2010.

James A. Jacobson	Trustee, Nominee	Since December 2009	Retired. Formerly, Vice Chairman and Managing Director, Spear, Leeds & Kellogg Specialists, LLC, a specialist firm on the New York Stock Exchange. Trustee of the funds in the Allianz/PIMCO Fund Complex since 2009.	67	Trustee, Alpine Mutual Funds Complex consisting of 17 funds
1945					
Class III					
Hans W. Kertess	Chairman of the Board		President, H. Kertess & Co., a financial advisory company. Formerly, Managing Director, Royal Bank of Canada Capital Markets. Trustee of the funds in the Allianz/PIMCO Fund Complex since 2000.	67	None
1939					
Class I	Trustee	Since September 2007			
William B. Ogden, IV	Trustee	Since March 2008	Asset Management Industry Consultant. Formerly, Managing Director, Investment Banking Division of Citigroup Global Markets Inc. Trustee of the funds in the Allianz/PIMCO Fund Complex since 2006.	67	None
1945					
Class I					
Alan Rappaport	Trustee			67	None

1953		Since June 2010	Advisory Director (since 2012), formerly, Vice Chairman, Roundtable Investment Partners (since 2009); Chairman (formerly President), Private Bank of Bank of America; Vice Chairman, US Trust (2001-2008); Adjunct Professor at the NYU Stern School of Business; Trustee, American Museum of Natural History (since 2005) and Trustee, NYU Langone Medical Center (since 2007). Trustee of the funds in the Allianz/PIMCO Fund Complex since 2010.		
Class I					
Deborah A. DeCotis	Trustee	Since March 2011	Advisory Director, Morgan Stanley & Co., Inc. (since 1996); Co-Chair Special Projects Committee, Memorial Sloan Kettering (since 2005); Board Member and Member of the	67	None
1952					
Class II					

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Investment and Finance Committees, Henry Street Settlement (since 2007); Trustee, Stanford University (since 2010). Formerly, Director, Helena Rubenstein Foundation (1997-2012); and Advisory Council, Stanford Business School (2002-2008). Trustee of the funds in the Allianz/PIMCO Fund Complex since 2011.

**Interested Trustee**

<p>John C. Maney**</p> <p>680 Newport Center Drive</p> <p>Suite 250</p> <p>Newport Beach, CA 92660</p> <p>1959</p> <p>Class II</p>	<p>Trustee</p>	<p>Since September 2007</p>	<p>Member of the Management Board and a Managing Director of Allianz Global Investors Fund Management LLC; Managing Director of Allianz Asset Management of America L.P. (since January 2005) and a member of the Management Board and Chief Operating Officer of Allianz Asset Management of America L.P. (since November 2006). Trustee of the funds in the Allianz/PIMCO Fund Complex since 2006.</p>	<p>87</p>	<p>None</p>
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\* Unless otherwise indicated, the business address of the persons listed above is c/o Allianz Global Investors Fund Management LLC, 1633 Broadway, New York, New York 10019.

\*\* Mr. Maney is an interested person of each Fund, as defined in Section 2(a)(19) of the 1940 Act, due to his affiliation with Allianz Asset Management of America L.P. and its affiliates.

The following table states the dollar range of equity securities beneficially owned as of the Record Date by the Trustees of NGZ and the Incumbent Nominees and, on an aggregate basis, of any registered investment companies overseen by the Trustees or the Incumbent Nominees in the family of investment companies, including NGZ.

Name of Trustee/Nominee	Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Trustee/Nominee in the Family of	
	Dollar Range of Equity Securities in the Fund*	Investment Companies*
<b>Independent Trustees/Nominees</b>		
Bradford K. Gallagher	[None]	[Over \$100,000]
James A. Jacobson	[None]	[Over \$100,000]
Hans W. Kertess	[None]	[Over \$100,000]
William B. Ogden, IV	[None]	[Over \$100,000]
Alan Rappaport	[None]	[Over \$100,000]
Deborah A. DeCotis	[None]	[Over \$100,000]
<b>Interested Trustee/Nominee</b>		
John C. Maney	[None]	[Over \$100,000]

\* Securities are valued as of November 12, 2013.

[To the knowledge of NGZ, as of the Record Date, Trustees and nominees who are Independent Trustees or Independent Nominees and their immediate family members did not own securities of an investment adviser or principal underwriter of the Funds or a person (other than a registered investment company) directly or indirectly controlling, controlled by, or under common control with an investment adviser or principal underwriter of the Funds.]

**Compensation.** Each of the Independent Trustees also serves as a trustee of PIMCO Municipal Income Fund, PIMCO California Municipal Income Fund, PIMCO New York Municipal Income Fund, PIMCO Municipal Income Fund II, PIMCO California Municipal Income Fund II, PIMCO New York Municipal Income Fund II, PIMCO Municipal Income Fund III, PIMCO California Municipal Income Fund III, PIMCO New York Municipal Income Fund III, PIMCO Corporate & Income Strategy Fund, PIMCO Corporate & Income Opportunity Fund, PIMCO Income Opportunity Fund, PIMCO Income Strategy Fund, PIMCO Income Strategy Fund II, AllianzGI Convertible & Income Fund, AllianzGI Convertible & Income Fund II,

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AllianzGI NFJ Dividend, Interest & Premium Strategy Fund, PIMCO High Income Fund, PIMCO Global StocksPLUS® & Income Fund, PCM Fund, Inc., PIMCO Strategic Global Government Fund, Inc., PIMCO Dynamic Income Fund and PIMCO Dynamic Credit Income, each a closed-end fund for which the Manager serves as investment manager and affiliates of the Manager serve as sub-advisers (together, the Allianz Closed-End Funds); and AllianzGI Managed Accounts Trust, Allianz Funds Multi-Strategy Trust and Premier Multi-Series VIT (together with the Allianz Closed-End Funds, the Allianz Managed Funds). As indicated below, certain of the officers of the Funds are affiliated with the Manager. Each Trustee, other than any Trustee who is a director, officer, partner or employee of the Manager, AGI U.S. or any entity controlling, controlled by or under common control with the Manager or AGI U.S., receives annual compensation of \$250,000 for service on the Boards of all of the Allianz Managed Funds, which is payable quarterly. The Independent Chairman of the Boards receives an additional \$75,000 per year, payable quarterly. The Audit Oversight Committee Chairman receives an additional \$50,000 per year, payable quarterly. Trustees are also reimbursed for meeting-related expenses.

Each Trustee's compensation and other costs in connection with joint meetings are allocated among the Allianz Closed-End Funds, AllianzGI Managed Accounts Trust, Premier Multi-Series VIT and Allianz Funds Multi-Strategy Trust, as applicable, on the basis of fixed percentages as between each such group of funds. Trustee compensation and other costs will then be further allocated pro rata among the individual funds within each grouping (such as among the Funds) based on the complexity of issues relating to each such fund and relative time spent by the Trustees in addressing them, and on each such fund's relative net assets.

Trustees do not currently receive any pension or retirement benefits from NGZ or the Fund Complex.

The following table provides information concerning the compensation paid to the Trustees and nominees by NGZ for the fiscal year ended August 31, 2013. For the calendar year ended December 31, 2012, the Trustees received the compensation set forth in the table below for serving as Trustees of NGZ and other funds in the same Fund Complex as NGZ. Each officer and each Trustee who is a director, officer, partner, member or employee of the Manager or the Sub-Adviser, or of any entity controlling, controlled by or under common control with the Manager or the Sub-Adviser, including any Interested Trustee, serves without any compensation from NGZ.

**Compensation Table**

<b>Name of Trustee/Nominees</b>	<b>Aggregate Compensation from NGZ for the Fiscal Year Ended August 31, 2013</b>	<b>Total Compensation from the Funds and Fund Complex Paid to Trustees /Nominees for the Calendar Year Ended December 31, 2012*</b>
<b>Independent Trustees/Nominees</b>		
Bradford K. Gallagher	\$ 959	\$ 250,000
James A. Jacobson	\$ 1,150	\$ 300,000
Hans W. Kertess	\$ 1,246	\$ 325,000

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William B. Ogden, IV	\$	959	\$	250,000
Alan Rappaport	\$	959	\$	250,000
Deborah A. DeCotis	\$	959	\$	250,000
<b>Interested Trustee/Nominee</b>				
John C. Maney	\$	0	\$	0

\* In addition to the AGIFM Closed-End Funds, during each Fund's most recently completed fiscal year, all of the Trustees served as Trustees of three open-end investment companies (each consisting of separate investment portfolios) advised by the Manager. These investment companies are considered to be in the same Fund Complex as the Funds.

**Trustee Qualifications.** The Board has determined that each Trustee is qualified to serve as such based on several factors (none of which alone is decisive). Each Trustee has served in such role for several years and is knowledgeable about the Funds' business and service provider arrangements, and has also served for several years as trustee or director to a number of other investment companies advised by the Investment Manager and its affiliates. Among the factors the Board considered when concluding that an individual is qualified to serve on the Board were the following: (i) the individual's business and professional experience and accomplishments; (ii) the individual's ability to work effectively with other members of the Board; (iii) the individual's prior experience, if any, serving on the boards of public companies (including, where relevant, other investment companies) and other complex enterprises and organizations; and (iv) how the individual's skills, experiences and attributes would contribute to an appropriate mix of relevant skills and experience on the Board.

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In respect of each Trustee, the individual's substantial professional accomplishments and prior experience, including, in some cases, in fields related to the operations of the Fund, were a significant factor in the determination that the individual is qualified to serve as a Trustee of the Funds. Following is a summary of various qualifications, experiences and skills of each Trustee (in addition to business experience during the past five years set forth in the table above) that contributed to the Board's conclusion that an individual is qualified to serve on the Board. References to qualifications, experiences and skills are not intended to hold out the Board or individual Trustees as having any special expertise or experience, and shall not impose any greater responsibility or liability on any such person or on the Board by reason thereof.

**Deborah A. DeCotis** Ms. DeCotis has substantial senior executive experience in the investment banking industry, having served as a Managing Director for Morgan Stanley. She has extensive board experience and experience in oversight of investment management functions through her experience as a former Director of the Helena Rubenstein Foundation, Stanford Graduate School of Business and Armor Holdings.

**Bradford K. Gallagher** Mr. Gallagher has substantial executive and board experience in the financial services and investment management industries. He has served as director to several other investment companies. Having served on the Operating Committee of Fidelity Investments and as a Managing Director and President of Fidelity Investments Institutional Services Company, he provides the Fund with significant asset management industry expertise. He also brings significant securities industry experience, having served as a developer and founder of several enterprises and private investment vehicles.

**James A. Jacobson** Mr. Jacobson has substantial executive and board experience in the financial services industry. He served for more than 15 years as a senior executive at an NYSE specialist firm. He has also served on the NYSE Board of Directors, including terms as Vice Chair. As such, he provides significant expertise on matters relating to portfolio brokerage and trade execution. He also provides the Fund with significant financial expertise, serves as the Audit Oversight Committee's Chair and has been determined by the Board to be an audit committee financial expert. He has expertise in investment company matters through his service as a trustee of another fund family.

**Hans W. Kertess** Mr. Kertess has substantial executive experience in the investment management industry. He is the president of a financial advisory company, H. Kertess & Co., and formerly served as a Managing Director of Royal Bank of Canada Capital Markets. He has significant expertise in the investment banking industry.

**John C. Maney** Mr. Maney has substantial executive and board experience in the investment management industry. He has served in a variety of senior-level positions with investment advisory firms affiliated with the Investment Manager. Because of his familiarity with the Investment Manager and affiliated entities, he serves as an important information resource for the Independent Trustees and as a facilitator of communication with the Investment Manager.

**William B. Ogden, IV** Mr. Ogden has substantial senior executive experience in the investment banking industry. He served as Managing Director at Citigroup, where he established and led the firm's efforts to raise capital for and provide mergers and acquisition advisory services to asset managers and investment advisers. He also has significant expertise with fund products through his senior-level responsibility for originating and underwriting a broad variety of such products.

**Alan Rappaport** Mr. Rappaport has substantial senior executive experience in the financial services industry. He formerly served as Chairman and President of the Private Bank of Bank of America and as Vice Chairman of U.S. Trust. He is currently an advisory director of an investment firm.

## **Board Committees and Meetings.**



**Audit Oversight Committee.** The Board of each Fund has established an Audit Oversight Committee in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act ). Each Fund's Audit Oversight Committee currently consists of Messrs. Gallagher, Jacobson, Kertess, Ogden, Rappaport and Ms. DeCotis, each of whom is an Independent Trustee. Mr. Jacobson is the Chairman of each Fund's Audit Oversight Committee. Each Fund's Audit Oversight Committee provides oversight with respect to the internal and external accounting and auditing procedures of each Fund and, among other things, determines the selection of the independent registered public accounting firm for each Fund and considers the scope of the audit, approves all audit and permitted non-audit services proposed to be performed by those auditors on behalf of each Fund, and approves non-audit services to be performed by the auditors for certain affiliates, including the Manager, the Sub-Adviser and entities in a control relationship with the Manager or the Sub-Adviser that provide services to each Fund where the engagement relates directly to the operations and financial reporting of the Fund. The Committee considers the possible effect of those services on the independence of the Funds' independent registered public accounting firm.

Each member of each Fund's Audit Oversight Committee is independent, as independence for audit committee members is defined in the currently applicable listing standards of the NYSE, on which the Common Shares of each Fund are listed.

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The Board of each Fund has adopted a written charter for its Audit Oversight Committee. A copy of the written charter for each Fund, as amended through June 14, 2011, is attached to this Proxy Statement as Appendix A. A report of the Audit Oversight Committee of NGZ, dated [ ], 2013, is attached to this Proxy Statement as Appendix B.

**Nominating Committee.** The Board of each Fund has a Nominating Committee composed solely of Independent Trustees, currently consisting of Messrs. Gallagher, Jacobson, Kertess, Ogden, Rappaport and Ms. DeCotis. The Nominating Committee is responsible for reviewing and recommending qualified candidates to the Board in the event that a position is vacated or created or when Trustees are to be nominated for election by shareholders. The Nominating Committee of each Fund has adopted a charter, which is posted on the following website: [http://us.allianzgi.com/ClosedEndFund/External%20Documents/nominating\\_committee\\_charter.pdf](http://us.allianzgi.com/ClosedEndFund/External%20Documents/nominating_committee_charter.pdf).

Each member of each Fund's Nominating Committee is independent, as independence for nominating committee members is defined in the currently applicable listing standards of the NYSE, on which the Common Shares of each Fund are listed.

**Qualifications, Evaluation and Identification of Trustee/Nominees.** The Nominating Committee of each Fund requires that Trustee candidates have a college degree or equivalent business experience. When evaluating candidates, each Fund's Nominating Committee may take into account a wide variety of factors including, but not limited to: (i) availability and commitment of a candidate to attend meetings and perform his or her responsibilities on the Board, (ii) relevant industry and related experience, (iii) educational background, (iv) financial expertise, (v) an assessment of the candidate's ability, judgment and expertise and (vi) overall Board composition. The process of identifying nominees involves the consideration of candidates recommended by one or more of the following sources: (i) the Fund's current Trustees, (ii) the Fund's officers, (iii) the Fund's Shareholders and (iv) any other source the Committee deems to be appropriate. The Nominating Committee of each Fund may, but is not required to, retain a third party search firm at the Fund's expense to identify potential candidates.

**Consideration of Candidates Recommended by Shareholders.** The Nominating Committee of each Fund will review and consider nominees recommended by Shareholders to serve as Trustees, provided that the recommending Shareholder follows the Procedures for Shareholders to Submit Nominee Candidates for the Allianz Global Investors Fund Management Sponsored Closed-End Funds, which are set forth as Appendix B to the Funds' Nominating Committee Charter. Among other requirements, these procedures provide that the recommending Shareholder must submit any recommendation in writing to the Fund, to the attention of the Fund's Secretary, at the address of the principal executive offices of the Fund and that such submission must be received at such offices not less than 45 days nor more than 75 days prior to the date of the Board or shareholder meeting at which the nominee would be elected. Any recommendation must include certain biographical and other information regarding the candidate and the recommending Shareholder, and must include a written and signed consent of the candidate to be named as a nominee and to serve as a Trustee if elected. The foregoing description of the requirements is only a summary. Please refer to Appendix B to the Nominating Committee Charter for each Fund, which is available at [http://us.allianzgi.com/ClosedEndFund/External%20Documents/nominating\\_committee\\_charter.pdf](http://us.allianzgi.com/ClosedEndFund/External%20Documents/nominating_committee_charter.pdf), for details.

The Nominating Committee has full discretion to reject nominees recommended by Shareholders, and there is no assurance that any such person properly recommended and considered by the Committee will be nominated for election to the Board of each Fund.

**Diversity.** The Nominating Committee takes diversity of a particular nominee and overall diversity of the Board into account when considering and evaluating nominees for Trustee. While the Committee has not adopted a particular definition of diversity, when considering a nominee's and the Board's diversity, the Committee generally considers the manner in which each nominee's professional experience, education, expertise in matters that are relevant to the

oversight of the Funds (*e.g.*, investment management, distribution, accounting, trading, compliance, legal), general leadership experience, and life experience are complementary and, as a whole, contribute to the ability of the Board to oversee the Funds.

**Valuation Committee.** The Board of each Fund has a Valuation Committee currently consisting of Messrs. Gallagher, Jacobson, Kertess, Ogden, Rappaport and Ms. DeCotis. Mr. Ogden is the Chair of each Fund's Valuation Committee. The Valuation Committee has been delegated responsibility by the Board for overseeing determination of the fair value of each Fund's portfolio securities on behalf of the Board in accordance with the Fund's valuation procedures. The Valuation Committee reviews and approves procedures for the fair valuation of each Fund's portfolio securities and periodically reviews information from the Manager and the Sub-Adviser regarding fair value and liquidity determinations made pursuant to Board-approved procedures, and makes related recommendations to the full Board and assists the full Board in resolving particular fair valuation and other valuation matters.

**Compensation Committee.** The Board of each Fund has a Compensation Committee currently consisting of Messrs. Gallagher, Jacobson, Kertess, Ogden, Rappaport and Ms. DeCotis. The Compensation Committee meets as the Board

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deems necessary to review and make recommendations regarding compensation payable to the Trustees of the Fund who are not directors, officers, partners or employees of the Manager, the Sub-Adviser or any entity controlling, controlled by or under common control with the Manager or the Sub-Adviser.

**Meetings.** With respect to NGZ, during the fiscal year ended August 31, 2013, the Board of Trustees held four regular meetings and one special meeting. The Audit Oversight Committee met in separate session three times, the Nominating Committee met in separate session one time, the Valuation Committee met in separate session four times and the Compensation Committee met in separate session one time. Each Trustee attended in person or via teleconference at least 75% of the regular meetings of the Board and meetings of the committees on which such Trustee served that were held during the fiscal year ended August 31, 2013.

The Trustees do not attend the annual shareholder meetings.

**Shareholder Communications with the Board of Trustees.** The Board of Trustees of each Fund has adopted procedures by which Shareholders may send communications to the Board. Shareholders may mail written communications to the Board to the attention of the Board of Trustees, [name of Fund], c/o Thomas J. Fuccillo, Chief Legal Officer ( CLO ), Allianz Global Investors Fund Management LLC, 1633 Broadway, New York, New York 10019. Shareholder communications must (i) be in writing and be signed by the Shareholder and (ii) identify the class and number of Shares held by the Shareholder. The CLO of each Fund or his designee is responsible for reviewing properly submitted shareholder communications. The CLO shall either (i) provide a copy of each properly submitted shareholder communication to the Board at its next regularly scheduled Board meeting or (ii) if the CLO determines that the communication requires more immediate attention, forward the communication to the Trustees promptly after receipt. The CLO may, in good faith, determine that a shareholder communication should not be provided to the Board because it does not reasonably relate to a Fund or its operations, management, activities, policies, service providers, Board, officers, shareholders or other matters relating to an investment in the Fund or is otherwise routine or ministerial in nature. These procedures do not apply to (i) any communication from an officer or Trustee of a Fund, (ii) any communication from an employee or agent of a Fund, unless such communication is made solely in such employee's or agent's capacity as a shareholder, or (iii) any shareholder proposal submitted pursuant to Rule 14a-8 under the Exchange Act or any communication made in connection with such a proposal. A Fund's Trustees are not required to attend the Fund's annual shareholder meetings or to otherwise make themselves available to shareholders for communications, other than by the aforementioned procedures.

**Section 16(a) Beneficial Ownership Reporting Compliance.** Each Fund's Trustees and certain officers, investment advisers, certain affiliated persons of the investment advisers and persons who beneficially own more than 10% of any class of outstanding securities of a Fund (*i.e.*, a Fund's common shares) are required to file forms reporting their affiliation with the Fund and reports of ownership and changes in ownership of the Fund's securities with the SEC and the NYSE. These persons and entities are required by SEC regulation to furnish the Fund with copies of all such forms they file. Based solely on a review of these forms furnished to NGZ, NGZ believes that each of the Trustees and relevant officers, investment advisers and relevant affiliated persons of the investment advisers and persons who beneficially own more than 10% of any class of outstanding securities of NGZ has complied with all applicable filing requirements during NGZ's fiscal year ended August 31, 2013, except, due to administrative oversight, one late Form 3 filing was made in January 2013 for Allianz Global Investors U.S. Holdings LLC, an affiliated entity of NGZ.

**Required Vote.** The re-election of Messrs. Jacobson and Gallagher to the Board of Trustees of NGZ will require the affirmative vote of a plurality of the votes of the Shareholders of NGZ cast in the election of Trustees at the Meeting, in person or by proxy.

***THE BOARD OF TRUSTEES OF NGZ UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE RE-ELECTION OF THE NOMINATED TRUSTEES.***

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**III. ADDITIONAL INFORMATION ABOUT THE FUNDS**

***Comparison of Fundamental Policies.*** Each Fund, as a fundamental policy, may not, without the approval of the holders of a majority of the outstanding common shares:

- (1) Concentrate its investments in a particular industry, as that term is used in the 1940 Act, as interpreted, modified, or otherwise permitted from time to time by regulatory authority having jurisdiction.
- (2) With respect to 75% of the Fund's total assets, purchase the securities of any issuer, except securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities or securities of other investment companies, if, as a result, (i) more than 5% of the Fund's total assets would be invested in the securities of that issuer, or (ii) the Fund would not hold more than 10% of the outstanding voting securities of that issuer.
- (3) Purchase or sell real estate, although it may purchase securities secured by real estate or interests therein, or securities issued by companies that invest in real estate, or interests therein.
- (4) Purchase or sell commodities or commodities contracts or oil, gas or mineral programs. This restriction shall not prohibit the Fund, subject to restrictions described in this Joint Prospectus/Proxy Statement and elsewhere in the Merger SAI, from purchasing, selling or entering into futures contracts, options on futures contracts, forward contracts, or any interest rate, securities-related or other derivative instrument, including swap agreements and other derivative instruments, subject to compliance with any applicable provisions of the federal securities or commodities laws.
- (5) Borrow money or issue any senior security, except to the extent permitted under the 1940 Act, as interpreted, modified, or otherwise permitted from time to time by regulatory authority having jurisdiction.
- (6) Make loans, except to the extent permitted under the 1940 Act, as interpreted, modified, or otherwise permitted from time to time by regulatory authority having jurisdiction.
- (7) Act as an underwriter of securities of other issuers, except to the extent that in connection with the disposition of portfolio securities, it may be deemed to be an underwriter under the federal securities laws.

***Comparison of Organizational Documents.*** There are no material differences between the terms of the Declaration of Trust and Bylaws for NIE and NGZ.

***Capitalization.*** The following table shows, on an unaudited basis, the capitalization of NGZ and NIE as of July 31, 2013 and on a *pro forma* combined basis as of that date, giving effect to the proposed Merger:

**CAPITALIZATION (Unaudited)**

As of July 31, 2013

	NGZ	NIE	Pro Forma Combined*
<b>Net Assets</b>	\$ 113,427,488	\$ 474,521,763	\$ 587,949,251
<b>Common Shares Outstanding</b>	7,019,923	22,304,189	27,634,428
<b>Net Asset Value per common share</b>	\$ 16.16	\$ 21.28	\$ 21.28

\* Does not reflect non-recurring merger expenses.

The *pro forma* capitalization information assumes the Merger was consummated on July 31, 2013, and is for informational purposes only. No assurance can be given as to how many shares of NIE will be received by the shareholders of NGZ on the actual date the Merger takes place, and the foregoing should not be relied upon to reflect the number of shares of NIE that actually will be received on or after such date.

**Financial Highlights.** Appendix E includes financial highlights for each Fund.

**Other Information.** Additional information applicable to the Funds is included in Appendix C and can also be found in the Merger SAI, dated [ ], 2013.

**Table of Contents****IV. OTHER INFORMATION**

You may find additional information regarding the Funds, including financial information, in the Merger SAI, and, the annual reports of both Funds which are available free of charge as discussed at the beginning of this Joint Prospectus/Proxy Statement.

You may inspect and copy proxy materials, reports, proxy and information statements and other information filed by the Funds at the Public Reference Room maintained by the SEC at 450 Fifth Street N.W., Washington, D.C. 20549. You may also access reports and other information about the Trust on the EDGAR database on the Commission's web site at [www.sec.gov](http://www.sec.gov). You may get copies of this information, with payment of a duplication fee, by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the Public Reference Section of the Commission, Washington, D.C. 20549-6009.

**Executive and Other Officers of the Fund** The table below provides certain information concerning the executive officers of the Funds and certain other officers who perform similar duties. Officers of each Fund hold office at the pleasure of the relevant Board and until their successors are chosen and qualified, or in each case until he or she sooner dies, resigns, is removed with or without cause or becomes disqualified. Officers and employees of the Funds who are principals, officers, members or employees of the Manager or the Sub-Adviser are not compensated by the Funds.

<b>Name, Address* and Year of Birth</b>	<b>Position(s) Held with Fund</b>	<b>Length of Time Served</b>	<b>Principal Occupation(s) During the Past 5 Years</b>
Brian S. Shlissel 1964	President & Chief Executive Officer	Since 2007	Management Board, Managing Director and Head of Mutual Fund Services of Allianz Global Investors Fund Management LLC; President and Chief Executive Officer of 31 funds in the Fund Complex; President of 56 funds in the Fund Complex; and Treasurer, Principal Financial and Accounting Officer of The Korea Fund, Inc. Formerly, Treasurer, Principal Financial and Accounting Officer of 50 funds in the Fund Complex (2005-2010).
Lawrence G. Altadonna 1966	Treasurer, Principal Financial and Accounting Officer	Since 2007	Director, Director of Fund Administration of Allianz Global Investors Fund Management LLC; Treasurer, Principal Financial and Accounting Officer of 85 funds in the Fund Complex; and Assistant Treasurer of The



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<p>Thomas J. Fuccillo 1968</p>	<p>Vice President, Secretary and Chief Legal Officer</p>	<p>Since 2007</p>	<p>Korea Fund, Inc. Formerly, Assistant Treasurer of 50 funds in the Fund Complex (2005-2010). Managing Director, Chief Legal Officer and Secretary of Allianz Global Investors Fund Management LLC and Allianz Global Investors Distributors LLC; Managing Director and Chief Regulatory Counsel of Allianz Global Investors U.S. Holdings LLC; Vice President, Secretary and Chief Legal Officer of 87 funds in the Fund Complex; and Secretary and Chief Legal Officer of The Korea Fund, Inc.</p>
<p>Thomas L. Harter, CFA 680 Newport Center Drive Suite 250 Newport Beach, CA 92660 1975</p>	<p>Chief Compliance Officer</p>	<p>Since 2013</p>	<p>Director of Allianz Global Investors U.S. Holdings LLC; Chief Compliance Officer of 85 funds in the Fund Complex and of The Korea Fund, Inc. Formerly, Vice President and Compliance Manager (2005-2012).</p>
<p>Lagan Srivastava 1977</p>	<p>Assistant Secretary</p>	<p>Since 2007</p>	<p>Vice President of Allianz Global Investors U.S. Holdings LLC; Assistant Secretary of 87 funds in the Fund Complex and of The Korea Fund, Inc.</p>

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Scott Whisten 1971	Assistant Treasurer	Since 2007	Director of Allianz Global Investors Fund Management LLC; and Assistant Treasurer of 87 funds in the Fund Complex.
Richard J. Cochran 1961	Assistant Treasurer	Since 2008	Vice President of Allianz Global Investors Fund Management LLC; Assistant Treasurer of 8 funds in the Fund Complex and of The Korea Fund, Inc.
Orhan Dzemaili 1974	Assistant Treasurer	Since 2011	Vice President of Allianz Global Investors Fund Management LLC; Assistant Treasurer of 83 funds in the Fund Complex.

\* Unless otherwise noted, the address of the Funds' officers is Allianz Global Investors Fund Management LLC, 1633 Broadway, New York, New York 10019.

Each of the Funds' executive officers is an interested person of each Fund (as defined in Section 2(a)(19) of the 1940 Act) as a result of his or her position(s) set forth in the table above.

**Investment Manager and Sub-Adviser.** The Manager, located at 1633 Broadway, New York, New York 10019, serves as the investment manager of the Funds and is responsible for managing the Funds' business affairs and administrative matters. The Manager retains its affiliate AGI U.S. as Sub-Adviser to the Funds. AGI U.S.'s principal place of business is located at 1633 Broadway, New York, New York 10019. AGI U.S. also has an office located at 600 West Broadway, San Diego, California 92101. The Manager and the Sub-Adviser are each majority-owned indirect subsidiaries of Allianz SE, a publicly traded European insurance and financial services company.

**[Independent Registered Public Accounting Firm.** The Audit Oversight Committee of each Fund's Board and the full Board unanimously selected PricewaterhouseCoopers LLP (PwC) as the independent registered public accounting firm the fiscal years ending January 31, 2014 for NIE and August 31, 2014 for NGZ.] PwC served as the independent registered public accounting firm of each Fund for the last fiscal year and also serves as the independent registered public accounting firm of various other investment companies for which the Manager and the Sub-Adviser serve as investment adviser or sub-advisers. PwC is located at 300 Madison Avenue, New York, New York 10017. None of the Funds knows of any direct financial or material indirect financial interest of PwC in the Funds.

A representative of PwC, if requested by any shareholder, will be present at the NGZ Annual Meeting via telephone to respond to appropriate questions from Shareholders and will have an opportunity to make a statement if he or she chooses to do so.

**Pre-approval Policies and Procedures.** Each Fund's Audit Oversight Committee has adopted written policies relating to the pre-approval of audit and permitted non-audit services to be performed by the Fund's independent registered public accounting firm. Under the policies, on an annual basis, a Fund's Audit Oversight Committee reviews and pre-approves proposed audit and permitted non-audit services to be performed by the independent registered public accounting firm on behalf of the Fund. The President of each Fund also pre-approves any permitted non-audit services to be provided to the Fund.

In addition, each Fund's Audit Oversight Committee pre-approves annually any permitted non-audit services (including audit-related services) to be provided by the independent registered public accounting firm to the Manager, the Sub-Adviser and any entity controlling, controlled by, or under common control with the Manager that provides

ongoing services to the Fund (together, the Accounting Affiliates ), provided, in each case, that the engagement relates directly to the operations and financial reporting of the Fund. Although the Audit Oversight Committee does not pre-approve all services provided by the independent registered public accounting firm to Accounting Affiliates (for instance, if the engagement does not relate directly to the operations and financial reporting of the Fund), the Committee receives an annual report from the independent registered public accounting firm showing the aggregate fees paid by Accounting Affiliates for such services.

Each Fund's Audit Oversight Committee may also from time to time pre-approve individual non-audit services to be provided to the Fund or an Accounting Affiliate that were not pre-approved as part of the annual process described above. The Chairman of each Fund's Audit Oversight Committee (or any other member of the Committee to whom this responsibility has been delegated) may also pre-approve these individual non-audit services, provided that the fee for such services does not exceed certain pre-determined dollar thresholds. Any such pre-approval by the Chairman (or by a delegate) is reported to the full Audit Oversight Committee at its next regularly scheduled meeting.

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The pre-approval policies provide for waivers of the requirement that the Audit Oversight Committee pre-approve permitted non-audit services provided to the Funds or their Accounting Affiliates pursuant to de minimis exceptions described in Section 10A of the Exchange Act and applicable regulations (referred to herein as the de minimis exception).

**Audit Fees.** Audit Fees are fees related to the audit and review of the financial statements included in annual reports and registration statements, and other services that are normally provided in connection with statutory and regulatory filings or engagements. For NGZ's last two fiscal years, the Audit Fees billed by PwC are shown in the table below:

<b>Fund</b>	<b>Fiscal Year Ended</b>	<b>Audit Fees</b>
NGZ	August 31, 2013	\$ 60,000
	August 31, 2012	\$ 60,000

**Audit-Related Fees.** Audit-Related Fees are fees related to assurance and related services that are reasonably related to the performance of the audit or review of financial statements, but not reported under Audit Fees above, and that include accounting consultations, agreed-upon procedure reports (inclusive of annual review of basic maintenance testing associated with the Preferred Shares), attestation reports and comfort letters. The table below shows, for NGZ's last two fiscal years, the Audit-Related Fees billed by PwC to NGZ. During those fiscal years, there were no Audit-Related Fees billed by PwC to NGZ Accounting Affiliates for audit-related services related directly to the operation and financial reporting of NGZ.

<b>Fund</b>	<b>Fiscal Year Ended</b>	<b>Audit-Related Fees</b>
NGZ	August 31, 2013	\$ 0
	August 31, 2012	\$ 0

**Tax Fees.** Tax Fees are fees associated with tax compliance, tax advice and tax planning, including services relating to the filing or amendment of federal, state or local income tax returns, regulated investment company qualification reviews, and tax distribution and analysis reviews. The table below shows, for NGZ's last two fiscal years, the aggregate Tax Fees billed by PwC to NGZ. During those fiscal years, there were no Tax Fees billed by PwC to NGZ Accounting Affiliates for audit-related services related directly to the operation and financial reporting of NGZ:

<b>Fund</b>	<b>Fiscal Year Ended</b>	<b>Tax Fees</b>
NGZ	August 31, 2013	\$ 15,530
	August 31, 2012	\$ 15,530

**All Other Fees.** All Other Fees are fees related to services other than those reported above under Audit Fees, Audit-Related Fees and Tax Fees. For NGZ's last two fiscal years, no such fees were billed by PwC to NGZ or NGZ's Accounting Affiliates.

During the periods indicated in the tables above, no services described under Audit-Related Fees, Tax Fees or All Other Fees were approved pursuant to the de minimis exception.

**Aggregate Non-Audit Fees.** The aggregate non-audit fees billed by PwC, during NGZ's last two fiscal years, for services rendered to NGZ and NGZ's Accounting Affiliates are shown in the table below:

Fund	Fiscal Year Ended	Aggregate Non-Audit		
		Fees for Fund	Non-Audit Fees for Accounting Affiliates	Aggregate Non-Audit Fees
NGZ	August 31, 2013	\$ [ ]	\$ [ ]	\$ [ ]
	August 31, 2012	\$ 15,530	\$ 3,962,406	\$ 3,977,936

NGZ's Audit Oversight Committee has determined that the provision by PwC of non-audit services to NGZ's Accounting Affiliates that were not pre-approved by the Committee was compatible with maintaining the independence of PwC as NGZ's principal auditors.

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**Voting Information; Ownership of the Funds.**

**Record Date, Quorum and Method of Tabulation.** Shareholders of record of both NGZ and NIE at the close of business on November 12, 2013 (the Record Date ) will be entitled to notice of and to vote at the Special Joint Meeting or any adjournment or postponement thereof, and shareholders of record of NGZ on the Record Date will be entitled to notice of and to vote at the NGZ Annual Meeting or any adjournment or postponement thereof. A quorum for each of NGZ and NIE at the relevant Meeting will consist of the presence in person or by proxy of thirty percent (30%) of the total shares of each of Fund entitled to vote at such Meeting.

Votes cast by proxy or in person at the Meetings will be counted by persons appointed by NGZ and NIE as tellers (the Tellers ) for the relevant Meeting. With respect to the Joint Special Meeting, the Tellers will count the total number of votes cast for approval of Proposal I(a) and Proposal I(b) for purposes of determining whether sufficient affirmative votes have been cast for each such Proposal. The Tellers will count all shares represented by proxies that reflect abstentions and broker non-votes as shares that are present and entitled to vote on the matter for purposes of determining the presence of a quorum. Because these shares will be counted as present, but not as voting in favor of the relevant Proposal, these shares will have the same effect as if they cast votes against such Proposal.

With respect to the NGZ Annual Meeting, for purposes of determining the presence of a quorum for each Fund, the Tellers will count the total number of votes cast for or against approval of Proposal II for the Fund, as well as shares represented by proxies that reflect abstentions and broker non-votes (i.e., shares held by brokers or nominees as to which instructions have not been received from the beneficial owners or the persons entitled to vote and the broker or nominee does not have the discretionary voting power on a particular matter).

For a Proposal requiring approval of a plurality of votes cast, such as the election of Trustees, abstentions and broker non-votes will have no effect on the outcome of such Proposal. For a Proposal requiring approval by a specific percentage of shares present or outstanding, abstentions and broker non-votes will have the same effect as a vote against the proposal.

As of [ ], as shown on the books of the Funds, there were issued and outstanding [ ] common shares of NGZ and [ ] common shares of NIE.

As of [ ], to the best of the knowledge of the Funds, the following persons owned of record or beneficially 5% or more of the outstanding shares of the indicated classes of NGZ and NIE:

	Percentage of Outstanding Shares of Fund Owned	Percentage of Outstanding Shares of Fund Owned	Percentage of Outstanding Shares of Fund Owned AFTER consummation of the Merger
<b>NGZ</b>			
<b>Common Shares</b>			

	%	%
	%	%
	%	%
<b><u>NIE</u></b>		
<b>Common Shares</b>		
	%	%
	%	%
	%	%
	%	%
	%	%

[\* Entity owned 25% or more of the outstanding shares of beneficial interest of the Fund, and therefore may be presumed to control the Fund, as that term is defined in the 1940 Act (none as of [ ]).]

[\*\* Shares are believed to be held only as nominee.]

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[As of the Record Date, to the best of the knowledge of the Funds, the officers and Trustees of the Funds as a group beneficially owned less than 1% of the outstanding shares of NGZ and NIE, respectively.]

### **Adjournments.**

In the event that a quorum is not present at a Meeting or, even if a quorum is present, in the event that sufficient votes in favor of a Proposal set forth in the Notice are not received by the time scheduled for the Meeting, the persons named as proxies may propose one or more adjournments of the Meeting after the date set for the original Meeting, with no other notice than announcement at the Meeting, to permit further solicitation of proxies with respect to the relevant Proposal. In addition, if, in the judgment of the persons named as proxies for a Fund, it is advisable to defer action on a Proposal for that Fund, the persons named as proxies may propose one or more adjournments of the Meeting with respect to such Proposal for a reasonable time. Any adjournments with respect to the Proposals will require the affirmative vote of a plurality of the shares of the Funds entitled to vote thereon present in person or represented by proxy at the session of the Meeting to be adjourned. The persons named as proxies will vote in favor of such adjournment those proxies which they are entitled to vote in favor of the Proposals. They will vote against any such adjournment those proxies submitted that instruct them to vote against the Proposals. The costs of any additional solicitation and of any adjourned session will be borne by the applicable Fund. Any proposal for which sufficient favorable votes have been received by the time of the Meeting will be acted upon and such action will be final regardless of whether the Meeting is adjourned to permit additional solicitation with respect to another proposal.

### **Methods of Voting**

The solicitation will be primarily by mail and the cost of soliciting proxies for a Fund will be borne individually by each Fund. Certain officers of the Funds and certain officers and employees of the Manager or its affiliates (none of whom will receive additional compensation therefor) may solicit proxies by telephone, mail, e-mail and personal interviews. Any out-of-pocket expenses incurred in connection with the solicitation will be borne by each Fund based on its relative net assets. The Funds have retained AST Fund Solutions, LLC to aid in the solicitation of proxies (which is estimated to cost approximately \$105,000).

You may vote by mail by returning a properly executed proxy card, by Internet by going to the website listed on the proxy card, by telephone using the toll-free number listed on the proxy card, or in person by attending the relevant Meeting. Shares represented by timely, duly executed proxies will be voted as instructed on the proxy. **If you execute and mail the enclosed proxy and no choice is indicated with respect to a Proposal, shares will be voted FOR such Proposal.** At any time before it has been voted, your proxy may be revoked in one of the following ways: (i) by delivering a signed, written letter of revocation to the Secretary of the appropriate Fund at 1633 Broadway, New York, New York 10019, (ii) by properly executing and submitting a later-dated proxy vote, or (iii) by attending the relevant Meeting and voting in person. Please call 1-800-591-6313 for information on how to obtain directions to be able to attend the Meetings and vote in person. If any proposal, other than the Proposal set forth herein, properly comes before the Meeting, the persons named as proxies will vote in their sole discretion.

As the Meeting date approaches, you may receive a call from a representative of AGIFM if the applicable Fund has not yet received your vote. The representative may ask you for authority, by telephone or by electronically transmitted instructions, to permit the solicitor to sign a proxy on your behalf. The solicitor will record all instructions it receives from shareholders by telephone or electronically, and the proxies it signs in accordance with those instructions, in accordance with the procedures set forth above. The Trustees believe those procedures are reasonably designed to determine accurately the shareholder's identity and voting instructions.

### **Shareholder Proposals at Future Meetings**



**Shareholder Proposals for 2014-2015 Annual Meeting of NIE.** It is currently anticipated that NIE's next annual meeting of shareholders after the Joint Special Meeting addressed in this Joint Prospectus/Proxy Statement will be held in July 2014. Proposals of shareholders of NIE intended to be presented at that annual meeting of NIE must be received by NIE no later than January 22, 2014 for inclusion in NIE's proxy statement and proxy cards relating to that meeting. The submission by a shareholder of NIE of a proposal for inclusion in the proxy materials does not guarantee that it will be included. Shareholder proposals are subject to certain requirements under the federal securities laws and must be submitted in accordance with the NIE's Bylaws. Shareholders of NIE submitting any other proposals for NIE intended to be presented at the annual meeting for the 2014-2015 fiscal year (*i.e.*, other than those to be included in NIE's proxy materials) must ensure that such proposals are received by NIE, in good order and complying with all applicable legal requirements and requirements set forth in NIE's Bylaws. NIE's Bylaws provide that any such proposal must be received in writing by NIE not less than 45 days nor more than 60 days prior to the first anniversary date of the date on which NIE first mailed its proxy materials for the prior year's annual shareholder meeting;

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provided that, if, in accordance with applicable law, the upcoming annual shareholder meeting is set for a date that is not within 30 days from the anniversary of NIE's prior annual shareholder meeting, such proposal must be received by the later of the close of business on (i) the date 45 days prior to such upcoming annual shareholder meeting date or (ii) the 10th business day following the date such upcoming annual shareholder meeting date is first publicly announced or disclosed. Assuming the next annual meeting is ultimately scheduled to be within 30 days of the anniversary of the previous annual meeting, such proposals must be received no earlier than March 23, 2014 and no later than April 7, 2014. If a shareholder of NIE who wishes to present a proposal fails to notify NIE within these dates, the proxies solicited for the meeting will have discretionary authority to vote on the shareholder's proposal, if it is properly brought before the meeting, in accordance with the judgment of the persons named in the enclosed proxy card(s). If a shareholder makes a timely notification, the proxies may still exercise discretionary voting authority under circumstances consistent with the SEC's proxy rules. Shareholder proposals should be addressed to the attention of the Secretary of NIE, at the address of the principal executive offices of NIE, with a copy to David C. Sullivan, Ropes & Gray LLP, Prudential Tower, 800 Boylston Street, Boston, Massachusetts 02199-3600.

**Shareholder Proposals for 2014-2015 Annual Meeting of NGZ.** If the Merger is *not* approved (and therefore NGZ continues to operate as a separate fund), it is currently anticipated that NGZ's next annual meeting of shareholders after the NGZ Annual Meeting addressed in this Joint Prospectus/Proxy Statement will be held in December 2014. Proposals of shareholders of NGZ intended to be presented at that annual meeting of NGZ must be received by NGZ no later than July 10, 2014 for inclusion in NGZ's proxy statement and proxy cards relating to that meeting. The submission by a shareholder of NGZ of a proposal for inclusion in the proxy materials does not guarantee that it will be included. Shareholder proposals are subject to certain requirements under the federal securities laws and must be submitted in accordance with NGZ's Bylaws. Shareholders of NGZ submitting any other proposals for NGZ intended to be presented at the 2014-2015 annual meeting (*i.e.*, other than those to be included in NGZ's proxy materials) must ensure that such proposals are received by NGZ, in good order and complying with all applicable legal requirements and requirements set forth in NGZ's Bylaws. NGZ's Bylaws provide that any such proposal must be received in writing by NGZ not less than 45 days nor more than 60 days prior to the first anniversary date of the date on which NGZ first mailed its proxy materials for the prior year's shareholder meeting; provided that, if, in accordance with applicable law, the upcoming shareholder meeting is set for a date that is not within 30 days from the anniversary of NGZ's prior shareholder meeting, such proposal must be received by the later of the close of business on (i) the date 45 days prior to such upcoming shareholder meeting date or (ii) the 10th business day following the date such upcoming shareholder meeting date is first publicly announced or disclosed. Assuming the next annual meeting is ultimately scheduled to be within 30 days of the anniversary of this year's meeting, such proposals must be received no earlier than [ ] and no later than [ ]. If a shareholder of NGZ who wishes to present a proposal fails to notify NGZ within these dates, the proxies solicited for the meeting will have discretionary authority to vote on the shareholder's proposal if it is properly brought before the meeting. If a shareholder makes a timely notification, the proxies may still exercise discretionary voting authority under circumstances consistent with the SEC's proxy rules. Shareholder proposals should be addressed to the attention of the Secretary of NGZ, at the address of the principal executive offices of NGZ, with a copy to David C. Sullivan, Ropes & Gray LLP, Prudential Tower, 800 Boylston Street, Boston, Massachusetts 02199-3600.

Assuming the Merger is approved by shareholders of both Funds, the instructions for shareholder proposals for the 2014-2015 Annual Meeting of NIE discussed above will apply to current NGZ shareholders (who will be shareholders of NIE following the Merger).

**Reports to Shareholders.** Below are the dates on or about which the Annual Reports to Shareholders for the most recently completed fiscal year of each Fund were mailed:

<b>Fund</b>	<b>Mail Date for Annual Report to Shareholders for the Most Recently Completed Fiscal Year</b>
NIE	March 25, 2013
NGZ	[            ]

**Additional copies of the Annual Reports and the Funds Semi-Annual Reports may be obtained without charge from the Funds by calling 1-800-254-5197 or by writing to the Funds at 1633 Broadway, New York, New York 10019.**

#### **Other Matters**

The Funds are not aware of any other matters that are expected to arise at the Meetings. If any other matter should arise, however, the persons named in properly executed proxies have discretionary authority to vote such proxies as they shall decide.

**With respect to Proposals I(a) and I(b), the enclosed proxies are solicited by the Trustees of each Fund for use at a Joint Special Meeting of Shareholders of NGZ and NIE, being held at 10:30 a.m., Eastern time, on January 14, 2014, and**

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at any adjournment or postponement thereof. With respect to Proposal II, the enclosed proxies are solicited by the Trustees of NGZ for use at the Annual Meeting of shareholders of NGZ being held at 11:00 a.m., Eastern time, on January 14, 2014, and at any adjournment or postponement thereof. The Meetings are being held at the offices of Allianz Global Investors Fund Management LLC, 1633 Broadway, between West 50th and West 51st Streets, 42nd Floor, New York, New York 10019. The Meetings are being held to consider the proposed Merger of NGZ into NIE by the transfer of all of NGZ's assets and liabilities to NIE in exchange for shares of NIE, followed by the liquidation and dissolution of NGZ and the election of Trustees of NGZ.

This Joint Prospectus/Proxy Statement is being mailed to shareholders on or about [                      ].

**PLEASE EXECUTE AND RETURN THE ENCLOSED PROXY CARDS PROMPTLY TO ENSURE THAT A QUORUM IS PRESENT AT THE MEETINGS. A SELF-ADDRESSED, POSTAGE-PAID ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE.**

[                      ], 2013

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*Appendix A to Joint Prospectus/Proxy Statement*

**Allianz Global Investors Fund Management Sponsored Closed-End Funds**

**Audit Oversight Committee Charter**

(Adopted as of January 14, 2004,

as amended through June 14, 2011)

The Board of Trustees or Directors (each a Board ) of each of the registered investment companies listed in Appendix A hereto (each a Fund and, collectively, the Funds ), as the same may be periodically updated, has adopted this Charter to govern the activities of the Audit Oversight Committee (the Committee ) of the particular Board with respect to its oversight of the Fund. This Charter applies separately to each Fund and its particular Board and Committee, and shall be interpreted accordingly. This Charter supersedes and replaces any audit committee charter previously adopted by the Board or a committee of the Board.

**Statement of Purpose and Functions**

The Committee's general purpose is to oversee the Fund's accounting and financial reporting policies and practices and its internal controls, including by assisting with the Board's oversight of the integrity of the Fund's financial statements, the Fund's compliance with legal and regulatory requirements, the qualifications and independence of the Fund's independent registered public accounting firm ( IA ), and the performance of the Fund's internal control systems and IA. The Committee's purpose is also to prepare reports required by Securities and Exchange Commission rules to be included in the Fund's annual proxy statements, if any.

The Committee's function is oversight. While the Committee has the responsibilities set forth in this Charter, it is not the responsibility of the Committee to plan or conduct audits, to prepare or determine that the Fund's financial statements are complete and accurate and are in accordance with generally accepted accounting principles, or to assure compliance with laws, regulations or any internal rules or policies of the Fund. Fund management is responsible for Fund accounting and the implementation and maintenance of the Fund's internal control systems, and the IA is responsible for conducting a proper audit of the Fund's financial statements. Members of the Committee are not employees of the Funds and, in serving on this Committee, are not, and do not hold themselves out to be, acting as accountants or auditors. As such, it is not the duty or responsibility of the Committee or its members to conduct field work or other types of auditing or accounting reviews or procedures. Each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within management and outside the Fund from which the Committee receives information and (ii) the accuracy of financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary.

**Membership**

The Committee shall be comprised of as many trustees as the Board shall determine, but in any event not less than three (3) Trustees. Each member of the Committee must be a member of the Board. The Board may remove or replace any member of the Committee at any time in its sole discretion. One or more members of the Committee may be designated by the Board as the Committee's chairman or co-chairman, as the case may be.

Each member of the Committee may not be an interested person of the Fund, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the Investment Company Act ), and must otherwise satisfy the

standards for independence of an audit committee member of an investment company issuer as set forth in Rule 10A-3(b) (taking into account any exceptions to those requirements set forth in such rule) under the Securities Exchange Act of 1934, as amended, and under applicable listing standards of the New York Stock Exchange (the NYSE ). Each member of the Committee must be financially literate (or must become so within a reasonable time after his or her appointment to the Committee) and at least one member of the Committee must have accounting or related financial management expertise, in each case as the Board interprets such qualification in its business judgment under NYSE listing standards.

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**Responsibilities and Duties**

The Committee's policies and procedures shall remain flexible to facilitate the Committee's ability to react to changing conditions and to generally discharge its functions. The following describe areas of attention in broad terms. The Committee shall:

1. Determine the selection, retention or termination of the Fund's IA based on an evaluation of their independence and the nature and performance of the audit and any permitted non-audit services. Decisions by the Committee concerning the selection, retention or termination of the IA shall be submitted to the Board for ratification in accordance with the requirements of Section 32(a) of the Investment Company Act. The Fund's IA must report directly to the Committee, which shall be responsible for resolution of disagreements between management and the IA relating to financial reporting.
  2. To consider the independence of the Fund's IA at least annually, and in connection therewith receive on a periodic basis formal written disclosures and letters from the IA as required by Rule 3526 of the Public Company Accounting Oversight Board.
  3. To the extent required by applicable regulations, pre-approve (i) all audit and permitted non-audit services rendered by the IA to the Fund and (ii) all non-audit services rendered by the IA to the Fund's investment advisers (including sub-advisers) and to certain of the investment advisers' affiliates. The Committee may implement policies and procedures by which such services are approved other than by the full Committee.
  4. Review the fees charged by the IA to the Fund, the investment advisers and certain affiliates of the investment advisers for audit, audit-related and permitted non-audit services.
  5. If and to the extent that the Fund intends to have employees, set clear policies for the hiring by the Fund of employees or former employees of the Fund's IA.
  6. Obtain and review at least annually a report from the IA describing (i) the IA's internal quality-control procedures and (ii) any material issues raised (a) by the IA's most recent internal quality-control review or peer review or (b) by any governmental or other professional inquiry or investigation performed within the preceding five years respecting one or more IA carried out by the firm, and any steps taken to address any such issues.
  7. Review with the Fund's IA arrangements for and the scope of the annual audit and any special audits, including the form of any opinion proposed to be rendered to the Board and shareholders of the Fund.
  8. Meet with management and the IA to review and discuss the Fund's annual audited financial statements, including a review of any specific disclosures of management's discussion of the Fund's investment performance; and, with respect to the Fund's audited financial statements, discuss with the IA matters required by Statement of Accounting Standards (SAS) No. 61 and any other matters required to be reported to the Committee under applicable law; and provide a statement whether, based on its review of the Fund's audited financial statements, the Committee recommends to the Board that the audited financial statements be included in the Fund's Annual Report.
- Meet with management to review and discuss the Fund's unaudited financial statements included in the semi-annual report, including, if any, a review of any specific disclosure of management's discussion of the Fund's investment performance.
9. Discuss with management and, as needed, the IA the Fund's unaudited financial statements.

10. Review with the IA any audit problems or difficulties encountered in the course of their audit work and management's responses thereto.

11. Review with management and, as applicable, with the IA the Fund's accounting and financial reporting policies, practices and internal controls, including the effect on the Fund of any recommendation of changes in accounting principles or practices by management or the IA.

12. Discuss with management its policies with respect to risk assessment and risk management.

13. Discuss with management any press releases discussing the Fund's investment performance and other financial information about the Fund, as well as any financial information provided by management to analysts or rating agencies. The Committee may discharge this responsibility by discussing the general types of information to be disclosed by the Fund and the form of presentation (*i.e.*, a case-by-case review is not required) and need not discuss in advance each such release of information.

14. Establish procedures for (i) the receipt, retention, and treatment of complaints received by the Fund regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Fund, the Fund's investment advisers, administrator, principal underwriter (if any) or any other provider of accounting-related services for the investment advisers of concerns regarding accounting or auditing matters.

15. Investigate or initiate the investigation of any improprieties or suspected improprieties in the Fund's accounting operations or financial reporting.



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16. Review with counsel legal and regulatory matters that have a material impact on the Fund's financial and accounting reporting policies and practices or its internal controls.

17. Report to the Board on a regular basis (at least annually) on the Committee's activities.

18. Perform such other functions consistent with this Charter, the Agreement and Declaration of Trust and Bylaws applicable to the Fund, and applicable law or regulation, as the Committee or the Board deems necessary or appropriate.

The Committee may delegate any portion of its authority and responsibilities as set forth in this Charter to a subcommittee of one or more members of the Committee.

### **Meetings**

At least annually, the Committee shall meet separately with the IA and separately with the representatives of Fund management responsible for the financial and accounting operations of the Fund. The Committee shall hold other regular or special meetings as and when it deems necessary or appropriate.

### **Outside Resources and Assistance from Management**

The appropriate officers of the Fund shall provide or arrange to provide such information, data and services as the Committee may request. The Committee shall have the authority to engage at the Fund's expense independent counsel and other experts and consultants whose expertise the Committee considers necessary to carry out its responsibilities. The Fund shall provide for appropriate funding, as determined by the Committee, for the payment of: (i) compensation of the Fund's IA for the issuance of an audit report relating to the Fund's financial statements or the performance of other audit, review or attest services for the Fund; (ii) compensation of independent legal counsel or other advisers retained by the Committee; and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in fulfilling its purposes or carrying out its responsibilities under this Charter.

### **Annual Evaluations**

The Committee shall review and reassess the adequacy of this Charter at least annually and recommend any changes to the Board. In addition, the performance of the Committee shall be reviewed at least annually by the Board.

### **Adoption and Amendments**

The Board shall adopt and approve this Charter and may amend the Charter at any time on the Board's own motion.

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Appendix A

Funds Subject to this Charter

(As of February 1, 2013)

ALLIANZGI NFJ DIVIDEND, INTEREST & PREMIUM STRATEGY FUND ( NFJ )

ALLIANZGI CONVERTIBLE & INCOME FUND ( NCV )

ALLIANZGI CONVERTIBLE & INCOME FUND II ( NCZ )

ALLIANZGI EQUITY & CONVERTIBLE INCOME FUND ( NIE )

ALLIANZGI GLOBAL EQUITY & CONVERTIBLE INCOME FUND ( NGZ )

PCM FUND, INC. ( PCM )

PIMCO CALIFORNIA MUNICIPAL INCOME FUND ( PCQ )

PIMCO CALIFORNIA MUNICIPAL INCOME FUND II ( PCK )

PIMCO CALIFORNIA MUNICIPAL INCOME FUND III ( PZC )

PIMCO CORPORATE & INCOME STRATEGY FUND ( PCN )

PIMCO CORPORATE & INCOME OPPORTUNITY FUND ( PTY )

PIMCO DYNAMIC CREDIT INCOME FUND ( PCI )

PIMCO DYNAMIC INCOME FUND ( PDI )

PIMCO INCOME STRATEGY FUND ( PFL )

PIMCO INCOME STRATEGY FUND II ( PFN )

PIMCO GLOBAL STOCKSPPLUS & INCOME FUND ( PGP )

PIMCO HIGH INCOME FUND ( PHK )

PIMCO INCOME OPPORTUNITY FUND ( PKO )

PIMCO MUNICIPAL INCOME FUND ( PMF )

PIMCO MUNICIPAL INCOME FUND II ( PML )

PIMCO MUNICIPAL INCOME FUND III ( PMX )

PIMCO NEW YORK MUNICIPAL INCOME FUND ( PNF )

PIMCO NEW YORK MUNICIPAL INCOME FUND II ( PNI )

PIMCO NEW YORK MUNICIPAL INCOME FUND III ( PYN )

PIMCO STRATEGIC GLOBAL GOVERNMENT FUND INC. ( RCS )

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*Appendix B to Joint Prospectus/Proxy Statement*

**Report of the Audit Committee**

**[To be provided by amendment.]**

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*Appendix C to Joint Prospectus/Proxy Statement*

**INFORMATION ABOUT THE FUNDS**

***Investment Objective and Strategies***

The Funds have identical investment objectives and similar investment policies. Each Fund's primary objective is to seek total return comprised of capital appreciation, current income and gains.

NIE pursues its investment objective by investing in a diversified portfolio of equity securities (the Equity Component) and income-producing convertible securities (the Convertible Component), and NGZ pursues its investment objective by investing in a diversified, global portfolio of equity securities (also referred to as the Equity Component) and income-producing convertible securities (also referred to as the Convertible Component). Each Fund also employs a strategy of writing (selling) call options on the stocks held in the Equity Component as well as on equity indexes, generally with respect to approximately 70% of the value of the securities in the Equity Component (the Option Strategy). The Option Strategy is designed to generate gains from option premiums in an attempt to enhance distributions payable to each Fund's shareholders and to reduce overall portfolio risk. The types of investments that will ordinarily comprise the Equity Component and the Convertible Component, and the instruments used to implement the Option Strategy, are summarized below under Investment Selection Strategies and Portfolio Contents and Other Information.

Allianz Global Investors Fund Management LLC (the Manager) serves as the investment manager of each Fund and retains its affiliate, Allianz Global Investors U.S. LLC (AGI U.S. or the Sub-Adviser), to serve as sub-adviser and manage each Fund's portfolio. See Management of the Fund Sub-Adviser below. The portfolio management strategies and techniques utilized by AGI U.S. in managing each Fund are described below.

***Asset Allocation***

The percentage of each Fund's total assets represented by each Component varies based on relative investment performance and the Sub-Adviser's views regarding market conditions and other factors. Each Fund expects that each Component will generally vary within the following ranges: 40% to 80% for the Equity Component and 20% to 60% for the Convertible Component.

NGZ intends to invest, under normal circumstances, at least 40% of its total assets in securities of issuers that are tied economically to countries other than the United States, and to have exposure to at least eight different countries (including the United States). NGZ may invest up to 10% of its total assets in issuers that are tied economically to developing or emerging market countries.

As used in this Joint Prospectus/Proxy Statement, an issuer shall be considered to be tied economically to a particular country or geographic region if (i) it is organized under the laws of the country or a country within the geographic region, or maintains its principal place of business in that country or region; (ii) its securities trade principally in the country or region; (iii) the issuer, during its most recent fiscal year, derived at least 50% of its revenues or profits from goods produced or sold, investments made, or services performed in the country or region; or (iv) it has at least 50% of its assets in that country or region.

NIE will ordinarily invest principally in securities of U.S. issuers. NIE may invest without limit in securities of non-U.S. issuers that trade on U.S. securities markets, such as ADRs. Up to 20% of NIE's total assets may be invested in other non-U.S. equity and debt securities, including securities of issuers that are organized or headquartered in

developing or emerging market countries.

The risk/return profile of NGZ (taken as a whole) will vary according to the level of total assets allocated to each Component and among various countries and regions from time to time. The risk/return profile of NIE (taken as a whole) will vary according to the level of total assets allocated to each Component.

***Investment Selection Strategies***

In selecting investments for each Fund, AGI U.S. attempts to identify issuers of securities that successfully adapt to change. Through a combination of investments in the asset classes and use of the strategies described below, AGI U.S. attempts to simultaneously obtain equity market exposure (and, with respect to NGZ, global equity market exposure) and current income for each Fund utilizing a disciplined, fundamental, bottom-up research process combined with traditional credit analysis.

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**Table of Contents****Convertible component**

In selecting convertible securities for each Fund's Convertible Component, AGI U.S. evaluates each convertible security's investment characteristics as an income-producing security, using the credit analysis techniques described below, as well as its potential for capital appreciation, using techniques that focus on the security's equity characteristics as described under Equity component below. AGI U.S. seeks to capture approximately 70-80% of any increase in the market price of the underlying equities (upside potential) and 50% or less of any decrease in the market price of the underlying equities (downside exposure).

In selecting convertible securities for each Fund's Convertible Component (as well as in selecting any non-convertible income-producing securities in which a Fund may invest), AGI U.S. uses traditional credit analysis. AGI U.S. attempts to identify potential investments that it expects will exceed minimum credit statistics and exhibit the highest visibility of future expected operating performance. AGI U.S. relies heavily on its own analysis of the credit quality and risks associated with individual securities considered for the Convertible Component, rather than relying exclusively on rating agencies or third-party research. The portfolio managers use this information in an attempt to minimize credit risk and identify issuers, industries or sectors that are undervalued or that offer high current income or attractive capital appreciation relative to AGI U.S.'s assessment of their credit characteristics.

AGI U.S. will normally attempt to maintain the portfolio of each Fund's Convertible Component with an average credit quality that is investment grade *i.e.*, rated at least Baa3 by Moody's or BBB- by either S&P or Fitch or, with respect to unrated securities, based on comparable credit quality determinations made by AGI U.S. Average credit quality for these purposes is determined by reference to the credit- and dollar-weighted quality of convertible and other debt securities in a Fund's portfolio. For example, using Moody's ratings, a bond rated Aa3 together with two bonds rated Ba3, all three of the same value, would produce an average credit quality of Baa3. Each Fund may invest a portion of the Convertible Component in convertible and other debt securities that are of below investment grade quality, including unrated securities and distressed securities that are in default or the issuers of which are in bankruptcy. Securities of below investment grade quality are regarded as having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal when due, and are commonly referred to as "high yield" securities or "junk bonds." See Principal Risk Factors Credit/High Yield Risk.

**Equity component**

In selecting equity securities for the Equity Component of each Fund (as well as in considering the equity characteristics of convertible securities), AGI U.S. ordinarily looks for several of the following characteristics: above-average earnings growth; high return on invested capital; a healthy or improving balance sheet and overall financial strength; historic levels of dividend payments; sound financial and accounting policies; strong competitive advantages, which may include effective research and product development and marketing, development of new technologies, efficient service and pricing flexibility; strong management; and general operating characteristics that will enable the companies to compete successfully in their respective markets. To the extent that AGI U.S. invests in preferred stocks or real estate investment trusts (REITs) for a Fund's Equity Component, AGI U.S. will also consider such security's characteristics as an income-producing security using credit analysis similar to that described above for the Convertible Component.

With respect to the non-U.S. portion of NGZ's Equity Component, AGI U.S. uses its international systematic investment approach through a proprietary Global Equity Model. This investment approach uses a quantitative process to make individual security, sector, country and currency selection decisions and to integrate those decisions. The following criteria are incorporated into the Global Equity Model and contribute to the overall security selection process:

Positive Change: Earnings estimate revisions, analyst rating changes, and currency competitiveness with the U.S. dollar

Sustainability: Residual income valuation, relative value, and interest rate differential

Timeliness: Price momentum and currency momentum

Based on these factors, the model attempts to identify non-U.S. stocks with the potential to outperform their peers in the relevant market and to construct an international equity portfolio that seeks to maximize risk-adjusted return potential in any market environment. AGI U.S. also uses an alpha confirmation process which attempts to identify material late-breaking news, price movements and other factors that would not yet be reflected in the model forecast. AGI U.S.'s portfolio management team continuously monitors NGZ's portfolio and the international equity markets for changing conditions, combining both bottom-up and top-down portfolio analysis.

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AGI U.S.'s discipline in selling securities from either Component is designed to continually drive each Fund's portfolio toward strength, taking into account, as applicable, factors such as a change in credit fundamentals, a decline in attractiveness relative to other securities, a decline in industry, country or region fundamentals, or a material change in any of the other factors that led to the initial purchase of the security.

## **Diversification**

Subject to the availability of suitable investment opportunities and subject to each Fund's limitations, AGI U.S. will attempt to diversify each Fund's investments in its Equity and Convertible Components broadly in an attempt to minimize each Fund's portfolio's sensitivity to equity securities risk, credit risk, geographic risk and/or other risks associated with a particular issuer, industry or sector, country or region, or to the impact of a single economic, political or regulatory occurrence.

## **Option strategy**

In implementing each Fund's Option Strategy, AGI U.S. will sell or write call options on stocks held in a Fund's Equity Component and on equity indexes. When a Fund writes a call option on an individual stock held in its Equity Component, it will generally do so with respect to approximately 70% of the value of the position, and when it writes a call option on an equity index, the face or notional amount of the index subject to the option will generally be equal to approximately 70% of the value of the corresponding securities in its Equity Component. Therefore, if a Fund determines to write call options on all or substantially all of the securities held in its Equity Component, it is expected that such Fund will have written call options positions with respect to approximately 70% of the aggregate value of its Equity Component. However, the extent of each Fund's use of the Option Strategy will vary depending on market conditions and other factors, and each Fund may determine from time to time to write call options (whether they be on individual stocks and/or on equity indexes) with respect to only a portion, or none, of the securities held in its Equity Component. To the extent utilized, the Option Strategy is designed to generate gains from option premiums in an attempt to enhance each Fund's income and to reduce overall portfolio risk. However, there is no assurance that the Option Strategy will achieve its objectives.

Call options are contracts representing the right to purchase the underlying security or the current value of the underlying index at a specified price (the strike price) at or before a specified future date (the expiration date). The value of options are determined by trading activity in the broad options market and will be affected by, among other factors, changes in the value of the underlying securities (including those comprising an index) in relation to the strike price, changes in dividend rates of underlying securities, changes in interest or currency rates, changes in actual or perceived volatility of the stock market and underlying securities, and the time remaining until the expiration date. As the writer (seller) of a call option, a Fund would receive cash (the premium) from the purchaser of the option, and the purchaser would have the right to receive from the Fund any appreciation in the underlying security or the cash value of the index over the strike price on the expiration date or otherwise upon exercise. In effect, the Fund forgoes, during the life of the option, the opportunity to profit from increases in the market value of the underlying security or securities held by the Fund with respect to which the option was written above the sum of the premium and the strike price of the call (in the case of index options, this will depend, in part, on the extent to which the performance of the Fund's portfolio securities are correlated with the performance of the relevant index). Therefore, each Fund's use of the Option Strategy will generally limit its ability to benefit from the full upside potential of its Equity Component. However, when a Fund writes call options, it retains the risk of loss (net of premiums received) should the price of its portfolio securities decline.

Each Fund may seek to close out (terminate) a call option it has written by buying an offsetting option or, in the case of some over-the-counter options, agreeing with the purchaser to terminate the transaction prior to its expiration date.

If a Fund terminates an option prior to its expiration, the Fund will have to make a cash payment equal to the value of the option (and may incur additional transaction costs). There can be no assurance that a Fund will be able to close out any particular option written by it at any time or at a favorable price.

The transaction costs of buying and selling options consist primarily of the bid-ask spread and commissions (which are imposed in opening, closing, exercise, and assignment transactions), and may include margin and interest costs. Transaction costs may be higher for transactions effected in foreign markets than for transactions effected in U.S. markets. Transaction costs will decrease the amount of any gain or increase the amount of any loss a Fund realizes on an option.

Each Fund generally will write call options with a strike price that is above ( out-of-the-money ) the market value of the underlying security or the current cash value of the underlying index at the time written. Each Fund will ordinarily write out-of-the-money call options where the strike price is approximately 5% higher than the value of the underlying security or index at the time written, but reserves the flexibility to write options that are out-of-the-money to a greater or lesser extent based on market conditions and other factors. In addition to providing possible gains through premiums, out-of-the-money call options allow a Fund to potentially benefit from appreciation of its portfolio securities up to the strike prices of the associated options, but the Fund forgoes any appreciation above the strike prices. Each Fund also reserves the flexibility to write at-the-money (*i.e.*, with a

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strike price equal to the market value of the underlying security or cash value of the index) and in-the-money (*i.e.*, with a strike price below the market value of the underlying security or cash value of the index) call options. When the value of the individual security or equity index upon which a call option is written rises, a call option that was at- or out-of-the-money when written may become in-the-money, thereby increasing the likelihood that the option could be exercised and the Fund forced to pay the amount of appreciation above the strike price of the option upon exercise or to sell the underlying security or securities.

Equity index options differ from options on individual securities in that (i) the exercise of an index option requires cash payments and does not involve the actual purchase or sale of securities, (ii) the holder of an index option has the right to receive cash upon exercise of the option if the level of the index upon which the option is based is greater than the strike price of the option and (iii) index options reflect price fluctuations in a group of securities or segment of the securities market rather than price fluctuations in a single common stock. In addition, 60% of the gains or losses from some (but not all) equity index call options are treated as long-term capital gains or losses for federal income tax purposes (with 40% being treated as short-term capital gains or losses), whereas all gains and losses from call options on individual securities are treated as short-term capital gains or losses (unless the option is actually exercised after the security, or any related substantially similar security or other property, is treated for federal income tax purposes as having been held by the Fund for more than a year). See Tax Matters.

AGI U.S. may cause each Fund to sell call options on broad based equity indexes, such as the Standard & Poor's 500 Index, as well as on narrower market indexes or on indexes of securities of companies in particular countries, industries or sectors, including (but not limited to) financial services, technology, pharmaceuticals and consumer products. An equity index assigns relative values to the securities included in the index (which change periodically), and the index fluctuates with changes in the market values of those securities. Each Fund may also write options on ETFs and other similar instruments designed to correlate with the performance of an equity index or market segment. The Funds are not sponsored, endorsed, sold or promoted by any index sponsor and no index sponsor is making any representation regarding the advisability of investing in the Funds.

When using index options, AGI U.S. will attempt to maintain for a Fund written call options positions on equity indexes whose price movements, taken in the aggregate, are closely correlated with the price movements of corresponding stocks and other securities held in the Fund's Equity Component. However, this strategy involves significant risk that the changes in value of the indexes underlying the Fund's written index call options positions will not correlate closely with changes in the market value of securities held by the Fund. To the extent that there is a lack of correlation, movements in the indexes underlying the options positions may result in net losses to the Fund which exceed any gains received by the Fund from options premiums and any increase in value of the Fund's corresponding portfolio securities. See Principal Risk Factors Options Risk.

Each Fund may use listed/exchange-traded options contracts, as well as unlisted (or over-the-counter) options (particularly with respect to options on foreign securities or indexes in the case of NGZ). Listed option contracts in the U.S. are originated and standardized by an independent entity called the Options Clearing Corporation (the OCC). Listed call options are currently traded on the American Stock Exchange, Chicago Board Options Exchange, International Securities Exchange, New York Stock Exchange, Pacific Stock Exchange, Philadelphia Stock Exchange and various other U.S. options exchanges, as well as on various foreign exchanges. Over-the-counter options are not originated and standardized by the OCC or any other exchange or clearinghouse, and are not listed and traded on an options exchange, and therefore involve increased liquidity, counterparty and other risks. See Principal Risk Factors Over-The-Counter Options Risk.

Conventional call options have expiration dates that can generally be up to nine months from the date the call options are first listed for trading. Longer-term call options can have expiration dates up to three years from the date of listing.

The call options each Fund intends to write (sell) may be either European style options, which may be exercised only during a specified period of time just prior to the expiration date, or American style options, which may be exercised at any time between the date of purchase and the expiration date.

AGI U.S. does not intend to write uncovered call options on behalf of the Funds. Each Fund's written call options on individual stocks will be covered because the relevant Fund will hold the underlying stock in its portfolio throughout the term of the option. Each Fund will cover its written index call option positions by either segregating liquid assets in an amount equal to the contract value of the index or by entering into offsetting positions. Neither Fund will write options with respect to individual stocks that are not held in its portfolio (*i.e.*, naked options).

In addition to writing call options pursuant to the Option Strategy, each Fund may also purchase and write (sell) put options on equity indexes and individual securities, principally in an effort to protect against or partially offset market declines affecting the Equity Component and mainly with respect to the non-U.S. portion of the Equity Component. Put options are contracts that give the holder of the option, in return for the payment of a premium, the right to sell to the writer (seller) of the option the security underlying the option or to receive a payment based on the value of an equity index at a specified exercise price at any time during the term of the option.

A Fund's use of the Option Strategy may cause the Fund to realize higher amounts of short-term capital gains (generally taxed to shareholders at ordinary income tax rates when distributed to them) than if it had not used such strategy.

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### **Portfolio Contents and Other Information**

Under normal circumstances, each Fund invests at least 80% of its net assets (plus any borrowings for investment purposes) in a combination of equity securities and income-producing convertible securities.

NGZ intends to invest, under normal circumstances, at least 40% of its total assets in securities of issuers that are tied economically to countries other than the United States, and to have exposure to at least eight different countries (including the United States). NGZ may invest up to 10% of its total assets in issuers that are tied economically to developing or emerging market countries.

NIE will ordinarily invest principally in securities of U.S. issuers. NIE may invest without limit in securities of non-U.S. issuers that trade on U.S. securities markets, such as ADRs. Up to 20% of the NIE's total assets may be invested in other non-U.S. equity and debt securities, including securities of issuers that are organized or headquartered in developing or emerging market countries.

Each Fund's **Equity Component** will ordinarily consist of common stocks, but may also include other types of equity securities, including preferred stocks, depository receipts, rights and warrants. NGZ ordinarily expects to focus its equity investments in companies with larger market capitalizations in relation to other companies in their particular markets, and NIE ordinarily expects to focus its equity investments in companies with market capitalizations of \$3 billion or more at the time of investment. However, each Fund may invest in securities of companies of any size. The non-U.S. companies in which NGZ invests may have market capitalizations that are small in relation to larger U.S. companies. Each Fund may purchase securities in initial public offerings (IPOs).

Each Fund's **Convertible Component** will ordinarily consist principally of income-producing convertible securities, including bonds, debentures, notes, preferred stocks, and other securities or investments that may be converted or exchanged (by the holder or issuer) into equity securities of the issuer (or cash or securities of equivalent value), as well as synthetic convertible securities. The weighted average maturity of securities comprising each Fund's Convertible Component will typically range from 5 to 10 years, although it may be shorter or longer at any time and from time to time depending upon market conditions. Each Fund's Convertible Component normally will have an average credit quality that is investment grade, although it may include convertible and other debt securities that are of below investment grade quality.

Each Fund may also invest up to 20% of its total assets in non-convertible income-producing securities including, but not limited to, bonds, debentures, notes, government securities, mortgage-related securities and other types of debt instruments. To the extent that a Fund does so, the non-convertible income-producing securities will be treated as being part of the Convertible Component for purposes of the asset-allocation, maturity and credit quality parameters specified above.

In addition to using option contracts as described under **Option strategy** above, each Fund may also utilize other derivative strategies involving call and put options, futures and forward contracts, swap agreements, short sales and other derivative instruments for investment purposes or in an attempt to hedge against market and other risks in the portfolio.

Each Fund may invest up to 10% of its total assets in illiquid securities (determined using the SEC's standard applicable to open-end investment companies; *i.e.*, securities that cannot be disposed of within seven days in the ordinary course of business at approximately the value at which the Fund has valued the securities). Each Fund may invest a significant portion of its total assets in securities that have not been registered for public sale, but that are eligible for purchase and sale pursuant to Rule 144A under the Securities Act. Each Fund may also invest in securities

of other investment companies, including ETFs, and may invest in REITs.

As diversified funds, each Fund generally may not, with respect to 75% of its total assets, purchase the securities of any issuer, except securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities or securities of other investment companies, if, as a result, (i) more than 5% of the Fund's total assets would be invested in the securities of that issuer or (ii) the Fund would hold more than 10% of the outstanding voting securities of that issuer. Neither Fund will concentrate its investments in a particular industry by investing more than 25% of its total assets in that industry. The Funds' industry concentration policies do not preclude them from focusing investments in issuers in a group of related industrial sectors (such as different types of utilities if they are not themselves an industry).

Neither Fund can change its investment objective without the approval of the holders of a majority of its outstanding common shares. A majority of the Fund's outstanding shares (whether voting together as a single class or voting as a separate class) means (i) 67% or more of such shares present at a meeting, if the holders of more than 50% of those shares are present or represented by proxy or (ii) more than 50% of such shares, whichever is less. Neither Fund may change its policy to normally invest at least 80% of its net assets (plus any borrowings for investment purposes) in a combination of equity securities and income-producing convertible securities unless it provides shareholders with at least 60 days written notice of such change.

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Upon the Manager's or Sub-Adviser's recommendation, for temporary defensive purposes and in order to keep its cash fully invested, including during the period in which the net proceeds of this offering are being invested, each Fund may deviate from its principal strategies by investing some or all of its total assets in investments such as high grade debt securities, including high quality, short-term debt securities, and cash and cash equivalents. A Fund may not achieve its investment objective when it does so.

Each Fund may engage in active and frequent trading of portfolio securities (*i.e.*, portfolio turnover), particularly during periods of volatile market movements. In addition, a Fund's portfolio turnover rate will increase to the extent that the Fund is required to sell portfolio securities to satisfy its obligations under the Option Strategy or to realize additional gains to be distributed to shareholders. Portfolio turnover involves some expense to a Fund, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestment in other securities. Such sales may also result in realization of taxable capital gains, including short-term capital gains taxed at ordinary income tax rates, and may adversely impact a Fund's after-tax returns to common shareholders.

The following provides additional information regarding the types of securities and other instruments in which each Fund may invest. A more detailed discussion of these and other instruments and investment techniques that may be used by the Fund is provided under "Investment Objective and Policies" in the Merger SAI.

### **Common Stocks and Other Equity Securities**

Because the Funds will ordinarily have substantial exposure to equity securities, historical trends would indicate that the Funds' portfolios and investment returns will be subject at times, and over time, to higher levels of volatility and market and issuer-specific risk than if the Funds invested exclusively in debt securities. Although common stocks and other equity securities have historically generated higher average returns than debt securities over the long term, they also have experienced significantly more volatility in those returns and in certain years have significantly underperformed relative to debt securities. An adverse event, such as an unfavorable earnings report, may depress the value of a particular equity security held by a Fund. Also, prices of common stocks and other equity securities are sensitive to general movements in the equity markets and a decline in those markets may depress the prices of the equity securities held by a Fund. The prices of equity securities fluctuate for many different reasons, including changes in investors' perceptions of the financial condition of an issuer or the general condition of the relevant stock market or when political or economic events affecting the issuer occur. In addition, prices of equity securities may be particularly sensitive to rising interest rates, as the cost of capital rises and borrowing costs increase.

Each Fund may invest in common stocks and other equity securities that are unlisted or trade in over-the-counter markets. Unlike securities exchanges, an over-the-counter market is not a centralized facility that limits trading activity to securities of companies that initially satisfied particular standards. The volume of trading in an unlisted or over-the-counter equity security is usually less than the volume of trading in a comparable listed security. Due to potentially limited market liquidity of over-the-counter securities, a Fund may be unable to dispose of such a security except at a discount from recent prices or in small lots over an extended period of time.

### **Convertible Securities**

Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted or exchanged at either a stated price or stated rate into underlying shares of common stock. Convertible securities have general characteristics similar to both debt securities and equity securities. Although to a lesser extent than with debt obligations, the market value of convertible securities tends to decline as interest rates increase and, conversely, tends to increase as interest rates decline. In addition, because of the conversion feature, the market value of convertible securities tends to vary with fluctuations in the market value of the underlying common stocks and, therefore, also will

react to variations in the general market for equity securities.

Convertible securities are investments that provide for a stable stream of income with generally higher yields than common stocks. There can be no assurance of current income because the issuers of the convertible securities may default on their obligations. Convertible securities, however, generally offer lower interest or dividend yields than non-convertible debt securities of similar credit quality because of the potential for equity-related capital appreciation. A convertible security, in addition to providing current income, offers the potential for capital appreciation through the conversion feature, which enables the holder to benefit from increases in the market price of the underlying common stock.

### **Synthetic Convertible Securities**

Each Fund also may invest in synthetic convertible securities, which will be selected based on the similarity of their economic characteristics to those of a traditional convertible security due to the combination of separate securities that possess the two principal characteristics of a traditional convertible security, *i.e.*, an income-producing security ( income-producing



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component ) and the right to acquire an equity security ( convertible component ). The income-producing component is achieved by investing in non-convertible, income-producing securities such as bonds, preferred stocks and money market instruments. The convertible component is achieved by purchasing warrants or options to buy common stock at a certain exercise price, or options on a stock index. Each Fund may also purchase synthetic securities created by other parties, typically investment banks, including convertible structured notes. The income-producing and convertible components of a synthetic convertible security may be issued separately by different issuers and at different times. The values of synthetic convertible securities will respond differently to market fluctuations than a traditional convertible security because a synthetic convertible is composed of two or more separate securities or instruments, each with its own market value. Synthetic convertible securities are also subject to the risks associated with derivatives. See **Principal Risk Factors Derivatives Risk**. In addition, if the value of the underlying common stock or the level of the index involved in the convertible element falls below the strike price of the warrant or option, the warrant or option may lose all value.

**Call options**

A description of the various call options that the Funds may use to implement the Option Strategy, and other information regarding call options, is provided under **Investment selection strategies Option strategy** above.

**Put options**

In addition to using call options, each Fund may also purchase or sell (write) put options on equity indexes and individual securities.

As the purchaser of a put option, a Fund, in exchange for a premium, would have the right to receive a cash payment from the seller of the option in the event the value of the underlying index or security is below the exercise price of the put option upon its exercise. The Fund would ordinarily realize a gain if (i) at the time of exercise, the contract value of the relevant index or security had decreased below the exercise price of the put option to more than cover the premium and transaction costs borne by the Fund or (ii) the Fund sells the put option prior to its expiration at a price that is higher than its cost. A Fund will purchase put options principally in an attempt to hedge against market declines in or volatility in equity securities held in its portfolio, but the Funds may also use put options for investment purposes. If a Fund purchases put options that are *out-of-the-money* (*i.e.*, where the exercise price is less than the value of the index or security), the Fund will not be fully covered against any market decline. A put option purchased by a Fund and not sold prior to expiration will expire worthless if the price of the index or security at expiration exceeds the exercise price of the option, thereby causing the Fund to lose its entire investment in the option. If restrictions on exercise are imposed, a Fund might be unable to exercise a put option it had purchased. Also, the effectiveness of purchased index put options as a hedging technique will depend, in part, upon the extent to which price movements in the Fund's portfolio securities correlate with prices movements in the underlying index. To the extent that there is a lack of correlation, a purchased index put option may not work as an effective hedging instrument. See **Principal Risk Factors Options Risk**.

As the writer (seller) of a put option, a Fund would receive cash (the premium) from the purchaser of the option, and the purchaser would have the right to sell the underlying security to the Fund for the strike price upon exercise or, in the case of an index option, receive from the Fund cash in the amount of any depreciation in the contract value of the index below the strike price upon exercise. By writing a put option on a security, a Fund would assume the risk that it may be required to purchase the underlying security for an exercise price that is higher than its then current market value, resulting in a potential capital loss unless the security subsequently appreciates in value. If a Fund writes a put on an index, the Fund may be required to make a cash settlement greater than the premium received if the value of the index declines. If the underlying stock price or the value of the index decline significantly, a Fund could experience

substantial losses when it sells put options.

### **Preferred Securities**

Each Fund may invest in preferred stocks. Preferred securities represent an equity interest in a company that generally entitles the holder to receive, in preference to the holders of other stocks such as common stocks, dividends and a fixed share of the proceeds resulting from liquidation of the company. Unlike common stocks, preferred stocks usually do not have voting rights. Preferred stocks in some instances are convertible into common stock. Some preferred stocks also entitle their holders to receive additional liquidation proceeds on the same basis as holders of a company's common stock, and thus also represent an ownership interest in the company. Some preferred stocks offer a fixed rate of return with no maturity date. Because they never mature, these preferred stocks may act like long-term bonds, can be more volatile than other types of preferred stocks and may have heightened sensitivity to changes in interest rates. Other preferred stocks have a variable dividend, generally determined on a quarterly or other periodic basis, either according to a formula based upon a specified premium or discount to the yield on particular U.S. Treasury securities or based on an auction process, involving bids submitted by holders and prospective purchasers of such stocks. Although they are equity securities, preferred securities have certain characteristics of both debt securities and common stock. They are like debt securities in that their stated income is generally contractually fixed. They are like common stocks in that they do not have rights to precipitate bankruptcy proceedings or collection activities in the event of missed payments. Furthermore, preferred securities have many of the key characteristics of equity due to their subordinated

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position in an issuer's capital structure and because their quality and value are heavily dependent on the profitability of the issuer rather than on any legal claims to specific assets or cash flows. Because preferred securities represent an equity ownership interest in a company, their value usually will react more strongly than bonds and other debt instruments to actual or perceived changes in a company's financial condition or prospects, or to fluctuations in the equity markets.

In order to be payable, dividends on preferred securities must be declared by the issuer's board of directors. In addition, distributions on preferred securities may be subject to deferral and thus may not be automatically payable. Income payments on some preferred securities are cumulative, causing dividends and distributions to accrue even if they are not declared by the board of directors of the issuer or otherwise made payable. Other preferred securities are non-cumulative, meaning that skipped dividends and distributions do not continue to accrue. There is no assurance that dividends on preferred securities in which a Fund invests will be declared or otherwise made payable.

Preferred securities have a liquidation value that generally equals their original purchase price at the date of issuance. The market values of preferred securities may be affected by favorable and unfavorable changes affecting the issuers' industries or sectors. They also may be affected by actual and anticipated changes or ambiguities in the tax status of the security and by actual and anticipated changes or ambiguities in tax laws, such as changes in corporate and individual income tax rates or the characterization of dividends as tax-advantaged. The dividends paid on the preferred securities in which the Fund may invest might not be eligible for tax-advantaged "qualified dividend" treatment. See "Tax Matters." Because the claim on an issuer's earnings represented by preferred securities may become disproportionately large when interest rates fall below the rate payable on the securities or for other reasons, the issuer may redeem preferred securities, generally after an initial period of call protection in which the security is not redeemable. Thus, in declining interest rate environments in particular, a Fund's holdings of higher dividend-paying preferred securities may be reduced and the Fund may be unable to acquire securities paying comparable rates with the redemption proceeds.

Convertible preferred securities are subject to the same risks as convertible securities generally. See "Principal Risk Factors" "Convertible Securities Risk." In addition, convertible preferred securities may generate lower rates of income than non-convertible preferred securities, and the conversion option of a convertible preferred security may cause it to trade more like an equity security than a typical fixed income instrument.

**High Yield Securities ( "Junk Bonds" )**

Each Fund may invest in convertible securities and non-convertible income producing securities that are rated below investment grade (below Baa3 by Moody's or below BBB- by either S&P or Fitch) or that are unrated but determined by AGI U.S. to be of comparable quality. Below investment grade securities are commonly referred to as "high yield securities" or "junk bonds." Each Fund may invest in high yield securities of any rating, including securities given the lowest non-default rating (Caa by Moody's or C by S&P or Fitch) or unrated securities judged to be of comparable quality by AGI U.S. Each Fund may purchase distressed securities that are in default or the issuers of which are in bankruptcy. High yield securities involve a greater degree of risk (in particular, a greater risk of default) than, and special risks in addition to the risks associated with, investment grade debt obligations. While offering a greater potential opportunity for capital appreciation and higher yields, high yield securities typically entail greater potential price volatility and may be less liquid than higher-rated securities. High yield securities may be regarded as predominantly speculative with respect to the issuer's continuing ability to make timely principal and interest payments. They also may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher-rated securities. Debt securities in the lowest investment grade category also may be considered to possess some speculative characteristics by certain ratings agencies.

The market values of high yield securities tend to reflect individual developments of the issuer to a greater extent than do higher-quality securities, which tend to react mainly to fluctuations in the general level of interest rates. In addition, lower-quality debt securities tend to be more sensitive to general economic conditions. Certain emerging market governments that issue high yield securities in which a Fund may invest are among the largest debtors to commercial banks, foreign governments and supranational organizations, such as the World Bank, and may not be able or willing to make principal and/or interest payments as they come due.

### **Credit Ratings and Unrated Securities**

Rating agencies are private services that provide ratings of the credit quality of debt obligations. Moody's, S&P and Fitch may modify their ratings of securities to show relative standing within a rating category, with the addition of numerical modifiers (1, 2 or 3) in the case of Moody's, and with the addition of a plus (+) or minus (-) sign in the case of S&P and Fitch. Ratings assigned by a rating agency are not absolute standards of credit quality and do not evaluate market risks. Rating agencies may fail to make timely changes in credit ratings and an issuer's current financial condition may be better or worse than a rating indicates.

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A Fund will not necessarily sell a security when its rating is reduced below its rating at the time of purchase. AGI U.S. does not rely solely on credit ratings, and develops and relies primarily on its own analysis of issuer credit quality. The ratings of a debt security may change over time. Moody's, S&P and Fitch monitor and evaluate the ratings assigned to securities on an ongoing basis. As a result, debt instruments held by the Fund could receive a higher rating (which would tend to increase their value) or a lower rating (which would tend to decrease their value) during the period in which they are held by the Fund.

Each Fund may purchase unrated securities (which are not rated by a rating agency) if AGI U.S. determines that the securities are of comparable quality to rated securities that the Fund may purchase. Unrated securities may be less liquid than comparable rated securities and involve the risk that AGI U.S. may not accurately evaluate the security's comparative credit rating. Analysis of the creditworthiness of issuers of high yield securities may be more complex than for issuers of higher-quality debt obligations. A Fund's success in achieving its investment objective may depend more heavily on AGI U.S.'s credit analysis to the extent that the Fund invests in below investment grade quality and unrated securities.

**Derivative Instruments**

In implementing each Fund's Option Strategy, AGI U.S. will sell or write call options on stocks held in the Equity Component. Please see Investment Selection Strategies Option Strategy above for a description of these instruments and

Risks Options Risk for a description of related risks. Although it has no current intention to do so, the Fund may also write call options on equity indexes and ETFs. Please see Investment Objective and Policies Derivative Instruments Options on Securities and Indexes in the Merger SAI.

In addition to its use of written call options, each Fund may utilize various derivative strategies (both long and short positions) involving the purchase or sale of futures and forward contracts, call and put options, credit default swaps, total return swaps, basis swaps and other swap agreements and other derivative instruments for investment purposes or in an attempt to hedge against market, credit, interest rate, currency and other risks in the portfolio. Each Fund may also utilize derivative instruments to leverage its portfolio. See Leverage and Borrowings. Generally, derivatives are financial contracts whose value depends upon, or is derived from, the value of an underlying asset, reference rate or index, and may relate to, among others, individual debt instruments, interest rates, currencies or currency exchange rates, commodities and related indexes. Each Fund may use derivatives as a component of a synthetic convertible security or to gain exposure to high yield securities and other securities in which the Fund may invest. A warrant is a certificate that gives the holder of the warrant the right to buy, at a specified time or specified times, from the issuer of the warrant, the common stock of the issuer at a specified price. A call option is a contract that gives the holder of the option, in return for a premium, the right to buy from the writer of the option the common stock underlying the option (or the cash value of the index) at a specified exercise price at any time during the term of the option. Each Fund may also have exposure to derivatives, such as credit default swaps and interest rate swaps, through investments in credit-linked trust certificates and related instruments. The Funds' use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investment directly in securities and other more traditional investments. See Principal Risk Factors Derivatives Risk. Certain types of derivative instruments that the Fund may utilize are described elsewhere in this section. Please see Investment Objective and Policies Derivative Instruments in the Merger SAI for additional information about these and other derivative instruments that the Funds may use and the risks associated with such instruments. There is no assurance that these derivative strategies will be available at any time or that AGI U.S. will determine to use them for a Fund or, if used, that the strategies will be successful. In addition, the Funds may be subject to certain restrictions on their use of derivative strategies imposed by guidelines of one or more rating agencies that may issue ratings for any preferred shares issued by the Fund.

### **Equity-Linked Securities**

Each Fund may invest in equity-linked securities. Equity-linked securities are privately issued securities whose investment results are designed to correspond generally to the performance of a specified stock index or basket of stocks, or sometimes a single stock. To the extent that a Fund invests in equity-linked securities whose return corresponds to the performance of a non-U.S. securities index or one or more non-U.S. stocks, investing in equity-linked securities will involve risks similar to the risks of investing in non-U.S. securities. In addition, the Fund bears the risk that the issuer of an equity-linked security may default on its obligations under the security. Equity-linked securities are often used for many of the same purposes as, and share many of the same risks with, derivative instruments. See Derivative Instruments above. Equity-linked securities may be considered to be illiquid securities.

### **Warrants**

Each Fund may invest in equity warrants, which are securities that give the holder the right, but not the obligation, to subscribe for equity securities of the issuing company or a related company at a specified price either on a certain date or during a specified period. Changes in the value of a warrant do not necessarily correspond to changes in the value of its underlying security. The price of a warrant may be more volatile than the price of its underlying security, and a warrant may offer greater

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potential for capital appreciation as well as capital loss. Warrants do not entitle a holder to dividends or voting rights with respect to the underlying security and do not represent any rights in the assets of the issuing company. A warrant ceases to have value if it is not exercised prior to its expiration date. These factors can make warrants more speculative than other types of equity investments. Each Fund may utilize warrants for purposes of creating synthetic convertible securities. See [Synthetic Convertible Securities](#) above.

**When-Issued, Delayed Delivery and Forward Commitment Transactions**

Each Fund may purchase securities that it is eligible to purchase on a when-issued basis, may purchase and sell such securities for delayed delivery and may make contracts to purchase such securities for a fixed price at a future date beyond normal settlement time (forward commitments). When-issued transactions, delayed delivery purchases and forward commitments involve a risk of loss if the value of the securities declines prior to the settlement date. The risk is in addition to the risk that the Fund's other assets will decline in value. Therefore, these transactions may result in a form of leverage and increase the Fund's overall investment exposure. Typically, no income accrues on securities the Fund has committed to purchase prior to the time delivery of the securities is made, although the Fund may earn income on securities it has segregated to cover these positions. When the Fund has sold a security on a when-issued, delayed delivery or forward commitment basis, the Fund does not participate in future gains or losses with respect to the security. If the other party to a transaction fails to pay for the securities, the Fund could suffer a loss. Additionally, when selling a security on a when-issued, delayed delivery or forward commitment basis without owning the security, the Fund will incur a loss if the security's price appreciates in value such that the security's price is above the agreed-upon price on the settlement date.

**Foreign (Non-U.S.) Investments**

The Funds' investments in securities of issuers located outside of the United States may include common stocks, preferred stocks and depositary receipts, including American Depositary Receipts ( ADRs ), European Depositary Receipts ( EDRs ) and Global Depositary Receipts ( GDRs ). ADRs are U.S. dollar-denominated receipts issued generally by domestic banks and representing the deposit with the bank of a security of a foreign issuer, and are publicly traded on exchanges or over-the-counter in the United States. EDRs are foreign currency-denominated receipts similar to ADRs, which are issued and traded in Europe and are publicly traded on exchanges or over-the-counter in the United States. GDRs may be offered privately in the United States and also trade in public or private markets in other countries.

The U.S. dollar-denominated foreign securities in which the Funds may invest include without limitation Eurodollar obligations and Yankee Dollar obligations. Eurodollar obligations are U.S. dollar-denominated certificates of deposit and time deposits issued outside the U.S. capital markets by foreign branches of U.S. banks and by foreign banks. Yankee Dollar obligations are U.S. dollar-denominated obligations issued in the U.S. capital markets by foreign banks. Eurodollar and Yankee Dollar obligations are generally subject to the same risks that apply to domestic debt issues, notably credit risk, interest rate risk, market risk and liquidity risk. Additionally, Eurodollar (and to a limited extent, Yankee Dollar) obligations are subject to certain sovereign risks. One such risk is the possibility that a sovereign country might prevent capital, in the form of U.S. dollars, from flowing across its borders. Other risks include adverse political and economic developments; the extent and quality of government regulation of financial markets and institutions; the imposition of foreign withholding or other taxes; and the expropriation or nationalization of foreign issuers.

Each Fund also may invest in sovereign debt issued by foreign governments, their agencies or instrumentalities or other government-related entities. As a holder of sovereign debt, a Fund may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. In addition, there are generally no

bankruptcy proceedings similar to those in the United States by which defaulted sovereign debt may be collected. Investing in foreign securities involves special risks and considerations not typically associated with investing in U.S. securities.

Each Fund also may invest in Brady Bonds, which are securities created through the exchange of existing commercial bank loans to sovereign entities for new obligations in connection with a debt restructuring. Investments in Brady Bonds may be viewed as speculative. Brady Bonds acquired by the Fund may be subject to restructuring arrangements or to requests for new credit, which may cause the Fund to realize a loss of interest or principal on any of its portfolio holdings.

Investments in foreign securities may be subject to foreign taxes on income from or transactions in foreign securities. Those taxes will reduce a Fund's yield on such securities.

Please see "Investment Objective and Policies - Foreign/Non-U.S. Securities" in the Merger SAI for a more detailed description of the types of foreign investments in which the Fund may invest and their related risks.



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Each Fund's common shares are priced in U.S. dollars and the distributions paid by the Funds to their common shareholders are paid in U.S. dollars. However, a Fund's assets may be denominated in foreign (non-U.S.) currencies and the income received by a Fund from many foreign debt obligations will be paid in foreign currencies. A Fund also may invest in or gain exposure to foreign currencies themselves for investment or hedging purposes. A Fund's investments in securities that trade in, or receive revenues in, foreign currencies will be subject to currency risk, which is the risk that fluctuations in the exchange rates between the U.S. dollar and foreign currencies may negatively affect an investment. See **Principal Risk Factors Foreign Currency Risk**. Each Fund may (but is not required to) hedge some or all of its exposure to foreign currencies through the use of derivative strategies. For instance, a Fund may enter into forward foreign currency exchange contracts, and may buy and sell foreign currency futures contracts and options on foreign currencies and foreign currency futures. A forward foreign currency exchange contract, which involves an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract, may reduce the Fund's exposure to changes in the value of the currency it will deliver and increase its exposure to changes in the value of the currency it will receive for the duration of the contract. The effect on the value of the Fund is similar to selling securities denominated in one currency and purchasing securities denominated in another currency. Contracts to sell foreign currency would limit any potential gain that might be realized by the Fund if the value of the hedged currency increases. A Fund may enter into these contracts to hedge against foreign exchange risk arising from the Fund's investment or anticipated investment in securities denominated in foreign currencies. Suitable hedging transactions may not be available in all circumstances and there can be no assurance that a Fund will engage in such transactions at any given time or from time to time when they would be beneficial. Although AGI U.S. has the flexibility to engage in such transactions for the Funds, it may determine not to do so or to do so only in unusual circumstances or market conditions. Also, these transactions may not be successful and may eliminate any chance for the Funds to benefit from favorable fluctuations in relevant foreign currencies.

Each Fund may also use derivatives contracts for purposes of increasing exposure to a foreign currency or to shift exposure to foreign currency fluctuations from one currency to another. To the extent that it does so, the Funds will be subject to the additional risk that the relative value of currencies will be different than anticipated by AGI U.S.

**Non-Convertible Income-Producing Securities**

Each Fund may invest in non-convertible income-producing securities, including, but not limited to, corporate bonds, debentures, notes and other similar types of corporate debt instruments of U.S. and foreign corporate and other issuers, including commercial paper, as well as non-convertible preferred stocks; bank loans (including, among others, senior loans, delayed funding loans, revolving credit facilities and loan participations and assignments); REITs and commercial and other mortgage-related and asset-backed securities issued on a public or private basis; payment-in-kind securities; credit-linked trust certificates and other securities issued by special purpose or structured vehicles; zero-coupon bonds; bank certificates of deposit, fixed time deposits and bankers' acceptances; and U.S. Government securities. The Funds' investments in non-convertible income-producing securities may have fixed or variable principal payments and all types of interest rate and dividend payment and reset terms, including fixed rate, adjustable rate, zero-coupon, contingent, deferred, payment-in-kind and auction-rate features.

**U.S. Government Securities**

U.S. Government securities are obligations of and, in certain cases, guaranteed by, the U.S. Government, its agencies or instrumentalities. The U.S. Government does not guarantee the net asset value of the Funds' shares. Some U.S. Government securities, such as Treasury bills, notes and bonds, and securities guaranteed by GNMA, are supported by the full faith and credit of the United States; others, such as those of the Federal Home Loan Banks, are supported by

the right of the issuer to borrow from the U.S. Department of the Treasury (the U.S. Treasury ); others, such as those of FNMA, are supported by the discretionary authority of the U.S. Government to purchase the agency's obligations; and still others, such as those of the Student Loan Marketing Association, are supported only by the credit of the instrumentality. U.S. Government securities may include zero coupon securities, which do not distribute interest on a current basis and tend to be subject to greater risk than interest-paying securities of similar maturities.

### **Commercial Paper**

Commercial paper represents short-term unsecured promissory notes issued in bearer form by corporations such as banks or bank holding companies and finance companies. The rate of return on commercial paper may be linked or indexed to the level of exchange rates between the U.S. dollar and a foreign currency or currencies.

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### **Bank Obligations**

Each Fund may invest in other bank obligations including, without limitation, certificates of deposit, bankers acceptances and fixed time deposits. Certificates of deposit are negotiable certificates that are issued against funds deposited in a commercial bank for a definite period of time and that earn a specified return. Bankers' acceptances are negotiable drafts or bills of exchange, normally drawn by an importer or exporter to pay for specific merchandise, which are accepted by a bank, meaning, in effect, that the bank unconditionally agrees to pay the face value of the instrument on maturity. Fixed time deposits are bank obligations payable at a stated maturity date and bearing interest at a fixed rate. Fixed time deposits may be withdrawn on demand by the investor, but may be subject to early withdrawal penalties which vary depending upon market conditions and the remaining maturity of the obligation. There are generally no contractual restrictions on the right to transfer a beneficial interest in a fixed time deposit to a third party, although there is generally no market for such deposits. Each Fund may also hold funds on deposit with its custodian bank in an interest-bearing account for temporary purposes.

### **REITs and Other Mortgage-Related and Asset-Backed Securities**

Each Fund may invest in REITs. REITs primarily invest in income-producing real estate or real estate related loans or interests. REITs are generally classified as equity REITs, mortgage REITs or a combination of equity and mortgage REITs. Equity REITs invest the majority of their assets directly in real property and derive income primarily from the collection of rents. Equity REITs can also realize capital gains by selling properties that have appreciated in value. Mortgage REITs invest the majority of their assets in real estate mortgages and derive income from the collection of interest payments. REITs are not taxed on income distributed to shareholders provided they comply with the applicable requirements of the Code. Each Fund will indirectly bear its proportionate share of any management and other expenses paid by REITs in which it invests in addition to the expenses paid by the Fund. Debt securities issued by REITs are, for the most part, general and unsecured obligations and are subject to risks associated with REITs.

Other mortgage-related securities include debt instruments which provide periodic payments consisting of interest and/or principal that are derived from or related to payments of interest and/or principal on underlying mortgages. Additional payments on mortgage-related securities may be made out of unscheduled prepayments of principal resulting from the sale of the underlying property, refinancing or foreclosure, net of fees or costs that may be incurred.

Each Fund may invest in commercial mortgage-related securities issued by corporations. These are securities that represent an interest in, or are secured by, mortgage loans secured by commercial property, such as industrial and warehouse properties, office buildings, retail space and shopping malls, multifamily properties and cooperative apartments, hotels and motels, nursing homes, hospitals, and senior living centers. They may pay fixed or adjustable rates of interest. The commercial mortgage loans that underlie commercial mortgage-related securities have certain distinct risk characteristics. Commercial mortgage loans generally lack standardized terms, which may complicate their structure. Commercial properties themselves tend to be unique and difficult to value. Commercial mortgage loans tend to have shorter maturities than residential mortgage loans, and may not be fully amortizing, meaning that they may have a significant principal balance, or balloon payment, due on maturity. In addition, commercial properties, particularly industrial and warehouse properties, are subject to environmental risks and the burdens and costs of compliance with environmental laws and regulations.

Other mortgage-related securities in which the Funds may invest include mortgage pass-through securities, collateralized mortgage obligations ( CMOs ), mortgage dollar rolls, CMO residuals (other than residual interests in real estate mortgage investment conduits), stripped mortgage-backed securities ( SMBSs ) and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property.

Each Fund may invest in other types of asset-backed securities that are offered in the marketplace, including Enhanced Equipment Trust Certificates ( EETCs ). Although any entity may issue EETCs, to date, U.S. airlines are the primary issuers. An airline EETC is an obligation secured directly by aircraft or aircraft engines as collateral. EETCs tend to be less liquid than corporate bonds. Other asset-backed securities may be collateralized by the fees earned by service providers. The value of asset-backed securities may be substantially dependent on the servicing of the underlying asset pools and are therefore subject to risks associated with the negligence of, or defalcation by, their servicers. In certain circumstances, the mishandling of related documentation may also affect the rights of the security holders in and to the underlying collateral. The insolvency of entities that generate receivables or that utilize the assets may result in added costs and delays in addition to losses associated with a decline in the value of the underlying assets.

Please see Investment Objective and Policies Mortgage-Related and Other Asset-Backed Securities in the Merger SAI and Principal Risk Factors Mortgage-Related and Other Asset-Backed Securities Risk in this Joint Prospectus/Proxy Statement for a more detailed description of the types of mortgage-related and other asset-backed securities in which the Funds may invest and their related risks.

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**Table of Contents****Variable and Floating Rate Securities**

Variable- and floating-rate instruments are instruments that pay interest at rates that adjust whenever a specified interest rate changes and/or that reset on predetermined dates (such as the last day of a month or calendar quarter). In addition to Senior Loans, variable- and floating-rate instruments may include, without limitation, instruments such as catastrophe and other event-linked bonds, bank capital securities, unsecured bank loans, corporate bonds, money market instruments and certain types of mortgage-related and other asset-backed securities. Due to their variable- or floating-rate features, these instruments will generally pay higher levels of income in a rising interest rate environment and lower levels of income as interest rates decline. For the same reason, the market value of a variable- or floating-rate instrument is generally expected to have less sensitivity to fluctuations in market interest rates than a fixed-rate instrument, although the value of a variable- or floating-rate instrument may nonetheless decline as interest rates rise and due to other factors, such as changes in credit quality.

Each Fund also may engage in credit spread trades. A credit spread trade is an investment position relating to a difference in the prices or interest rates of two bonds or other securities, in which the value of the investment position is determined by changes in the difference between the prices or interest rates, as the case may be, of the respective securities.

**Credit-Linked Trust Certificates**

Each Fund may invest in credit-linked trust certificates. Credit-linked trust certificates are investments in a limited purpose trust or other vehicle which, in turn, invests in a basket of derivative instruments, such as credit default swaps, total return swaps, interest rate swaps or other securities, in order to provide exposure to the high yield or another debt securities market. Like an investment in a bond, investments in credit-linked trust certificates represent the right to receive periodic income payments (in the form of distributions) and payment of principal at the end of the term of the certificate. However, these payments are conditioned on the trust's receipt of payments from, and the trust's potential obligations to, the counterparties to the derivative instruments and other securities in which the trust invests. For instance, the trust may sell one or more credit default swaps, under which the trust would receive a stream of payments over the term of the swap agreements provided that no event of default has occurred with respect to the referenced debt obligation upon which the swap is based. If a default occurs, the stream of payments may stop and the trust would be obligated to pay to the counterparty the par (or other agreed upon value) of the referenced debt obligation. This, in turn, would reduce the amount of income and principal that the Fund would receive as an investor in the trust. A Fund's investments in these instruments are indirectly subject to the risks associated with derivative instruments, including, among others, credit risk, default or similar event risk, counterparty risk, interest rate risk, leverage risk, valuation risk and management risk. It is expected that the trusts that issue credit-linked trust certificates will constitute private investment companies, exempt from registration under the 1940 Act. Therefore, the certificates will not be subject to applicable investment limitations and other regulation imposed by the 1940 Act (although the Fund will remain subject to such limitations and regulation, including with respect to its investments in the certificates). Although the trusts are typically private investment companies, they generally are not actively managed such as a hedge fund might be. It also is expected that the certificates will be exempt from registration under the Securities Act. Accordingly, there may be no established trading market for the certificates and they may constitute illiquid investments. See **Principal Risk Factors Liquidity Risk**. If market quotations are not readily available for the certificates, they will be valued by the Funds at fair value as determined by the Board or persons acting at its direction. A Fund may lose its entire investment in a credit-linked trust certificate.

**Structured Notes and Related Instruments**

Each Fund may invest in structured notes and other related instruments, which are privately negotiated debt obligations in which the principal and/or interest is determined by reference to the performance of a benchmark asset, market or interest rate (an embedded index), such as selected securities, an index of securities or specified interest rates, or the differential performance of two assets or markets, such as indexes reflecting bonds. Structured instruments may be issued by corporations, including banks, as well as by governmental agencies. Structured instruments frequently are assembled in the form of medium-term notes, but a variety of forms are available and may be used in particular circumstances. The terms of such structured instruments normally provide that their principal and/or interest payments are to be adjusted upwards or downwards (but ordinarily not below zero) to reflect changes in the embedded index while the structured instruments are outstanding. As a result, the interest and/or principal payments that may be made on a structured product may vary widely, depending on a variety of factors, including the volatility of the embedded index and the effect of changes in the embedded index on principal and/or interest payments. The rate of return on structured notes may be determined by applying a multiplier to the performance or differential performance of the referenced index(es) or other asset(s). Application of a multiplier involves leverage that will serve to magnify the potential for gain and the risk of loss.

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The Funds may use structured instruments for investment purposes and also for risk management purposes, such as to reduce the duration and interest rate sensitivity of a Fund's portfolio, and for leveraging purposes. While structured instruments may offer the potential for a favorable rate of return from time to time, they also entail certain risks. Structured instruments may be less liquid than other debt securities, and the price of structured instruments may be more volatile. In some cases, depending on the terms of the embedded index, a structured instrument may provide that the principal and/or interest payments may be adjusted below zero. Structured instruments also may involve significant credit risk and risk of default by the counterparty. Structured instruments may also be illiquid. Like other sophisticated strategies, a Fund's use of structured instruments may not work as intended. If the value of the embedded index changes in a manner other than that expected by AGI U.S., principal and/or interest payments received on the structured instrument may be substantially less than expected. Also, if AGI U.S. chooses to use structured instruments to reduce the duration of a Fund's portfolio, this may limit such Fund's return when having a longer duration would be beneficial (for instance, when interest rates decline).

**Zero-Coupon Bonds, Step-Ups and Payment-In-Kind Securities**

Zero-coupon bonds pay interest only at maturity rather than at intervals during the life of the security. Like zero-coupon bonds, step up bonds pay no interest initially but eventually begin to pay a coupon rate prior to maturity, which rate may increase at stated intervals during the life of the security. Payment-in-kind securities (PIKs) are debt obligations that pay interest in the form of other debt obligations, instead of in cash. Each of these instruments is normally issued and traded at a deep discount from face value. Zero-coupon bonds, step-ups and PIKs allow an issuer to avoid or delay the need to generate cash to meet current interest payments and, as a result, may involve greater credit risk than bonds that pay interest currently or in cash. A Fund would be required to distribute the income on these instruments as it accrues, even though the Fund will not receive the income on a current basis or in cash. Thus, a Fund may have to sell other investments, including when it may not be advisable to do so, to make income distributions to its shareholders.

**Bank Loans**

Each Fund may invest in bank loans, which include fixed- and floating-rate loans issued by banks (including, among others, interests in senior floating rate loans made to or issued by U.S. or non-U.S. banks or other corporations (Senior Loans), delayed funding loans and revolving credit facilities). Bank loans may also take the form of direct interests acquired during a primary distribution or the form of assignments of, novations of or participations in a bank loan acquired in secondary markets. Each Fund may also gain exposure to bank loans and related investments through the use of total return swaps and/or other derivative instruments.

As noted, each Fund may purchase or gain economic exposure to assignments of bank loans from lenders. The purchaser of an assignment typically succeeds to all the rights and obligations under the loan agreement with the same rights and obligations as the assigning lender. Assignments may, however, be arranged through private negotiations between potential assignees and potential assignors, and the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assigning lender.

Each Fund also may invest in participations in bank loans. Participations by a Fund in a lender's portion of a bank loan typically will result in the Fund having a contractual relationship only with such lender, not with the borrower. As a result, the Fund may have the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the participation and only upon receipt by such lender of such payments from the borrower. In connection with purchasing participations, a Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights with respect to any funds acquired by other lenders through set-off against the borrower, and the Fund may not directly benefit from any collateral supporting the loan in which it

has purchased the participation. As a result, the Fund may assume the credit risk of both the borrower and the lender selling the participation.

Among the types of bank loan investments that the Funds may make are interests in Senior Loans. Senior Loans typically pay interest at rates that are re-determined periodically on the basis of a floating base lending rate (such as LIBOR) plus a premium. Senior Loans are typically of below investment grade quality. Senior Loans may hold a senior position in the capital structure of a borrower and are often secured with collateral. A Senior Loan is typically originated, negotiated and structured by a U.S. or foreign commercial bank, insurance company, finance company or other financial institution (the Agent) for a lending syndicate of financial institutions (Lenders). The Agent typically administers and enforces the Senior Loan on behalf of the other Lenders in the syndicate. In addition, an institution, typically but not always the Agent, holds any collateral on behalf of the

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Lenders. A financial institution's employment as an Agent might be terminated in the event that it fails to observe a requisite standard of care or becomes insolvent. A successor Agent would generally be appointed to replace the terminated Agent, and assets held by the Agent under the loan agreement would likely remain available to holders of such indebtedness. However, if assets held by the Agent for the benefit of the Fund were determined to be subject to the claims of the Agent's general creditors, the Fund might incur certain costs and delays in realizing payment on a loan or loan participation and could suffer a loss of principal and/or interest. In situations involving other interposed financial institutions (*e.g.*, an insurance company or government agency) similar risks may arise.

Purchasers of Senior Loans and other forms of direct indebtedness depend primarily upon the creditworthiness of the corporate or other borrower for payment of principal and interest. If a Fund does not receive scheduled interest or principal payments on such indebtedness, the net asset value, market price and/or yield of the Fund's common shares could be adversely affected. Senior Loans that are fully secured may offer a Fund more protection than an unsecured loan in the event of non-payment of scheduled interest or principal. However, there is no assurance that the liquidation of any collateral from a secured Senior Loan would satisfy the borrower's obligation, or that such collateral could be liquidated. Also, the Funds may invest in or gain economic exposure to Senior Loans that are unsecured.

Senior Loans and interests in other bank loans may not be readily marketable and may be subject to restrictions on resale. In some cases, negotiations involved in disposing of indebtedness may require weeks to complete. Consequently, some indebtedness may be difficult or impossible to dispose of readily at what AGI U.S. believes to be a fair price.

Senior Loans usually require, in addition to scheduled payments of interest and principal, the prepayment of the Senior Loan from free cash flow. The degree to which borrowers prepay Senior Loans, whether as a contractual requirement or at their election, may be affected by general business conditions, the financial condition of the borrower and competitive conditions among lenders, among others. As such, prepayments cannot be predicted with accuracy. Upon a prepayment, either in part or in full, the actual outstanding debt on which the Fund derives interest income will be reduced. However, the Fund may receive both a prepayment penalty fee from the prepaying borrower and a facility fee upon the purchase of a new Senior Loan with the proceeds from the prepayment of the former. The effect of prepayments on the Fund's performance may be mitigated by the receipt of prepayment fees and the Fund's ability to reinvest prepayments in other Senior Loans that have similar or identical yields.

Economic exposure to loan interests through the use of derivative transactions, including, among others, total return swaps, generally involves greater risks than if the Fund had invested in the loan interest directly during a primary distribution or through assignments of, novations of or participations in a bank loan acquired in secondary markets since, in addition to the risks described above, certain derivative transactions may be subject to leverage risk and greater illiquidity risk, counterparty risk, valuation risk and other risks. See **Principal Risks of the Fund Derivatives Risk** for more information on these risks.

## **Short Sales**

Each Fund may make short sales of securities as part of its overall portfolio management strategies involving the use of derivative instruments and to offset potential declines in long positions in similar securities. Each Fund intends to take short positions, if at all, principally for hedging purposes and/or with respect to securities held in its portfolio. A short sale is a transaction in which a Fund sells a security or other instrument it does not own in anticipation that the market price of that security will decline.

When a Fund engages in a short sale of a security, it must, to the extent required by law, borrow the security sold short and deliver it to the counterparty. The Fund may have to pay a fee to borrow particular securities and would often be

obligated to pay over any payments received on such borrowed securities.

If the price of the security sold short increases between the time of the short sale and the time that a Fund replaces the borrowed security, the Fund will incur a loss; conversely, if the price declines, the Fund will realize a capital gain. Any gain will be decreased, and any loss increased, by the transaction costs described above. The successful use of short selling may be adversely affected by imperfect correlation between movements in the price of the security sold short and the securities being hedged if the short sale is being used for hedging purposes.

To the extent a Fund engages in short sales, it will provide collateral to the broker-dealer and (except in the case of short sales against the box ) may maintain additional asset coverage in the form of segregated or earmarked liquid assets equal to the current market value of the securities sold short, or may ensure that such positions are covered by offsetting positions, until the Fund replaces the borrowed security. If the Fund does not segregate liquid assets in such manner, then such securities will be

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considered senior securities representing indebtedness for purposes of the 1940 Act. A short sale is against the box to the extent that the Fund contemporaneously owns, or has the right to obtain at no added cost, securities identical to those sold short. Each Fund will engage in short selling to the extent permitted by the federal securities laws and rules and interpretations thereunder. To the extent a Fund engages in short selling in foreign (non-U.S.) jurisdictions, the Fund will do so to the extent permitted by the laws and regulations of such jurisdiction.

## **Restricted Securities**

Each Fund may invest without limit in securities that have not been registered for public sale in the U.S. or relevant non-U.S. jurisdiction, including, without limitation, securities eligible for purchase and sale pursuant to Rule 144A under the Securities Act, or relevant provisions of applicable non-U.S. law, and other securities issued in private placements. Rule 144A under the Securities Act provides a non-exclusive safe harbor exemption from the registration requirements of the Securities Act for the resale of certain restricted securities to certain qualified institutional buyers, such as the Funds. Restricted securities may be deemed illiquid and thus may be subject to a Fund's limit on investments in illiquid securities, although the Fund may determine that certain restricted securities are liquid in accordance with procedures adopted by the Board of Trustees.

## **Repurchase Agreements**

Each Fund may enter into repurchase agreements, in which a Fund purchases a security from a bank or broker-dealer and the bank or broker-dealer agrees to repurchase the security at the Fund's cost plus interest within a specified time. If the party agreeing to repurchase should default, the Fund will seek to sell the securities it holds. This could involve transaction costs or delays in addition to a loss on the securities if their value should fall below their repurchase price. Repurchase agreements maturing in more than seven days are considered to be illiquid securities.

## **Reverse Repurchase Agreements and Dollar Rolls**

As described under Leverage and Borrowings, each Fund may use reverse repurchase agreements or dollar rolls to add leverage to its portfolio. Under a reverse repurchase agreement, a Fund sells securities to a bank or broker dealer and agrees to repurchase the securities at a mutually agreed future date and price. A dollar roll is similar to a reverse repurchase agreement except that the counterparty with which the Fund enters into a dollar roll transaction is not obligated to return the same securities as those originally sold by the Fund, but only securities that are substantially identical. Generally, the effect of a reverse repurchase agreement or dollar roll transaction is that a Fund can recover and reinvest all or most of the cash invested in the portfolio securities involved during the term of the agreement and still be entitled to the returns associated with those portfolio securities, thereby resulting in a transaction similar to a borrowing and giving rise to leverage for the Fund. A Fund will incur interest expense as a cost of utilizing reverse repurchase agreements and dollar rolls. In the event the buyer of securities under a reverse repurchase agreement or dollar roll files for bankruptcy or becomes insolvent, the Fund's use of the proceeds of the agreement may be restricted pending a determination by the other party, or its trustee or receiver, whether to enforce the Fund's obligation to repurchase the securities.

## **Lending of Portfolio Securities**

For the purpose of achieving income, each Fund may lend its portfolio securities to brokers, dealers or other financial institutions provided a number of conditions are satisfied, including that the loan is fully collateralized. See Investment Objective and Policies Securities Loans in the Merger SAI for details. When a Fund lends portfolio securities, its investment performance will continue to reflect changes in the value of the securities loaned. The Fund will also receive a fee or interest on the collateral. Securities lending involves the risk of loss of rights in the collateral

or delay in recovery of the collateral if the borrower fails to return the security loaned or becomes insolvent, or the risk of loss due to the investment performance of the collateral. A Fund may pay lending fees to the party arranging the loan.

### **Other Investment Companies**

Each Fund may invest in securities of other open- or closed-end investment companies, including without limitation ETFs, to the extent that such investments are consistent with the Fund's investment objective, strategies and policies and permissible under the 1940 Act. A Fund may invest in other investment companies to gain broad market or sector exposure, including during periods when it has large amounts of uninvested cash or when AGI U.S. believes share prices of other investment companies offer attractive values. As a shareholder in an investment company, a Fund would bear its ratable share of that investment company's expenses and would remain subject to payment of the Fund's management fees and other expenses with respect to assets so invested. Common shareholders of the Fund would therefore be subject to duplicative expenses to the extent the Fund

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invests in other investment companies. The securities of other investment companies may be leveraged, in which case the net asset value and/or market value of the investment company's shares will be more volatile than unleveraged investments. See **Principal Risk Factors** **Leverage Risk**.

### **Short-Term Investments/Temporary Defensive Strategies**

Upon AGI U.S.'s recommendation, for temporary defensive purposes and in order to keep the Fund's cash fully invested, each Fund may invest up to 100% of its net assets in investment grade debt securities, including high quality, short-term debt instruments, credit-linked trust certificates and/or index futures contracts or similar derivative instruments. Such investments may prevent the Fund from achieving its investment objectives.

*Please see **Investment Objective and Policies** in the Merger SAI for additional information regarding the investments of the Funds and their related risks.*

## **LEVERAGE AND BORROWINGS**

Although they have no current intention to do so, each Fund reserves the flexibility to issue preferred shares or debt securities or engage in borrowings (including through reverse repurchase agreements or dollar rolls) to add leverage to its portfolio. AGI U.S. may recommend that a Fund utilize leverage in certain favorable market conditions relating to movements in the yield curve and other economic factors. Each Fund may also enter into derivative transactions that may in certain circumstances produce effects similar to leverage. Any leverage used by a Fund would be utilized up to approximately 35% of such Fund's total assets (including the proceeds of the leverage) at the time utilized. To the extent that a Fund uses leverage, it would seek to obtain a higher return for shareholders than if the Fund did not use leverage.

Each Fund's net assets attributable to leverage utilized, if any, will be invested in accordance with such Fund's investment objective and policies as described in this Joint Prospectus/Proxy Statement. So long as the rate of return, net of applicable Fund expenses, on the debt obligations and other investments purchased by a Fund exceeds the costs to the Fund of leverage it utilizes, the investment of the Fund's net assets attributable to leverage will generate more income than will be needed to pay the costs of the leverage. If so, and all other things being equal, the excess may be used to pay higher dividends to common shareholders of the Fund than if the Fund were not so leveraged.

Leveraging is a speculative technique and there are special risks and costs involved. The Funds cannot assure you that use of any forms of leverage (such as the issuance of preferred shares or the use of reverse repurchase agreements or derivatives strategies), if any, will result in a higher yield on your common shares. When a Fund uses leverage, the net asset value and market price of such Fund's common shares and the yield to such Fund's common shareholders will be more volatile. See **Principal Risk Factors** **Leverage Risk**. In addition, dividend, interest and other expenses borne by a Fund with respect to any forms of leverage are borne by such Fund's common shareholders (and not by the holders of preferred shares, if any) and result in a reduction of the net asset value of the Fund's common shares. In addition, because the fees received by the Investment Manager and by the Sub-Adviser are based on the total managed assets of each Fund (including any assets attributable to any preferred shares or other forms of leverage of the Fund that may be outstanding), the Investment Manager and the Sub-Adviser have a financial incentive for the Funds to have preferred shares outstanding and to use certain other forms of leverage (e.g., reverse repurchase agreements and other borrowings), which may create a conflict of interest between the Investment Manager and the Sub-Adviser, on the one hand, and the common shareholders of the Funds, on the other hand.

Under the 1940 Act, a Fund is not permitted to issue new preferred shares unless immediately after such issuance the value of such Fund's total net assets (as defined below) is at least 200% of the liquidation value of any outstanding

preferred shares and the newly issued preferred shares plus the aggregate amount of any senior securities of the Fund representing indebtedness (*i.e.*, such liquidation value plus the aggregate amount of senior securities representing indebtedness may not exceed 50% of the Fund's total net assets). In addition, a Fund is not permitted to declare any cash dividend or other distribution on its common shares unless, at the time of such declaration, the value of such Fund's total net assets satisfies the above-referenced 200% coverage requirement.

The 1940 Act also generally prohibits each Fund from engaging in most forms of leverage representing indebtedness other than preferred shares (including the use of reverse repurchase agreements, dollar rolls, bank loans, commercial paper or other credit facilities, credit default swaps and other derivative transactions, loans of portfolio securities, short sales and when-issued, delayed delivery and forward commitment transactions, to the extent that these instruments are not covered as described below)

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unless immediately after the issuance of the leverage the Fund has satisfied the asset coverage test with respect to senior securities representing indebtedness prescribed by the 1940 Act; that is, the value of the Fund's total assets less all liabilities and indebtedness not represented by senior securities (for these purposes, total net assets) is at least 300% of the senior securities representing indebtedness (effectively limiting the use of leverage through senior securities representing indebtedness to 33 1/3% of the Fund's total net assets, including assets attributable to such leverage). A Fund is not permitted to declare any cash dividend or other distribution on its common shares unless, at the time of such declaration, the 300% asset coverage requirement described above is satisfied. Any such suspension of distributions could bear on the Fund's ability to meet the distribution requirements applicable to regulated investment companies and to avoid Fund-level U.S. federal income or excise taxes. Each Fund may (but is not required to) cover its commitments under reverse repurchase agreements, dollar rolls, derivatives and certain other instruments by the segregation of liquid assets, or by entering into offsetting transactions or owning positions covering its obligations. For instance, a Fund may cover its position in a reverse repurchase agreement by segregating liquid assets at least equal in amount to its forward purchase commitment. To the extent that certain of these instruments are so covered, they will not be considered senior securities under the 1940 Act and therefore will not be subject to the 300% asset coverage requirement otherwise applicable to forms of leverage used by the Funds. However, reverse repurchase agreements and other such instruments, even if covered, may represent a form of economic leverage and create special risks. The use of these forms of leverage increases the volatility of a Fund's investment portfolio and could result in larger losses to a Fund's common shareholders than if these strategies were not used. See Principal Risk Factors Leverage Risk. Failure to maintain certain asset coverage requirements could result in an event of default under certain borrowings that may be used by a Fund.

Each Fund also may borrow money in order to repurchase its shares or as a temporary measure for extraordinary or emergency purposes, including for the payment of dividends or the settlement of securities transactions which otherwise might require untimely dispositions of portfolio securities held by a Fund.

**Principal Risks**

Among the principal risks of investing in the Funds, which could adversely affect its net asset value, yield and total return, are:

*Market Discount Risk*

*Market Risk*

*Equity Securities and Related Market Risk*

*Convertible Securities Risk*

*Synthetic Convertible Securities Risk*

*Preferred Securities Risk*

*Interest Rate Risk*

*Issuer Risk*

*Liquidity Risk*

*Options Risk*

*Listed Options Risk*

*Over-the-Counter Options Risk*

*Other Derivatives Risk*

*Counterparty Risk*

*Leverage Risk*

*Credit Risk*

*High Yield Risk*

*Distressed and Defaulted Securities Risk*

*Dividend and Income Risk*

*Management Risk*

*Reinvestment Risk*

*Inflation/Deflation Risk*

*Tax Risk*



*Foreign (Non-U.S.) Investment Risk*

*Smaller Company Risk*

*Initial Public Offerings (IPOs) Risk*

*Real Estate Risk*

*Mortgage-Related and Other Asset Backed Securities Risk*

*Mortgage Market/Subprime risk*

*Private Placements Risk*

*Valuation Risk*

*Confidential Information Access Risk*

*Risk of Regulatory Changes*

*Regulatory Risk    Commodity Pool Operator*

*Recent Economic Conditions Risk*

*Potential Conflict of Interests Risk    Allocation of Investment Opportunities*

*Market Disruption and Geopolitical Risk*

*Certain Affiliations*

*Other Investment Company Risk*

In addition, NGZ is subject to the following additional principal risks:

*Emerging Markets Risk*

*Foreign Currency Risk*

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Please see [Overview](#) [Principal Risk Factors](#) in the Joint Prospectus/Proxy Statement for a description of these risks of investing in the Funds.

## **Fees and Expenses of the Fund**

The fees and expenses you may pay if you buy and hold shares of the Funds are described in the Joint Prospectus/Proxy Statement under [Overview](#) [Operating Expenses](#).

## **Management of the Funds**

### **Trustees and Officers**

The Board of Trustees of each Fund is responsible for the management of such Fund, including supervision of the duties performed by the Manager and AGI U.S. There are currently seven Trustees of each Fund, one of whom is treated by the Funds as an interested person (as defined in the 1940 Act). The names and business addresses of the Trustees and officers of the Funds and their principal occupations and other affiliations during the past five years are set forth under [Management of the Fund](#) in the Merger SAI.

### **Investment Manager**

The Manager serves as the investment manager of each Fund. Subject to the supervision of each Fund's Board of Trustees, the Manager is responsible for managing, either directly or through others selected by it, the investment activities of each Fund and the Fund's business affairs and other administrative matters. The Manager is located at 1633 Broadway, New York, New York 10019.

Organized in 2000, the Manager provides investment management and advisory services to a number of closed-end and open-end investment company clients. The Manager is a wholly-owned indirect subsidiary of Allianz SE, a publicly-traded German insurance and financial services company. As of September 30, 2013, the Investment Manager had approximately \$[ ] billion in assets under management.

The Manager has retained AGI U.S. to manage each Fund's investments. See [Sub-Adviser](#) below. The Manager may retain affiliates to provide various administrative and other services required by the Fund.

### **Sub-Adviser**

AGI U.S., an affiliate of the Manager, serves as the sub-adviser for each Fund pursuant to portfolio management agreements between the Manager and AGI U.S. Subject to these agreements and to the supervision of the Manager, AGI U.S. has full investment discretion and makes all determinations with respect to the investment of the Funds assets.

AGI U.S. is registered as an investment adviser with the SEC and is organized as a Delaware limited liability company. Its principal place of business is located at 1633 Broadway, New York, New York 10019. AGI U.S. also has an office located at 600 West Broadway, San Diego, California 92101. AGI U.S. provides investment management services across a broad class of assets including equity, fixed income, futures and options, convertibles and other securities and derivative instruments. AGI U.S.'s primary business is to provide discretionary advisory services to institutional clients through its separate account management services.

In addition, AGI U.S. provides discretionary investment advisory services to a variety of commingled funds (including SEC registered open-end investment companies, SEC registered closed-end investment companies and other commingled funds that are not registered with the SEC), which may be sponsored or established by AGI U.S., its affiliates or by unaffiliated third parties. AGI U.S. also participates as a non-discretionary investment adviser providing investment models to unaffiliated third parties. As of September 30, 2013, AGI U.S. had assets under management of approximately \$[ ] billion.

Effective January 1, 2013, the Subadviser, formerly known as Allianz Global Investors Capital LLC, changed its name to Allianz Global Investors U.S. LLC in connection with reorganization transactions within the Allianz Global Investors U.S. business. The reorganizations involved the combination of four affiliated investment advisory firms with and into the Subadviser, including Allianz Global Investors Managed Accounts LLC and Allianz Global Investors Solutions LLC, each effective January 1, 2013, and RCM Capital Management LLC and Caywood-Scholl Capital Management LLC, each effective April 1, 2013. The reorganizations did not result in any changes to the Fund's portfolio management team at the Subadviser or in the Fund's day-to-day investment management.

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With respect to NIE, for its services pursuant to the portfolio management agreement, the Manager (and not NIE) pays to AGI U.S. an annual fee payable on a monthly basis at the annual rate of 0.55% of NIE's average daily total managed assets, provided, however, that the fee shall be reduced to reflect that AGI U.S. will bear 55% of the additional asset-based compensation payable by the Manager to A.G. Edwards & Sons, Inc. with respect to NIE (as described under the Section Shareholder Servicing Agent, Custodian and Transfer Agent ).

With respect to NGZ, for its services pursuant to the portfolio management agreement, the Manager (and not NGZ) will pay to AGI U.S. an annual fee payable on a monthly basis at the annual rate of 0.55% of NGZ's average daily total managed assets, provided, however, that the fee shall be reduced to reflect that AGI U.S. will bear 55% of any additional shareholder servicing fee payable by the Manager to UBS Securities LLC with respect to NGZ (as described under the Section Shareholder Servicing Agent, Custodian and Transfer Agent ).

The following individuals at AGI U.S. share primary responsibility for the day-to-day portfolio management of NIE:

<b>Name</b>	<b>Since</b>	<b>Recent Professional Experience</b>
Douglas G. Forsyth, CFA	2007 (Inception)	Mr. Forsyth, CFA, is a portfolio manager, a managing director and CIO Fixed Income US with AGI U.S. He is the head of the Income and Growth Strategies team. Mr. Forsyth has portfolio management, trading and research responsibilities, and oversees all aspects of the Income and Growth platform's business, including product development and implementation. He has more than 20 years of investment-industry experience. Before joining the firm in 1994, Mr. Forsyth was an analyst at AEGON USA. He has a B.B.A. from the University of Iowa.
Justin Kass, CFA	2008	Mr. Kass, CFA, is a portfolio manager and managing director with AGI U.S., which he joined in 2000. He has portfolio management and research responsibilities for the Income and Growth Strategies team. Mr. Kass has more than 15 years of investment-industry experience. He has a B.S. from the University of California, Davis, and an M.B.A. from the UCLA Anderson School of Management.
Michael E. Yee	2008	Mr. Yee is a Director / Portfolio Manager for the Income and Growth Strategies team. He joined AGI U.S. via a predecessor affiliate in 1995 and has been a portfolio manager since 1998. His previous financial experience was with Priority One Financial/Liberty Foundation. Mr. Yee holds a B.S. from the University of California, San Diego and an M.B.A. from San Diego State University.

The following individuals at AGI U.S. share primary responsibility for the day-to-day portfolio management of NGZ:

<b>Name</b>	<b>Since</b>	<b>Recent Professional Experience</b>
Douglas G. Forsyth, CFA	2007 (Inception)	Mr. Forsyth, CFA, is a portfolio manager, a managing director and CIO Fixed Income US with AGI U.S. He is the head of the Income and Growth Strategies team. Mr. Forsyth has portfolio management, trading and research responsibilities, and oversees all aspects of the Income and Growth platform's business, including product development and implementation. He has more than 20 years of investment-industry experience. Before joining the firm in 1994, Mr. Forsyth was an analyst at AEGON USA. He has a B.B.A. from the University of Iowa.

Justin Kass, CFA	2008	Mr. Kass, CFA, is a portfolio manager and managing director with AGI U.S., which he joined in 2000. He has portfolio management and research responsibilities for the Income and Growth Strategies team. Mr. Kass has more than 15 years of investment-industry experience. He has a B.S. from the University of California, Davis, and an M.B.A. from the UCLA Anderson School of Management.
Kunal Ghosh	2008	Mr. Ghosh is a DirectorSenior Vice President / Portfolio Manager and Head of the Systematic team. Prior to joining AGI U.S. via a predecessor affiliate in 2006, Mr. Ghosh was a research associate and then portfolio manager for Barclays Global Investors, where his experience included building and implementing models for portfolio management. Previously he was a quantitative analyst for the Cayuga Hedge Fund. Mr. Ghosh earned his M.B.A. in finance from Cornell University, his M.S. in material engineering from the University of British Columbia, and his B.Tech from Indian Institute of Technology.

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Michael E. Yee	2008	Mr. Yee is a Director / Portfolio Manager for the Income and Growth Strategies team. He joined AGI U.S. via a predecessor affiliate in 1995 and has been a portfolio manager since 1998. His previous financial experience was with Priority One Financial/Liberty Foundation. Mr. Yee holds a B.S. from the University of California, San Diego and an M.B.A. from San Diego State University.
Steven Tael, Ph.D., CFA	2008	Mr. Tael is a Vice President / Portfolio Manager for the Systematic team. Prior to joining AGI U.S. via a predecessor affiliate in 2005, he was a research analyst at Mellon Capital Management, where his experience included quantitative model building, model production and portfolio management. Prior to that, he co-developed a global portfolio risk reporting system for Advisory Systems Engineer for Bank of America and was Director of Information Technologies at AffiniCorp USA. Mr. Tael has a Ph.D. in applied mathematics and statistics from State University of New York, Stony Brook, and a M.A. and B.S. in mathematics from the University of California, Santa Barbara.

The Merger SAI provides additional information about portfolio manager compensation, other accounts managed by the portfolio managers and the portfolio manager's ownership of securities in the Fund.

***Investment Management Agreement***

Pursuant to an investment management agreement between the Manager and each Fund (each, an Investment Management Agreement), each Fund has agreed to pay the Manager an annual fee, payable monthly, in an amount equal to 1.00% of such Fund's average daily total managed assets, for the services and facilities it provides. Total managed assets means the total assets of the Fund minus accrued liabilities (other than liabilities representing borrowings). With respect to any reverse repurchase agreement, dollar roll or similar leveraging transactions, total managed assets includes any proceeds from the sale of an asset of the Fund to a counterparty in such a transaction, in addition to the value of the underlying asset as of the relevant measuring date.

In addition to the fees of the Manager, the Fund pays all other costs and expenses of its operations, including compensation of its Trustees (other than those affiliated with the Manager), custodial expenses, shareholder servicing expenses, transfer agency, sub-transfer agency and dividend disbursing expenses, legal fees, expenses of independent auditors, expenses of preparing, printing and distributing prospectuses, shareholder reports, notices, proxy statements and reports to governmental agencies, and taxes, if any.

Because the fees received by the Manager and AGI U.S. are based on the total managed assets of each Fund (including assets attributable to any preferred shares and borrowings that may be outstanding), the Manager and AGI U.S. have a financial incentive for the Funds to utilize preferred shares or borrowings, which may create a conflict of interest between the Manager and AGI U.S., on the one hand, and the holders of a Fund's common shares, on the other hand.

A discussion regarding the considerations of NIE's Board of Trustees for approving NGZ's Investment Management Agreement and the portfolio management agreement between the Manager and AGI U.S. is available in NIE's semi-annual report to shareholders for the fiscal period ended July 31, 2013. A discussion regarding the considerations of NGZ's Board of Trustees for approving NGZ's Investment Management Agreement and the portfolio management agreement between the Manager and AGI U.S. is available in NIE's annual report to shareholders for the fiscal year ended August 31, 2013.

***Trustees and Officers of the Funds.***

The Trustees and officers of the Funds will not change as a result of the Merger. The current Trustees and officers, their ages, their addresses and their principal occupations are included in the Merger Statement of Additional Information.

***Brokerage and Research Services.***

AGI U.S. may place orders for the purchase and sale of exchange-listed portfolio securities with a broker-dealer that is an affiliate of the Manager or AGI U.S. where, in the judgment of the Manager or AGI U.S., such firm will be able to obtain a price and execution at least as favorable as other qualified broker-dealers. Pursuant to rules of the SEC, a broker-dealer that is an affiliate of the Manager or AGI U.S. may receive and retain compensation for effecting portfolio transactions for a Fund on a securities exchange if the commissions paid to such an affiliated broker-dealer by a Fund on exchange transactions do not exceed usual and customary brokerage commissions. The rules define usual and customary commissions to include amounts which are reasonable and fair compared to the commission, fee or other remuneration received or to be received by other brokers in connection with comparable transactions involving similar securities being purchased or sold on a securities exchange during a



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comparable period of time. As required by applicable SEC rules, the Trustees have adopted procedures which are reasonably designed to provide that any commissions, fees or other remuneration paid to an affiliated broker are consistent with the foregoing standards.

## **Fund Distributions**

Each Fund makes regular quarterly cash distributions to its common shareholders at a rate based upon the projected performance of the Fund. The dividend rate that a Fund pays depends on a number of factors, including the expenses of any leveraging transactions. The net income of a Fund consists of all income paid or accrued on portfolio assets less all expenses of the Fund. Expenses of a Fund are accrued each day. Over time, substantially all the net investment income of the Funds will be distributed. At least annually, each Fund also intends to distribute to you your pro rata share of any available net capital gain. Although it does not now intend to do so, the Board of Trustees of each Fund may change such Fund's dividend policy and the amount or timing of the distributions based on a number of factors, including the amount of the Fund's undistributed net investment income and historical and projected investment income.

To permit the Funds to maintain a more stable quarterly distribution, the Funds may distribute more or less than the entire amount of net investment income earned in a particular period. Any undistributed net investment income would be available to supplement future distributions. As a result, the distributions paid by a Fund for any particular quarterly period may be more or less than the amount of net investment income actually earned by such Fund during the period. Undistributed net investment income will be added to a Fund's net asset value and, correspondingly, distributions from undistributed net investment income will be deducted from a Fund's net asset value.

The tax treatment and characterization of a Fund's distributions may vary significantly from time to time because of the varied nature of the Fund's investments. To the extent required by the 1940 Act and other applicable laws, absent an exemption, a notice will accompany each quarterly distribution with respect to the estimated source (as between net income and gains) of the distribution made. The tax characterization of a Fund's distributions made in a taxable year cannot finally be determined until at or after the end of the year. As a result, there is a possibility that a Fund may make total distributions during a taxable year in an amount that exceeds such Fund's net investment income and net realized capital gains for the relevant year (including as reduced by any capital loss carry-forwards). For example, a Fund may distribute amounts early in the year that are derived from short-term capital gains, but incur net short-term capital losses later in the year, thereby offsetting short-term capital gains out of which distributions have already been made by the Fund. In such a situation, the amount by which the Fund's total distributions exceed net investment income and net realized capital gains would generally be treated as a tax-free return of capital in the hands of a common shareholder up to the amount of the shareholder's tax basis in his or her common shares, with any amounts exceeding such basis treated as gain from the sale of common shares. In general terms, a return of capital represents a return of a portion of your investment, rather than net income or capital gains generated from your investment during a particular period. Return of capital distributions are not taxable, but reduce the basis of a shareholder's common shares and therefore can increase a shareholder's tax liability for capital gains upon a sale of common shares. See Tax Matters. Each Fund will send shareholders detailed tax information with respect to the Fund's distributions annually.

The 1940 Act currently limits the number of times the Funds may distribute long-term capital gains in any taxable year, which may increase the variability of a Fund's distributions and result in certain distributions comprising more or less heavily than others long-term capital gains eligible for favorable income tax rates.

Unless a common shareholder elects to receive distributions in cash, all distributions of common shareholders whose shares are registered with the plan agent will be automatically reinvested in additional common shares of the relevant Fund under the Funds' Dividend Reinvestment Plan. See Dividend Reinvestment Plan.

### **Dividend Reinvestment Plan**

Each Fund has adopted a Dividend Reinvestment Plan (the Plan ) which allows common shareholders to reinvest Fund distributions in additional common shares of their Fund. American Stock Transfer & Trust Company, LLC (the Plan Agent ) serves as agent for common shareholders in administering the Plan. It is important to note that participation in the Plan and automatic reinvestment of Fund distributions does not ensure a profit, nor does it protect against losses in a declining market.

### ***Automatic Enrollment / Voluntary Participation***

Under the Plan, common shareholders whose shares are registered with the Plan Agent ( registered shareholders ) are automatically enrolled as participants in the Plan and will have all Fund distributions of income, capital gains and returns of capital (together, distributions ) reinvested by the Plan Agent in additional common shares of their Fund, unless the shareholder elects to receive cash. Registered shareholders who elect not to participate in the Plan will receive all distributions in cash paid by check and mailed directly to the shareholder of record (or if the shares are held in street or other nominee name, to the nominee) by the Plan Agent.

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Participation in the Plan is voluntary. Participants may terminate or resume their enrollment in the Plan at any time without penalty by notifying the Plan Agent online at [www.amstock.com](http://www.amstock.com), by calling (800) 254-5197, by writing to the Plan Agent, P.O. Box 922, Wall Street Station, New York, NY 10269-0560, or, as applicable, by completing and returning the transaction form attached to a Plan statement. A proper notification will be effective immediately and apply to the Fund's next distribution if received by the Plan Agent at least three (3) calendar days prior to the record date for the distribution; otherwise, a notification will be effective shortly following the Fund's next distribution and will apply to the Fund's next succeeding distribution thereafter. If you withdraw from the Plan and so request, the Plan Agent will arrange for the sale of your shares and send you the proceeds, minus a transaction fee and brokerage commissions.

***How Shares are Purchased Under the Plan***

For each Fund distribution, the Plan Agent will acquire common shares of the relevant Fund for participants either (i) through receipt of newly issued common shares from the Fund (newly issued shares) or (ii) by purchasing common shares of the Fund on the open market (open market purchases). If, on a distribution payment date, the net asset value per common share of the relevant Fund (NAV) is equal to or less than the market price per common share plus estimated brokerage commissions (often referred to as a market premium), the Plan Agent will invest the distribution amount on behalf of participants in newly issued shares at a price equal to the greater of (i) NAV or (ii) 95% of the market price per common share on the payment date. If the NAV is greater than the market price per common share plus estimated brokerage commissions (often referred to as a market discount) on a distribution payment date, the Plan agent will instead attempt to invest the distribution amount through open market purchases. If the Plan Agent is unable to invest the full distribution amount in open market purchases, or if the market discount shifts to a market premium during the purchase period, the Plan Agent will invest any un-invested portion of the distribution in newly issued shares at a price equal to the greater of (i) NAV or (ii) 95% of the market price per share as of the last business day immediately prior to the purchase date (which, in either case, may be a price greater or lesser than the NAV per Common Share on the distribution payment date). No interest will be paid on distributions awaiting reinvestment.

Under the Plan, the market price of common shares on a particular date is the last sales price on the exchange where the shares are listed on that date or, if there is no sale on the exchange on that date, the mean between the closing bid and asked quotations for the shares on the exchange on that date. The NAV per common share on a particular date is the amount calculated on that date (normally at the close of regular trading on the NYSE) in accordance with the Funds' then current policies.

***Fees and Expenses***

No brokerage charges are imposed on reinvestments in newly issued shares under the Plan. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Agent when it makes open market purchases. There are currently no direct service charges imposed on participants in the Plan, although the Fund reserves the right to amend the Plan to include such charges. The Plan Agent imposes a transaction fee (in addition to brokerage commissions that are incurred) if it arranges for the sale of your common shares held under the Plan.

***Shares Held Through Nominees***

In the case of registered shareholders such as a broker, bank or other nominee (together, a nominee) that holds common shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of common shares certified by the nominee/record shareholder as representing the total amount registered in such shareholder's name and held for the account of beneficial owners who are to participate in the Plan. If your common shares are held through a broker, bank or other nominee and are not registered with the Plan Agent, neither

you nor the nominee will be participants in or have distributions reinvested under the Plan. If you are a beneficial owner of common shares and wish to participate in the Plan, and your nominee is unable or unwilling to become a registered shareholder and a Plan participant on your behalf, you may request that your nominee arrange to have all or a portion of your shares re-registered with the Plan Agent in your name so that you may be enrolled as a participant in the Plan. Please contact your nominee for details or for other possible alternatives. Participants whose shares are registered with the Plan Agent in the name of one nominee firm may not be able to transfer the shares to another firm and continue to participate in the Plan.

***Tax Consequences***

Automatically reinvested dividends and distributions are taxed in the same manner as cash dividends and distributions *i.e.*, automatic reinvestment in additional shares does not relieve shareholders of, or defer the need to pay, any income tax that may be payable (or that is required to be withheld) on Fund dividends and distributions.

The Funds and the Plan Agent reserve the right to amend or terminate the Plan. Additional information about the Plan, as well as a copy of the full Plan itself, may be obtained from the Plan Agent, P.O. Box 922, Wall Street Station, New York, NY 10269-0560; telephone number: (800) 254-5197; web site: [www.amstock.com](http://www.amstock.com).

**Table of Contents****Description of Shares**

The following is a brief description of the capital structure of the Funds. This description does not purport to be complete and is subject to and qualified in its entirety by reference to the each Fund's Amended and Restated Declaration of Trust (the "Declarations"), and each Fund's Amended and Restated Bylaws, as amended and restated through the date hereof (the "Bylaws"). The Declarations and Bylaws are each exhibits to the registration statement of which this prospectus is a part.

Each Fund is an unincorporated voluntary association with transferable shares of beneficial interest (commonly referred to as a Massachusetts business trust) established under the laws of the Commonwealth of Massachusetts by the Declaration. The Declarations provides that the Trustees of each Fund may authorize separate classes of shares of beneficial interest. Preferred shares may be issued in one or more series, with such par value and with such rights as determined by the Board, by action of the Board without the approval of the common shareholders. The following table shows, for each class of authorized securities of each Fund, the amount of (i) shares authorized and (ii) shares outstanding, each as of November 12, 2013.

<b>Fund</b>	<b>Title of Class</b>	<b>Amount Authorized</b>	<b>Amount Outstanding</b>
NIE	Common Shares	Unlimited	[ ]
NGZ	Common Shares	Unlimited	[ ]

The Common Shares of NIE commenced trading on the NYSE on February 27, 2007, under the trading or ticker symbol NIE. As of the close of trading on the NYSE on [ ], the net asset value per common share of NIE was \$[ ], and the closing price per common share of NIE on the NYSE was \$[ ]. The Common Shares of NGZ commenced trading on the NYSE on September 26, 2007, under the trading or ticker symbol NGZ. As of the close of trading on the NYSE on [ ], the net asset value per common share of NGZ was \$[ ], and the closing price per common share of NGZ on the NYSE was \$[ ].

Common shareholders of each Fund are entitled to share equally in dividends declared by the Board to common shareholders of such Fund and in the net assets of such Fund available for distribution to common shareholders after payment of the preferential amounts payable to holders of any outstanding preferred shares of beneficial interest. All common shares of a Fund have equal rights to the payment of dividends and the distribution of assets upon liquidation of such Fund. Common shares of each Fund are fully paid and, subject to matters discussed in "Anti-Takeover and Other Provisions in the Declaration of Trust," non-assessable, and have no pre-emptive or conversion rights or rights to cumulative voting, and have no right to cause the Fund to redeem their shares. Upon liquidation of a Fund, after paying or adequately providing for the payment of all liabilities of such Fund and the liquidation preference with respect to the holders of any outstanding preferred shares, and upon receipt of such releases, indemnities and refunding agreements as they deem necessary for their protection, the Trustees may distribute the remaining assets of such Fund among the Fund's common shareholders.

Shareholders of each Fund are entitled to one vote for each share of such Fund held.

Each Fund will send unaudited reports at least semiannually and audited financial statements annually to all of its shareholders.

**Anti-takeover and other provisions in the Declarations**

The Declarations and the Bylaws include provisions that could limit the ability of other entities or persons to acquire control of a Fund or to convert a Fund to open-end status. Each Fund's Trustees are divided into three classes. At each annual meeting of a Fund's shareholders, the term of one class of a Fund's Trustees will expire and each Trustee elected to that class will hold office until the third annual meeting thereafter. The classification of the Board of Trustees in this manner could delay for an additional year the replacement of a majority of the Board of Trustees of a Fund. In addition, the Declarations provides that a Trustee may be removed only for cause and only (i) by action of at least seventy-five percent (75%) of the outstanding shares of the classes or series of shares entitled to vote for the election of such Trustee, or (ii) by written instrument, signed by at least seventy-five percent (75%) of the remaining Trustees, specifying the date when such removal shall become effective. Cause for these purposes shall require willful misconduct, dishonesty or fraud on the part of the Trustee in the conduct of his office or such Trustee being convicted of a felony.

As described below, the Declarations grant special approval rights with respect to certain matters to members of each Board who qualify as Continuing Trustees, which term means a Trustee who either (i) has been a member of the Board for a period of at least thirty-six months (or since the commencement of the relevant Fund's operations, if less than thirty-six months) or (ii) was nominated to serve as a member of the Board of Trustees by a majority of the Continuing Trustees then members of the Board.

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The Declarations require the affirmative vote or consent of at least seventy-five percent (75%) of the Board of Trustees and holders of at least seventy-five percent (75%) of the Fund's shares to authorize certain Fund transactions not in the ordinary course of business, including a merger or consolidation or share exchange, issuance or transfer by a Fund of the Fund's shares having an aggregate fair market value of \$1,000,000 or more (except as may be made pursuant to a public offering, a Fund's dividend reinvestment plan or upon exercise of any stock subscription rights), a sale, lease, exchange, mortgage, pledge, transfer or other disposition of Fund assets, having an aggregated fair market value of \$1,000,000 or more, or any shareholder proposal regarding specific investment decisions, unless the transaction is authorized by both a majority of the Trustees and seventy-five percent (75%) of the Continuing Trustees (in which case no shareholder authorization would be required by the Declaration, but may be required in certain cases under the 1940 Act). The Declarations also require the affirmative vote or consent of holders of at least seventy-five percent (75%) of a Fund's shares entitled to vote on the matter to authorize a conversion of the Fund from a closed-end to an open-end investment company, unless the conversion is authorized by both a majority of the Trustees and seventy-five percent (75%) of the Continuing Trustees (in which case shareholders would have only the minimum voting rights required by the 1940 Act with respect to the conversion). Also, the Declarations provide that each Fund may be terminated at any time by vote or consent of at least seventy-five percent (75%) of the Fund's shares or, alternatively, by vote or consent of both a majority of the Fund's Trustees and seventy-five percent (75%) of the Fund's Continuing Trustees.

The Trustees may from time to time grant other voting rights to shareholders with respect to these and other matters in the Bylaws, certain of which are required by the 1940 Act.

The overall effect of these provisions is to render more difficult the accomplishment of a merger or the assumption of control of a Fund by a third party. These provisions also provide, however, the advantage of potentially requiring persons seeking control of a Fund to negotiate with its management regarding the price to be paid and facilitating the continuity of the Fund's investment objectives and policies. The provisions of the Declarations and Bylaws described above could have the effect of depriving the common shareholders of a Fund opportunities to sell their common shares at a premium over the then current market price of the common shares by discouraging a third party from seeking to obtain control of the Fund in a tender offer or similar transaction. The Board of Trustees of each Fund has considered the foregoing anti-takeover provisions and concluded that they are in the best interests of the Funds and their shareholders, including their common shareholders.

The foregoing is intended only as a summary and is qualified in its entirety by reference to the full text of the Declarations and the Bylaws, all of which are on file with the SEC.

Under Massachusetts law, shareholders could, in certain circumstances, be held personally liable for the obligations of their Fund. However, each Declaration contains an express disclaimer of shareholder liability for debts or obligations of the Fund and requires that notice of such limited liability be given in each agreement, obligation or instrument entered into or executed by the Fund or the Trustees. Each Declaration further provides for indemnification out of the assets and property of a Fund for all loss and expense of any shareholder held personally liable for the obligations of such Fund. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which the Fund would be unable to meet its obligations. The Funds believe that the likelihood of such circumstances is remote.

**Repurchase of Common Shares; conversion to open-end fund**

Each Fund is a closed-end investment company and as such a Fund's shareholders will not have the right to cause the Fund to redeem their shares. Instead, the each Fund's common shares will trade in the open market at a price that will be a function of factors relating to the relevant Fund such as dividend levels and stability (which will in turn be

affected by Fund expenses, including the costs of any reverse repurchase agreements, dollar rolls, borrowings and other leverage used by the Fund, levels of dividend and interest payments by the Fund's portfolio holdings, levels of appreciation/depreciation of the Fund's portfolio holdings, regulation affecting the timing and character of Fund's distributions and other factors), portfolio credit quality, liquidity, call protection, market supply and demand and similar factors relating to the Fund's portfolio holdings. The market price of a Fund's common shares may also be affected by general market or economic conditions, including market trends affecting securities values generally or values of closed-end fund shares more specifically. Shares of a closed-end investment company may frequently trade at prices lower than net asset value. The Funds' Board of Trustees regularly monitors the relationship between the market price and net asset value of the common shares. If a Fund's common shares were to trade at a substantial discount to net asset value for an extended period of time, the Board of Trustees may consider the repurchase of such Fund's common shares on the open market or in private transactions, the making of a tender offer for such shares or the conversion of such Fund to an open-end investment company. The Funds cannot assure you that their Boards of Trustees will decide to take or propose any of these actions, or that share repurchases or tender offers will actually reduce any market discount.

If a Fund were to convert to an open-end company, such Fund's common shares likely would no longer be listed on the NYSE. In contrast to a closed-end investment company, shareholders of an open-end investment company may require the company to redeem their shares at any time (except in certain circumstances as authorized by or under the 1940 Act) at their net asset value, less any redemption charge that is in effect at the time of redemption.



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Before deciding whether to take any action to convert a Fund to an open-end investment company, the Board of Trustees would consider all relevant factors, including the extent and duration of the discount, the liquidity of the Fund's portfolio, the impact of any action that might be taken on the Fund or its shareholders, and market considerations. Based on these considerations, even if a Fund's common shares should trade at a discount, the Board of Trustees may determine that, in the interest of the Fund and its shareholders, no action should be taken.

## **Tax Matters**

The following is a summary discussion of certain U.S. federal income tax consequences that may be relevant to a common shareholder that acquires, holds and/or disposes of common shares of a Fund, and reflects provisions of the Internal Revenue Code of 1986, as amended (the Code), existing Treasury regulations, rulings published by the Internal Revenue Service (IRS), and other applicable authority, as of the date of this prospectus. These authorities are subject to change by legislative or administrative action, possibly with retroactive effect. The following discussion is only a summary of some of the important tax considerations generally applicable to investments in the Fund. There may be other and different tax considerations applicable to particular investors, such as insurance companies, financial institutions, broker-dealers, tax-deferred retirement plans and non-U.S. shareholders (as defined below). For more detailed information regarding tax considerations, see Tax Matters in the Merger SAI. In addition, income earned through an investment in the Fund may be subject to state, local and foreign taxes. Common shareholders should consult their own tax advisers regarding their particular situation and the possible application of U.S. federal, state, local, foreign or other tax laws.

**Taxation of the Funds.** Each Fund has elected and intends to be treated and to qualify each year as a regulated investment company under Subchapter M of the Code. In order to qualify for the special tax treatment accorded regulated investment companies and their shareholders, the Fund must, among other things:

(a) derive at least 90% of its gross income for each taxable year from (i) dividends, interest, payments with respect to certain securities loans, and gains from the sale or other disposition of stock, securities or foreign currencies, or other income (including but not limited to gains from options, futures, or forward contracts) derived with respect to its business of investing in such stock, securities, or currencies, and (ii) net income derived from interests in certain qualified publicly traded partnerships (as defined below);

(b) diversify its holdings so that, at the end of each quarter of the Fund's taxable year, (i) at least 50% of the market value of the Fund's total assets is represented by cash and cash items, U.S. government securities, securities of other regulated investment companies, and other securities limited in respect of any one issuer to a value not greater than 5% of the value of the Fund's total assets and not more than 10% of the outstanding voting securities of such issuer, and (ii) not more than 25% of the value of the Fund's total assets is invested in the securities (other than those of the U.S. government or other regulated investment companies) of any one issuer or of two or more issuers which the Fund controls and which are engaged in the same, similar, or related trades or businesses, or in the securities of one or more qualified publicly traded partnerships; and

(c) distribute with respect to each taxable year at least 90% of the sum of its net tax-exempt income, taxable ordinary income and the excess, if any, of net short-term capital gains over net long-term capital losses for such year.

In general, for purposes of the 90% gross income requirement described in paragraph (a) above, income derived from a partnership will be treated as qualifying income only to the extent such income is attributable to items of income of the partnership which would be qualifying income if realized by the regulated investment company. However, 100% of the net income derived from an interest in a qualified publicly traded partnership (defined as a partnership (i) whose interests are traded on an established securities market or readily tradable on a secondary market or the substantial

equivalent thereof and (ii) that derives less than 90% of its income from the qualifying income described in paragraph (a) above) will be treated as qualifying income. In general, such entities will be treated as partnerships for U.S. federal income tax purposes because they meet the passive income requirement under Code Section 7704(c)(2). In addition, although in general the passive loss rules of the Code do not apply to regulated investment companies, such rules do apply to a regulated investment company with respect to items attributable to an interest in a qualified publicly traded partnership.

For purposes of the diversification requirements described in paragraph (b) above, the term "outstanding voting securities of such issuer" will include the equity securities of a qualified publicly traded partnership. Also, for purposes of the diversification test in (b) above, the identification of the issuer (or, in some cases, issuers) of a particular investment can depend on the terms and conditions of that investment. In some cases, identification of the issuer (or issuers) is uncertain under current law, and an adverse determination or future guidance by the IRS with respect to issuer identification for a particular type of investment may adversely affect a Fund's ability to meet the diversification test in (b) above.

If a Fund qualifies as a regulated investment company that is accorded special tax treatment, the Fund will not be subject to U.S. federal income tax on income distributed in a timely manner to its shareholders in the form of dividends (including Capital Gain Dividends, as defined below).

If a Fund were to fail to qualify as a regulated investment company accorded special tax treatment in any taxable year, the Fund would be subject to tax on its taxable income at corporate rates, and all distributions from earnings and profits, including any distributions of net tax-exempt income and net long-term capital gains, would be taxable to shareholders as ordinary income. Some portions of such distributions may be eligible for the dividends received deduction in the case of corporate shareholders and reduced rates of taxation on qualified dividend income in the case of individuals. In addition, the Fund could be required to recognize unrealized gains, pay substantial taxes and interest and make substantial distributions before requalifying as a regulated investment company that is accorded special tax treatment.

A Fund may at times in its discretion pay out more or less than the entire amount of net investment income earned in any particular period, including any calendar year, and may at times pay out accumulated undistributed income in addition to

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net investment income earned in other periods, including previous calendar years. A Fund may also retain for investment its net capital gain (the excess, if any, of net long-term capital gains over net short-term capital losses in each case determined with reference to any loss carry forwards). If a Fund does retain any net capital gain or any investment company taxable income, it will be subject to tax at regular corporate rates on the amount retained. If a Fund retains any net capital gain, it may designate the retained amount as undistributed capital gains in a notice to its shareholders who, if subject to U.S. federal income tax on long-term capital gains, (i) will be required to include in income for U.S. federal income tax purposes, as long-term capital gain, their shares of such undistributed amount, and (ii) will be entitled to credit their proportionate shares of the tax paid by the Fund on such undistributed amount against their U.S. federal income tax liabilities, if any, and to claim refunds to the extent the credit exceeds such liabilities. For U.S. federal income tax purposes, the tax basis of shares owned by a shareholder of the Fund will be increased by an amount equal under current law to the difference between the amount of undistributed capital gains included in the shareholder's gross income and the tax deemed paid by the shareholder under clause (ii) of the preceding sentence. A Fund is not required to, and there can be no assurance that a Fund will, make this designation if it retains all or a portion of its net capital gain in a taxable year.

In determining its net capital gain, including in connection with determining the amount available to support a Capital Gain Dividend (as defined below), its taxable income and its earnings and profits, a regulated investment company generally may elect to treat part or all of any post-October capital loss (defined as the greatest of net capital loss, net long-term capital loss, or net short-term capital loss, in each case attributable to the portion of the taxable year after October 31) or late-year ordinary loss (generally, (i) net ordinary loss from the sale, exchange or other taxable disposition of property, attributable to the portion of the taxable year after October 31, plus (ii) other net ordinary loss attributable to the portion of the taxable year after December 31) as if incurred in the succeeding taxable year.

If, in order to maintain a more consistent distribution rate or otherwise, a Fund fails to distribute in a calendar year at least an amount equal to the sum of 98% of its ordinary income for such year and 98.2% of its capital gain net income for the one-year period ending October 31 of such year, plus any retained amount from the prior year, the Fund will be subject to a nondeductible 4% excise tax on the undistributed amounts. For these purposes, the Fund will be treated as having distributed any amount for which it is subject to corporate income tax for the taxable year ending within the calendar year. A dividend paid to shareholders in January of a year generally is deemed to have been paid by the Fund on December 31 of the preceding year, if the dividend was declared and payable to shareholders of record on a date in October, November or December of that preceding year.

**Distributions.** A common shareholder whose distributions are reinvested in common shares under the Dividend Reinvestment Plan (the Plan) will be treated for U.S. federal income tax purposes as having received an amount in distribution equal to either (i) if newly issued common shares are issued under the Plan, generally the fair market value of the newly issued common shares issued to the shareholder or (ii) if reinvestment is made through open-market purchases under the Dividend Reinvestment Plan, the amount of cash allocated to the shareholder for the purchase of common shares on its behalf in the open market. For U.S. federal income tax purposes, all distributions are generally taxable in the manner described below, whether a shareholder takes them in cash or they are reinvested pursuant to the Dividend Reinvestment Plan in additional shares of a Fund.

For U.S. federal income tax purposes, distributions of net investment income are generally taxable to common shareholders as ordinary income. Taxes on distributions of capital gains are determined by how long a Fund owned the investments that generated the gains, rather than how long a shareholder has owned his or her common shares. In general, a Fund will recognize long-term capital gain or loss on investments it has owned (or is deemed to have owned) for more than one year, and short-term capital gain or loss on investments it has owned (or is deemed to have owned) for one year or less. Distributions of net capital gain that are properly reported by a Fund as capital gain dividends ( Capital Gain Dividends ) will be taxable to shareholders as long-term capital gains includible in net capital

gain and taxed to individuals at reduced rates. Distributions of net short-term capital gain (as reduced by any net long-term capital loss for the taxable year) will be taxable to shareholders as ordinary income.

Qualified dividend income received by an individual will be taxed at the rates applicable to net capital gain. In order for some portion of the dividends received by a common shareholder to be qualified dividend income, the Fund must meet holding period and other requirements with respect to some portion of the dividend-paying stocks in its portfolio and the shareholder must meet holding period and other requirements with respect to the Fund's shares. If the aggregate qualified dividends received by a Fund during any taxable year are 95% or more of its gross income (excluding net long-term capital gain over net short-term capital loss), then 100% of the Fund's dividends (other than Capital Gain Dividends) will be eligible to be treated as qualified dividend income.

In general, dividends of net investment income received by corporate shareholders of a Fund will qualify for the 70% dividends-received deduction generally available to corporations to the extent of the amount of eligible dividends received by the Fund from domestic corporations for the taxable year, provided certain holding period and other requirements are met at both the common shareholder and the Fund level.

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Any distribution of income that is attributable to (i) income received by a Fund in lieu of dividends with respect to securities on loan pursuant to a securities lending transaction or (ii) dividend income received by a Fund on securities it temporarily purchased from a counterparty pursuant to a repurchase agreement that is treated for U.S. federal income tax purposes as a loan by a Fund, will not constitute qualified dividend income to non-corporate shareholders and will not be eligible for the dividends-received deduction for corporate shareholders.

If a Fund receives dividends from another investment company that qualifies as a regulated investment company (each, an investment company), and the investment company reports such dividends as qualified dividend income or as eligible for the dividends-received deduction, then the Fund is permitted in turn to report a portion of its distributions as qualified dividend income or as eligible for the dividends-received deduction, as the case may be, provided the Fund meets holding period and other requirements with respect to shares of the investment company.

If, in and with respect to any taxable year, a Fund makes a distribution in excess of its current and accumulated earnings and profits, the excess distribution will be treated as a return of capital to the extent of a shareholder's tax basis in his or her common shares, and thereafter as capital gain. A return of capital is not taxable, but it reduces a shareholder's basis in his or her shares, thus reducing any loss or increasing any gain on a subsequent taxable disposition by the shareholder of such shares.

Section 1411 of the Code generally imposes a 3.8% Medicare contribution tax on the net investment income of certain individuals whose income exceeds certain threshold amounts, and of certain trusts and estates under similar rules. For these purposes, net investment income generally includes, among other things, (i) distributions paid by a Fund of net investment income and capital gains as described above, and (ii) any net gain from the sale or exchange of Fund shares, including as a result of a return of capital distribution as described above. Common shareholders are advised to consult their tax advisers regarding the possible implications of this additional tax on their investment in a Fund.

As required by federal law, detailed federal tax information with respect to each calendar year will be furnished to shareholders early in the succeeding year.

Dividends and distributions on the common shares are generally subject to federal income tax as described herein to the extent they do not exceed a Fund's realized income and gains, even though such dividends and distributions may economically represent a return of a particular shareholder's investment. Such distributions are likely to occur in respect of common shares purchased at a time when a Fund's net asset value reflects unrealized gains, or income or gains that are realized but not yet distributed. Such realized income and gains may be required to be distributed even when a Fund's net asset value also reflects unrealized losses.

**Sale or Exchange of Common Shares.** Common Shareholders who sell or exchange their common shares of a Fund will generally recognize gain or loss in an amount equal to the difference between the amount received and the common shareholder's adjusted tax basis in the common shares sold or exchanged. If the common shares are held as a capital asset, any gain or loss realized upon a taxable disposition of the common shares will be treated as long-term capital gain or loss if the shares have been held for more than 12 months. Otherwise, the gain or loss on the taxable disposition of common shares of the Fund will be treated as short-term capital gain or loss. Any loss realized upon a taxable disposition of common shares held by a shareholder for six months or less will be treated as long-term, rather than short-term, to the extent of Capital Gain Dividends received (or deemed received) by the shareholder with respect to the shares. For purposes of determining whether common shares have been held for six months or less, the holding period is suspended for any periods during which the common shareholder's risk of loss is diminished as a result of holding one or more other positions in substantially similar or related property, or through certain options or short sales. Any loss realized on a sale or exchange of common shares of the Fund will be disallowed to the extent those common shares are replaced by other substantially identical shares within a period of 61 days beginning 30 days

before and ending 30 days after the date of disposition of the common shares (including through the reinvestment of distributions, which could occur, for example, if the Common Shareholder is a participant in the Plan). In that event, the basis of the replacement shares will be adjusted to reflect the disallowed loss.

**Certain Fund Investments.** A Fund's transactions in derivative instruments (e.g., options, futures, forward contracts, structured notes and swap agreements), as well as any of its other hedging, short sale, securities loan or similar transactions, may be subject to uncertainty with respect to their tax treatment, and to one or more special tax rules (e.g., notional principal contract, straddle, constructive sale, wash sale, and short sale rules). These rules may affect whether gains and losses recognized by a Fund are treated as ordinary or capital, accelerate the recognition of income or gains to a Fund, defer losses to a Fund, and cause adjustments in the holding periods of a Fund's securities, thereby affecting whether capital gains and losses are treated as short-term or long-term. These rules could therefore affect the amount, timing and/or character of distributions to common shareholders. Because the tax treatment and the tax rules applicable to these types of transactions are in some cases uncertain under current law, an adverse determination or future guidance by the IRS with respect to these rules or treatment (which determination or guidance could be retroactive) may affect whether the Fund has made sufficient distributions, and otherwise satisfied the relevant requirements, to maintain its qualification as a RIC and avoid a Fund-level tax.

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Any transaction by a Fund in foreign currencies, foreign currency-denominated debt obligations or certain foreign currency options, futures contracts or forward contracts (or similar instruments) may give rise to ordinary income or loss to the extent such income or loss results from fluctuations in the value of the foreign currency concerned. Such ordinary income treatment may accelerate Fund distributions to shareholders and increase the distributions taxed to shareholders as ordinary income. Any net ordinary losses so created cannot be carried forward by the Fund to offset income or gains earned in subsequent taxable years.

A Fund's investments in debt obligations could be treated as having original issue discount (OID) and/or market discount for U.S. federal income tax purposes, which could cause the Fund to recognize income in respect of these investments before or without receiving cash representing such income. If so, the Fund could be required to pay out as an income distribution each year an amount which is greater than the total amount of cash interest the Fund actually received. As a result, a Fund could be required at times to liquidate investments (including at potentially disadvantageous times or prices) in order to satisfy its distribution requirements or to avoid incurring Fund-level U.S. federal income or excise taxes. If a Fund liquidates portfolio securities to raise cash, the Fund may realize gain or loss on such liquidations; in the event the Fund realizes net long-term or short-term capital gains from such liquidation transactions, its common shareholders may receive larger capital gain or ordinary dividends, respectively, than they would in the absence of such transactions.

The interest paid on municipal bonds is generally exempt from U.S. federal income tax. However, because the Funds do not expect to be eligible to pay exempt-interest dividends to their shareholders under the Code, any distribution received by common shareholders that is attributable to the interest received by a Fund on its municipal bond holdings is taxable to common shareholders. In addition, any gains realized by a Fund on the sale or exchange of municipal bonds generally are taxable to common shareholders when distributed to them by the Fund.

Investments in debt obligations that are at risk of or in default present special tax issues for a Fund. Tax rules are not entirely clear about issues such as whether or to what extent a Fund should recognize market discount on a debt obligation; when the Fund may cease to accrue interest, OID or market discount; when and to what extent the Fund may take deductions for bad debts or worthless securities; and how the Fund should allocate payments received on obligations in default between principal and income. These and other related issues will be addressed by a Fund when, as, and if it invests in such securities in order to seek to ensure that it distributes sufficient income to preserve its status as a RIC and avoid becoming subject to U.S. federal income or excise tax.

Any investment by a Fund in equity securities of REITs may result in the Fund's receipt of cash in excess of the REIT's earnings; if the Fund distributes these amounts, these distributions could constitute a return of capital to Fund shareholders for U.S. federal income tax purposes. Investments in REIT equity securities also may require a Fund to accrue and distribute income not yet received. To generate sufficient cash to make the requisite distributions, the Fund may be required to sell securities in its portfolio (including when it is not advantageous to do so) that it otherwise would have continued to hold. Dividends received by a Fund from a REIT will not qualify for the corporate dividends-received deduction and generally will not constitute qualified dividend income.

A Fund may invest directly or indirectly (e.g., through a REIT) in residual interests in real estate mortgage investment conduits (REMICs) (including by investing in residual interests in CMOs with respect to which an election to be treated as a REMIC is in effect) or equity interests in taxable mortgage pools (TMPs). Under a notice issued by the IRS in October 2006 and Treasury regulations that have yet to be issued but may apply retroactively, a portion of the Fund's income (including income allocated to the Fund from a REIT or other pass-through entity) that is attributable to a residual interest in a REMIC or an equity interest in a TMP (referred to in the Code as an excess inclusion) will generally be subject to U.S. federal income tax. This notice also provides, and the regulations are expected to provide, that excess inclusion income of a RIC will be allocated to shareholders of the RIC in proportion to the dividends

received by such shareholders, with the same consequences as if the shareholders held the related interest directly. As a result, the Fund may not be a suitable investment for certain tax-exempt investors.

In general, excess inclusion income allocated to Common Shareholders (i) cannot be offset by net operating losses (subject to a limited exception for certain thrift institutions), (ii) will constitute unrelated business taxable income ( UBTI ) to entities (including a qualified pension plan, an individual retirement account, a 401(k) plan, a Keogh plan or other tax-exempt entity) subject to tax on UBTI, thereby potentially requiring such an entity that is allocated excess inclusion income, and otherwise might not be required to file a tax return, to file a tax return and pay tax on such income; and (iii) in the case of a foreign shareholder, will not qualify for any reduction in U.S. federal withholding tax. A shareholder will be subject to U.S. federal income tax on such inclusions notwithstanding any exemption from such income tax otherwise available under the Code. Charitable remainder trusts and other tax-exempt shareholders are urged to consult their tax advisers concerning the consequences of investing in the Fund.



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**Non-U.S. Taxation.** Income received by a Fund from sources within foreign countries may be subject to withholding and other taxes imposed by such countries. Tax treaties between certain countries and the United States may reduce or eliminate such taxes. If more than 50% of a Fund's assets at year end consists of the securities of non-U.S. corporations, the Fund may elect to permit common shareholders to claim a credit or deduction on their income tax returns for their pro rata portions of qualified taxes paid by the Fund to foreign countries in respect of non-U.S. securities that the Fund has held for at least the minimum period specified in the Code. In such a case, common shareholders will include in gross income from non-U.S. sources their pro rata shares of such non-U.S. taxes paid by the Fund. A common shareholder's ability to claim an offsetting foreign tax credit or deduction in respect of non-U.S. taxes paid by a Fund is subject to certain limitations imposed by the Code, which may result in the shareholder's not receiving a full credit or deduction (if any) for the amount of such taxes. Shareholders who do not itemize on their U.S. federal income tax returns may claim a credit (but not a deduction) for such non-U.S. taxes. Even if a Fund were eligible to make such an election for a given year, it may determine not to do so. Common shareholders that are not subject to U.S. federal income tax, and those who invest in a Fund through tax-advantaged accounts (including those who invest through individual retirement accounts or other tax-advantaged retirement plans), generally will receive no benefit from any tax credit or deduction passed through by the Fund.

**Non-U.S. Shareholders.** Absent a specific statutory exemption, dividends other than Capital Gain Dividends paid to a common shareholder that is not a United States person within the meaning of the Code (a non-U.S. shareholder) are subject to withholding of U.S. federal income tax at a rate of 30% (or lower applicable treaty rate). Capital Gain Dividends paid to non-U.S. shareholders are generally not subject to withholding. Very generally, effective for taxable years of a Fund beginning before January 1, 2014, the Fund is not required to withhold any amounts with respect to distributions of (i) U.S.-source interest income that would not be subject to U.S. federal income tax if earned directly by an individual non-U.S. shareholder, and (ii) net short-term capital gains in excess of net long-term capital losses, in each case to the extent the Fund properly reports such distributions in a written notice to shareholders. It is currently unclear whether Congress will extend these exemptions from withholding for taxable years beginning on or after January 1, 2014, or what the terms of any such an extension would be.

**Other Reporting and Withholding Requirements.** The Foreign Account Tax Compliance Act ( FATCA ) generally requires a Fund to obtain information sufficient to identify the status of each of its shareholders under FATCA. If a shareholder fails to provide this information or otherwise fails to comply with FATCA, a Fund may be required to withhold under FATCA at a rate of 30% with respect to that shareholder on dividends, including Capital Gain Dividends, and the proceeds of the sale, redemption or exchange of Fund shares. For more information, see the Merger SAI.

**Shares Purchased Through Tax-Qualified Plans.** Special tax rules apply to investments through defined contribution plans and other tax-qualified plans. Common shareholders should consult their tax advisors to determine the suitability of a Fund's common shares as an investment through such plans and the precise effect of an investment on their particular tax situation.

**General.** The foregoing discussion relates solely to U.S. federal income tax laws. Dividends and distributions also may be subject to state and local taxes. Common shareholders are urged to consult their tax advisors regarding specific questions as to federal, state, local, and, where applicable, foreign taxes. Foreign investors should consult their tax advisors concerning the tax consequences of ownership of common shares of a Fund.

The foregoing is a general and abbreviated summary of the applicable provisions of the Code and related regulations currently in effect. For the complete provisions, reference should be made to the pertinent Code sections and regulations. The Code and regulations are subject to change by legislative or administrative actions.

Please see "Tax Matters" in the Merger SAI for additional information regarding the tax aspects of investing in common shares of a Fund.

#### **SHAREHOLDER SERVICING AGENT, CUSTODIAN AND TRANSFER AGENT**

The Manager (and not NIE) has agreed to pay to A.G. Edwards & Sons, Inc., from its own assets, additional compensation quarterly in arrears at the annual rate of 0.10% of NIE's average daily total managed assets attributable to the common shares of NIE sold by A.G. Edwards & Sons, Inc. in NIE's initial public offering, such fees to be payable during the continuance of the investment management agreement between the Manager and NIE. A.G. Edwards & Sons, Inc. has agreed to provide, at the request of the Manager, certain after-market shareholder support services, including services designed to maintain the visibility of NIE on an ongoing basis, and to provide relevant information, studies or reports regarding NIE and the closed-end investment company industry and asset management industry. The total amount of these additional compensation payments paid to A.G. Edwards & Sons, Inc. will not exceed 3.9661% of the total public offering price of the NIE's common shares sold in its initial public offering.

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Pursuant to a shareholder servicing agreement (the "Shareholder Servicing Agreement") between UBS Securities LLC and the Manager, UBS Securities LLC: (i) undertakes to make available public information pertaining to NGZ on an ongoing basis and to communicate to investors and prospective investors NGZ's features and benefits; (ii) makes available to investors and prospective investors market price, net asset value, yield and other information regarding NGZ, if reasonably obtainable, for the purpose of maintaining the visibility of NGZ in the investor community (provided that services described in (i) and (ii) above shall not include customary market research information provided by UBS Securities LLC or its registered broker-dealer affiliates in the ordinary course of their business); (iii) at the request of and as specified by the Manager, provides certain economic research and statistical information and reports, if reasonably obtainable on behalf of the Manager or NGZ, on certain matters, including NGZ's market performance and comparative information regarding NGZ and other investment funds, and consults with representatives of the Manager and the Board of Trustees of NGZ in connection therewith; and (iv) provides information to and consults with the Manager and/or the Board of Trustees of NGZ with respect to applicable strategies designed to address market value discounts, including providing information concerning the use and impact of such strategies by other market participants; provided, however, that under the terms of the Shareholder Servicing Agreement, UBS Securities LLC is not obligated to render any opinions, valuations or recommendations of any kind or to perform any such similar services. For these services, the Manager (and not NGZ) pays UBS Securities LLC a fee computed daily and payable quarterly equal, on an annual basis, to 0.10% of NGZ's average daily total managed assets. The total of all of the payments payable to UBS Securities LLC under the Shareholder Servicing Agreement will not exceed 4.063% of the aggregate initial offering price of the common shares offered in NGZ's initial public offering. Under the terms of the Shareholder Servicing Agreement, UBS Securities LLC is relieved from liability to the Manager or NGZ for any act or omission to act in the course of its performances under the Shareholder Servicing Agreement in the absence of bad faith, gross negligence or willful misconduct on the part of UBS Securities LLC. The Shareholder Servicing Agreement will continue so long as the investment management agreement remains in effect between NGZ and the Manager or any successor in interest or affiliate of the Manager as and to the extent that the investment management a by the Manager and AGI U.S. are based on the total managed assets of the Fund, the Manager and AGI U.S. have a financial incentive for the Fund to utilize borrowings, which may create a conflict of interest between the Manager and AGI U.S., on the one hand, and the holders of the Fund's shares, on the other hand.]

The custodian of the assets of the Fund is Brown Brothers Harriman & Co., 40 Water Street, Boston, Massachusetts 02109. The custodian performs custodial and fund accounting services as well as sub-administrative and compliance services on behalf of the Fund.

American Stock Transfer & Trust Company LLC serves as the Fund's transfer agent, registrar, dividend disbursement agent and shareholder servicing agent, as well as agent for the Fund's Dividend Reinvestment Plan.

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*Appendix D to Joint Prospectus/Proxy Statement*

**FORM OF  
AGREEMENT AND PLAN OF REORGANIZATION**

This Agreement and Plan of Reorganization (the Agreement) is made as of \_\_\_\_\_, \_\_\_\_\_, by and between AllianzGI Global Equity & Convertible Income Fund (the Acquired Fund) and AllianzGI Equity & Convertible Income Fund (the Acquiring Fund), each a Massachusetts business trust.

**PLAN OF REORGANIZATION**

(a) The Acquired Fund shall sell, assign, convey, transfer and deliver to the Acquiring Fund on the Exchange Date (as defined in Section 4(a)) all of its properties and assets, subject to liabilities. In consideration therefor, the Acquiring Fund shall, on the Exchange Date, assume all the liabilities of the Acquired Fund existing as of the Valuation Time (as defined in Section 4(b)) and deliver to the Acquired Fund (i) a number of full and fractional common shares of beneficial interest of the Acquiring Fund (the Merger Shares) having an aggregate net asset value equal to the value of the properties and assets of the Acquired Fund attributable to common shares of the Acquired Fund on such date less the value of the liabilities attributable to such shares assumed by the Acquiring Fund on such date. It is intended that the reorganization described in this Agreement be a reorganization within the meaning of Section 368 of the Internal Revenue Code of 1986, as amended (the Code).

(b) Upon consummation of the transactions described in paragraph (a) of this Plan of Reorganization, the Acquired Fund shall distribute Merger Shares in complete liquidation to its common shareholders of record as of the Exchange Date; each shareholder being entitled to receive that proportion of such Merger Shares which the number of common shares of beneficial interest of the Acquired Fund held by such shareholder bears to the total number of common shares of the Acquired Fund outstanding on such date. Certificates representing the Merger Shares will not be issued. All issued and outstanding shares of the Acquired Fund, and all Acquired Fund shares held in Treasury, will simultaneously be cancelled on the books of the Acquired Fund.

(c) As soon as practicable following the liquidation of the Acquired Fund as aforesaid, the Acquiring Fund shall, if it so elects, transfer to the Acquired Fund bare legal title to such portion of the former Acquired Fund assets as the Acquiring Fund designates, to be held by the Acquired Fund as the nominee for or agent on behalf of the Acquiring Fund until the sale of each such respective asset. The entire beneficial ownership interest in all of the former Acquired Fund assets, including those for which the Acquired Fund holds bare legal title, shall at all times remain with the Acquiring Fund. The Acquiring Fund and the Acquired Fund recognize that for all purposes of this Agreement all of the Acquired Fund assets shall have been transferred to the Acquiring Fund as of the Exchange Date and that the Acquiring Fund shall retain the entire beneficial ownership interest therein, notwithstanding the subsequent holding by the Acquired Fund of bare legal title to a portion of those assets, as designated by the Acquiring Fund, as nominee for or agent on the behalf of the Acquiring Fund. For tax and accounting purposes for all periods after the Exchange Date, the Acquiring Fund shall report all of the former Acquired Fund's assets as assets of the Acquiring Fund on the Acquiring Fund's balance sheet or other financial statements.

Following the liquidation, the Acquired Fund shall not purchase or otherwise acquire any assets, provided that the Acquired Fund shall accept bare legal title to a portion of the assets beneficially owned by the Acquiring Fund that the Acquiring Fund designates, if any, as soon as practicable after the liquidation. The Acquired Fund shall dispose of any such assets upon the direction of the Acquiring Fund. The Acquired Fund shall not be permitted to reinvest any cash dividends or other distributions or any cash proceeds from any sale of any assets to which it holds bare legal title on

behalf of the Acquiring Fund. The Acquired Fund shall promptly remit any cash distributions, other distributions, and cash proceeds from the sale of any such assets to the Acquiring Fund.

As of the first practicable date after which the Acquired Fund no longer holds bare legal title to any of the Acquiring Fund assets and has remitted all income on and proceeds from the sales of such assets to the Acquiring Fund, the Acquired Fund shall be terminated pursuant to the provisions of the Acquired Fund's Amended and Restated Agreement and Declaration of Trust, as amended (the Acquired Fund Declaration of Trust), and applicable law, and its legal existence terminated. Any reporting responsibility of the Acquired Fund is and shall remain the responsibility of the Acquired Fund up to and including the Exchange Date and, if applicable, such later date on which the Acquired Fund is terminated.

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**AGREEMENT**

The Acquiring Fund and the Acquired Fund agree as follows:

1. *Representations, Warranties and Agreements of the Acquiring Fund.* The Acquiring Fund represents and warrants to and agrees with the Acquired Fund that:

a. The Acquiring Fund is an unincorporated voluntary association (commonly known as a Massachusetts business trust ) validly existing under the laws of The Commonwealth of Massachusetts, with power under the its Amended and Restated Agreement and Declaration of Trust, as amended (the Acquiring Fund Declaration of Trust ), to own all of its properties and assets and to carry on its business as it is now being conducted and to carry out its obligations under this Agreement. The Acquiring Fund is qualified to do business in all jurisdictions in which it is required to be so qualified, except jurisdictions in which the failure to so qualify would not have a material adverse effect on the Acquiring Fund. The Acquiring Fund has all material federal, state and local authorizations necessary to own all of the properties and assets and to carry on its business as now being conducted, except authorizations which the failure to so obtain would not have a material adverse effect on the Acquiring Fund.

b. The Acquiring Fund is registered under the Investment Company Act of 1940, as amended, and the rules and regulations thereunder (the 1940 Act ), as a closed-end management investment company, and such registration has not been revoked or rescinded and is in full force and effect.

c. A statement of assets and liabilities, statement of operations, statement of changes in net assets and a schedule of investments (indicating their market values) of the Acquiring Fund as of and for the fiscal year ended January 31, 2013, such statements and schedule having been audited by PricewaterhouseCoopers LLP, independent accountants to the Acquiring Fund, and an unaudited statement of assets and liabilities, statement of operations, statement of changes in net assets and a schedule of investments (indicating their market values) of the Acquiring Fund as of and for the six months ended July 31, 2013 will be furnished to the Acquired Fund prior to the Exchange Date. Such statements of assets and liabilities and schedules will fairly present the financial position of the Acquiring Fund as of the dates thereof and said statements of operations and changes in net assets will fairly reflect the results of its operations and changes in net assets for the periods covered thereby in conformity with generally accepted accounting principles.

d. There are no material legal, administrative or other proceedings pending or, to the knowledge of the Acquiring Fund, threatened against the Acquiring Fund, which assert liability on the part of or the Acquiring Fund. The Acquiring Fund knows of no facts which might form the basis for the institution of such proceedings and is not a party to or subject to the provisions of any order, decree or judgment of any court or governmental body which materially and adversely affects its business or its ability to consummate the transactions herein contemplated.

e. The Acquiring Fund has no known liabilities of a material nature, contingent or otherwise, other than those that are or will be shown as belonging to it on its statement of assets and liabilities as of July 31, 2013, and those incurred in the ordinary course of business as an investment company since such date. Prior to the Exchange Date, the Acquiring Fund will endeavor to quantify and to reflect on its balance sheet all of its material known liabilities and will advise the Acquired Fund of all material liabilities, contingent or otherwise, incurred by it subsequent to July 31, 2013, whether or not incurred in the ordinary course of business.

f. As of the Exchange Date, the Acquiring Fund will have timely filed all federal and other tax returns and reports that are required to have been filed by the Acquiring Fund and all such returns and reports are true, correct and complete in all material respects; the Acquiring Fund will have paid or will pay all federal and other taxes shown to be due on said returns and reports or on any assessments received by the Acquiring Fund. All tax liabilities of the Acquiring Fund

will have been adequately provided for on its books, and no tax deficiency or liability of the Acquiring Fund will have been asserted, and no question with respect thereto raised by the Internal Revenue Service or by any state or local tax authority for taxes in excess of those already paid, and the Acquiring Fund will not be under audit by the Internal Revenue Service or by any state or local tax authority for taxes in excess of those already paid.

g. No consent, approval, authorization or order of any court or governmental authority is required for the consummation by the Acquiring Fund of the transactions contemplated by this Agreement, except such as may be required under the Securities Act of 1933, as amended, and the rules and regulations thereunder (the 1933 Act ), the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (the 1934 Act ), the 1940 Act and state securities or blue sky laws (which term as used herein shall include the laws of the District of Columbia and of Puerto Rico).

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- h. There are no material contracts outstanding to which the Acquiring Fund is a party, other than as are or will be disclosed in the Registration Statement, the Proxy Statement or the Prospectus (each as defined in Section (1)(n) herein).
- i. To the best of its knowledge, all of the issued and outstanding shares of beneficial interest of the Acquiring Fund have been offered for sale and sold in conformity with all applicable federal and state securities laws (including any applicable exemptions therefrom), or the Acquiring Fund has taken any action necessary to remedy any prior failure to have offered for sale and sold such shares in conformity with such laws.
- j. The Acquiring Fund has qualified for treatment as a regulated investment company under the Code in respect of each taxable year since the commencement of operations and will continue to so qualify and be treated at all times through the Exchange Date.
- k. The issuance of the Merger Shares pursuant to this Agreement will be in compliance with all applicable federal and state securities laws.
- l. The Merger Shares to be issued by the Acquiring Fund have been duly authorized and, when issued and delivered pursuant to this Agreement, will be legally and validly issued and will be fully paid and, except as described in the Registration Statement, nonassessable by the Acquiring Fund, and no shareholder of the Acquiring Fund will have any preemptive right of subscription or purchase in respect thereof.
- m. All issued and outstanding shares of the Acquiring Fund are, and at the Exchange Date will be, duly and validly issued and outstanding, fully paid and, except as described in the Registration Statement, nonassessable by the Acquiring Fund. The Acquiring Fund does not have outstanding any options, warrants or other rights to subscribe for or purchase any of the Acquiring Fund's shares, nor is there outstanding any security convertible into any of the Acquiring Fund's shares.
- n. The registration statement (the "Registration Statement") filed with the Securities and Exchange Commission (the "Commission") by the Acquiring Fund on Form N-14 on behalf of the Acquiring Fund and relating to the Merger Shares issuable hereunder, and the proxy statement of the Funds relating to the meeting of each Fund's shareholders referred to in Section 7 herein (as amended or supplemented by any amendments or supplements filed with the Commission by the Acquiring Fund, and together with the documents incorporated therein by reference, the "Proxy Statement"), on the effective date of the Registration Statement, insofar as it relates to the Acquiring Fund (i) will comply in all material respects with the provisions of the 1933 Act, the 1934 Act and the 1940 Act, (ii) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and (iii) at the time of the shareholders' meeting referred to in Section 7 and on the Exchange Date, the prospectus and Statement of Additional Information which is contained in the Registration Statement (together, the "Prospectus"), as amended or supplemented by any amendments or supplements filed with the Commission by the Acquiring Fund, and the Proxy Statement will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that none of the representations and warranties in this subsection shall apply to statements in or omissions from the Registration Statement, the Prospectus or the Proxy Statement made in reliance upon and in conformity with information furnished by the Acquired Fund for use in the Registration Statement, the Prospectus or the Proxy Statement.
- q. The Acquiring Fund satisfies the fund governance standards set forth in Rule 0-1(a)(7)(ii), (iii), (v), (vi) and (vii) under the 1940 Act.

2. *Representations, Warranties and Agreements of the Acquired Fund.* The Acquired Fund represents and warrants to and agrees with the Acquiring Fund that:

a. The Acquired Fund is an unincorporated voluntary association (commonly known as a Massachusetts business trust ) validly existing under the laws of The Commonwealth of Massachusetts, with power under the Acquired Fund Declaration of Trust to own all of its properties and assets and to carry on its business as it is now being conducted and to carry out its obligations under this Agreement. The Acquired Fund is qualified to do business in all jurisdictions in which it is required to be so qualified, except jurisdictions in which the failure to so qualify would not have a material adverse effect on the Acquired Fund. The Acquired Fund has all material federal, state and local authorizations necessary to own all of the properties and assets and to carry on its business as now being conducted, except authorizations which the failure to so obtain would not have a material adverse effect on the Acquired Fund;

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- b. The Acquired Fund is registered under the 1940 Act as a closed-end management investment company, and such registration has not been revoked or rescinded and is in full force and effect.
- c. A statement of assets and liabilities, statement of operations, statement of changes in net assets and a schedule of investments (indicating their market values) of the Acquired Fund as of and for the fiscal year ended August 31, 2013, such statements and schedule having been audited by PricewaterhouseCoopers LLP, independent accountants to the Acquired Fund, will be furnished to the Acquiring Fund prior to the Exchange Date. Such statement of assets and liabilities and schedule will fairly present the financial position of the Acquired Fund as of such date and said statements of operations and changes in net assets will fairly reflect the results of its operations and changes in net assets for the period covered thereby in conformity with generally accepted accounting principles.
- d. There are no material legal, administrative or other proceedings pending or, to the knowledge of the Acquired Fund, threatened against the Acquired Fund, which assert liability on the part of the Acquired Fund. The Acquired Fund knows of no facts which might form the basis for the institution of such proceedings and is not a party to or subject to the provisions of any order, decree or judgment of any court or governmental body which materially and adversely affects its business or its ability to consummate the transactions herein contemplated.
- e. There are no material contracts outstanding to which the Acquired Fund is a party, other than as are or will be disclosed in the Registration Statement, the Proxy Statement or the Prospectus.
- f. The Acquired Fund has no known liabilities of a material nature, contingent or otherwise, other than those that will be shown as belonging to it on its statement of assets and liabilities as of August 31, 2013, and those incurred in the ordinary course of its business as an investment company since such date. Prior to the Exchange Date, the Acquired Fund will endeavor to quantify and to reflect on its balance sheet all of its material known liabilities and will advise the Acquiring Fund of all material liabilities, contingent or otherwise, incurred by it subsequent to August 31, 2013, whether or not incurred in the ordinary course of business.
- g. As of the Exchange Date, the Acquired Fund will have timely filed all federal and other tax returns and reports that are required to have been filed by the Acquired Fund and all such returns and reports are true, correct and complete in all material respects; and the Acquired Fund will have paid or will pay all federal and other taxes shown to be due on said returns and reports or on any assessments received by the Acquired Fund. All tax liabilities of the Acquired Fund will have been adequately provided for on its books, and no tax deficiency or liability of the Acquired Fund will have been asserted, and no question with respect thereto raised by the Internal Revenue Service or by any state or local tax authority for taxes in excess of those already paid, and the Acquired Fund will not be under audit by the Internal Revenue Service or by any state or local tax authority for taxes in excess of those already paid.
- h. At the Exchange Date, the Acquired Fund will have full right, power and authority to sell, assign, convey, transfer and deliver the Investments (as defined below) and any other assets and liabilities of the Acquired Fund to be transferred to the Acquiring Fund pursuant to this Agreement. At the Exchange Date, subject only to the delivery of all of the Investments (as defined below), cash and any other assets and liabilities as contemplated by this Agreement, the Acquiring Fund will acquire the Investments and other properties and assets of the Acquired Fund, whether accrued or contingent (collectively, the Assets ), and liabilities subject to no encumbrances, liens or security interests (other than customary liens of custodians for fees) whatsoever and without any restrictions upon the transfer thereof, except for such encumbrances, liens, security interests or restrictions on transfers as disclosed in writing to the Acquiring Fund. As used in this Agreement, the term Investments shall mean the Acquired Fund's investments shown on the schedule of its investments as of August 31, 2013, referred to in Section 2(c) hereof, as supplemented with such changes in the portfolio as the Acquired Fund shall make, and changes resulting from stock dividends, stock split-ups, mergers and similar corporate actions, through the Exchange Date.

i. No registration under the 1933 Act of any of the Investments would be required if they were, as of the time of such transfer, the subject of a public distribution by either of the Acquiring Fund or the Acquired Fund, except as previously disclosed to the Acquiring Fund by the Acquired Fund.

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- j. No consent, approval, authorization or order of any court or governmental authority is required for the consummation by the Acquired Fund of the transactions contemplated by this Agreement, except such as may be required under the 1933 Act, 1934 Act, the 1940 Act or state securities or blue sky laws.
- k. The Acquired Fund has qualified for treatment as a regulated investment company under the Code in respect of each taxable year since the commencement of operations and will continue to so qualify and be treated at all times through the Exchange Date.
- l. To the best of its knowledge, all of the issued and outstanding shares of beneficial interest of the Acquired Fund have been offered for sale and sold in conformity with all applicable federal and state securities laws (including any applicable exemptions therefrom), or the Acquired Fund has taken any action necessary to remedy any prior failure to have offered for sale and sold such shares in conformity with such laws.
- m. All issued and outstanding shares of the Acquired Fund are, and at the Exchange Date will be, duly and validly issued and outstanding, fully paid and, except as set forth in the Registration Statement, non-assessable by the Acquired Fund. The Acquired Fund does not have outstanding any options, warrants or other rights to subscribe for or purchase any of the Acquired Fund's shares, nor is there outstanding any security convertible into any of the Acquired Fund's shares.
- n. The Registration Statement and the Proxy Statement, on the effective date of the Registration Statement (i) will comply in all material respects with the provisions of the 1933 Act, the 1934 Act and the 1940 Act; (ii) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and (iii) at the time the Proxy Statement and the Registration Statement are distributed to the shareholders of the Acquired Fund, and at the time of the shareholders' meeting referred to in Section 7, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the representations and warranties in this subsection shall apply only to statements of fact relating to the Acquired Fund contained in the Registration Statement, the Prospectus or the Proxy Statement, or omissions to state in any thereof a material fact relating to the Acquired Fund, made or omitted in reliance upon and in conformity with information furnished or approved by the Acquired Fund for use in the Registration Statement, the Prospectus or the Proxy Statement.
- o. The information provided by the Acquired Fund for use in the Registration Statement is accurate and complete in all material respects and complies with federal securities and other laws and regulations applicable thereto in all material respects.
- p. The Acquired Fund satisfies the fund governance standards set forth in Rule 0-1(a)(7)(ii), (iii), (v), (vi) and (vii) under the 1940 Act.

**3. Merger.**

- a. Subject to the requisite approval of the shareholders of the Acquired Fund and the Acquiring Fund and to the other terms and conditions contained herein (including the Acquired Fund's obligation to distribute to its shareholders all of its investment company taxable income and net capital gain as described in Section 8(j) hereof), the Acquired Fund agrees to sell, assign, convey, transfer and deliver to the Acquiring Fund, and the Acquiring Fund agrees to acquire from the Acquired Fund, on the Exchange Date all of the Assets existing as of the Valuation Time (as defined in Section 4(b) below) in exchange for that number of shares of beneficial interest of the Acquiring Fund provided for in Section 5 and the assumption by the Acquiring Fund of all of the liabilities of the Acquired Fund, whether accrued or

contingent, existing as of the Valuation Time except for the Acquired Fund's liabilities, if any, arising in connection with this Agreement. The Acquired Fund will, as soon as practicable after the Exchange Date, distribute all of the Merger Shares received by it to the shareholders of record of the Acquired Fund in exchange for their common shares of the Acquired Fund.

b. The Acquired Fund will pay or cause to be paid to the Acquiring Fund any interest, cash or such dividends, rights and other payments received for the account of the Acquired Fund on or after the Exchange Date with respect to the Assets of the Acquired Fund. Any such distribution shall be deemed included in the Assets transferred to the Acquiring Fund at the Exchange Date and shall not be separately valued unless the securities in respect of which such distribution is made shall have gone *ex* such distribution prior to the Valuation Time, in which case any such distribution which remains unpaid at the Exchange Date shall be included in the determination of the value of the Assets of the Acquired Fund acquired by the Acquiring Fund.

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4. *Exchange Date; Valuation Time.*

a. Delivery of the assets of the Acquired Fund to be transferred, assumption of the liabilities of the Acquired Fund to be assumed, and delivery of the Merger Shares to be issued shall be made at the offices of Ropes & Gray LLP, 800 Boylston Street, Boston, MA 02199, as of the close of business on January 27, 2014, or at such other place, time and date agreed to by the Acquiring Fund and the Acquired Fund, the date and time upon which such delivery is to take place being referred to herein as the Exchange Date.

b. The Valuation Time shall be 4:00 p.m. Eastern time on January 24, 2014 or such earlier or later day as may be mutually agreed upon in writing by the parties hereto (the Valuation Time ).

c. In the event that at the Valuation Time (a) the New York Stock Exchange shall be closed to trading or trading thereon shall be restricted, or (b) trading or the reporting of trading on said Exchange or elsewhere shall be disrupted so that accurate appraisal of the net asset value of the Acquiring Fund or the Acquired Fund is impracticable, the Exchange Date shall be postponed until the first business day after the day when trading shall have been fully resumed and reporting shall have been restored or such other date as may be agreed upon by the Acquiring Fund and the Acquired Fund; provided that if trading shall not be fully resumed and reporting restored within three business days after the Exchange Date, this Agreement may be terminated by the Acquiring Fund or the Acquired Fund upon the giving of written notice to the other party.

5. *Issuance of Merger Shares; Assumption of Liabilities.* Subject to the terms and conditions contained herein, on the Exchange Date, the Acquiring Fund will deliver to the Acquired Fund a number of full and fractional Merger Shares having an aggregate net asset value equal to the value of the Assets of the Acquired Fund attributable to common shares of the Acquired Fund on such date less the value of the liabilities attributable to such shares of the Acquired Fund on such date, determined as hereinafter provided in this Section 5.

a. The net asset value of the Merger Shares to be delivered to the Acquired Fund, the value of the Assets of the Acquired Fund, and the value of the liabilities of the Acquired Fund to be assumed by the Acquiring Fund, shall in each case be determined as of the Valuation Time.

b. The net asset value of the Merger Shares shall be computed by the Acquiring Fund, in cooperation with the Acquired Fund, in the manner set forth in the Prospectus. The value of the assets and liabilities attributable to the common shares of the Acquired Fund shall be determined by the Acquiring Fund, in cooperation with the Acquired Fund, pursuant to procedures which the Acquiring Fund would use in determining the net asset value of the Acquiring Fund's common shares of beneficial interest.

c. No adjustment shall be made in the net asset value of either the Acquired Fund or the Acquiring Fund to take into account differences in realized and unrealized gains and losses.

d. On the Exchange Date, the Acquiring Fund shall assume all liabilities of the Acquired Fund, whether accrued or contingent, in connection with the acquisition of the Assets and liabilities and subsequent liquidation and termination of the Acquired Fund or otherwise, except for the Acquired Fund's liabilities, if any, arising in connection with this Agreement.

e. The Acquiring Fund shall issue the Merger Shares to the Acquired Fund. The Acquired Fund shall as soon as practicable distribute the Merger Shares to the shareholders of the Acquired Fund, which shall be accomplished through the establishment of open accounts for each Acquired Fund shareholder on the transfer records of the Acquiring Fund. The Acquired Fund and the Acquiring Fund agree to cooperate in the establishment of such open

accounts and to provide each other with such information as each may reasonably request in connection therewith. With respect to any Acquired Fund shareholder holding share certificates as of the Exchange Date, such certificates will from and after the Exchange Date be deemed to be certificates for the Merger Shares issued to such shareholder in respect of the Acquired Fund shares represented by such certificates. Certificates representing the Merger Shares will not be issued to Acquired Fund shareholders.

f. Each party shall deliver to the other such bills of sale, instruments of assumption of liabilities, checks, assignments, stock certificates, receipts or other documents as such other party or its counsel may reasonably request in connection with the transfer of Assets, assumption of liabilities and liquidation contemplated herein.

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*6. Expenses, Fees, etc.*

a. The Acquiring Fund and the Acquired Fund (each, a Fund ) will bear all expenses incurred in connection with this Agreement and the transactions contemplated hereby, including, without limitation, the costs of printing, mailing, and soliciting proxies; accounting fees; registration fees of the Securities and Exchange Commission and; New York Stock Exchange listing fees; which will be borne directly by the respective Fund incurring the expense or based upon such other reasonable methodology as shall be approved by the Trustees of each Fund; *provided*, however, that all legal fees and related expenses incurred by or on behalf of the Acquiring Fund and the Acquired Fund in connection with this Agreement and the consummation of the transactions contemplated hereby will be allocated equally between Allianz Global Investors Fund Management LLC ( Allianz ), on the one hand, and the Acquiring Fund and the Acquired Fund, on the other hand, such that Allianz will bear 50% of such fees and the Acquiring Fund and the Acquired Fund shall together bear 50% of such fees. Such legal fees and other related expenses allocated to the Acquiring Fund and the Acquired Fund shall be further allocated between the two Funds based on the projected relative benefits to each of the Acquiring Fund and the Acquired Fund of this Agreement and the transactions contemplated hereby as determined by Allianz. Notwithstanding any of the foregoing, costs and expenses will in any event be paid by the party directly incurring them if and to the extent that the payment by another party of such costs and expenses would result in the disqualification of such party as a regulated investment company within the meaning of Sections 851 and 852 of the Code.

b. Notwithstanding any other provisions of this Agreement, if for any reason the transactions contemplated by this Agreement are not consummated, no party shall be liable to the other party for any damages resulting therefrom, including, without limitation, consequential damages, except as specifically set forth herein.

*7. Meetings of Shareholders; Termination.*

a. The Acquired Fund agrees to call a meeting of the Acquired Fund s shareholders to take place after the effective date of the Registration Statement for the purpose of approving this Agreement and the transactions contemplated hereby.

b. The Acquiring Fund agrees to call a meeting of the Acquiring Fund s shareholders to take place after the effective date of the Registration Statement for the purpose of approving this Agreement and the transactions contemplated hereby, including the issuance of additional common shares of the Acquiring Fund.

c. The Acquiring Fund has, after the preparation and delivery to the Acquiring Fund by the Acquired Fund of a preliminary version of the Proxy Statement which was satisfactory to the Acquiring Fund and to Ropes & Gray LLP for inclusion in the Registration Statement, filed the Registration Statement with the Commission. Each of the Acquired Fund and the Acquiring Fund will cooperate with the other, and each will furnish to the other the information relating to itself required by the 1933 Act, the 1934 Act and the 1940 Act to be set forth in the Registration Statement.

d. The Acquired Fund agrees that the liquidation and termination of the Acquired Fund will be effected in the manner provided in the Acquired Fund Declaration of Trust in accordance with applicable law and that after the Exchange Date, the Acquired Fund shall not conduct any business except in connection with its liquidation and termination; provided that, following the liquidation, the Acquired Fund, as nominee for or agent on behalf of the Acquiring Fund, shall take such actions as are set forth in paragraph (c) of the Plan of Reorganization included in this Agreement.

8. *Conditions to the Acquiring Fund s Obligations.* The obligations of the Acquiring Fund hereunder shall be subject to (a) performance by the Acquired Fund of all its obligations to be performed hereunder at or before the Exchange Date, (b) all representations and warranties of the Acquired Fund contained herein being true and correct in all

material respects as of the date hereof and, except as they may be affected by the transactions contemplated hereby, as of the Exchange Date, with the same force and effect as if made at and as of the Exchange Date, and (c) the following further conditions that, at or before the Exchange Date:

a. The Acquired Fund shall have furnished to the Acquiring Fund a statement of the Acquired Fund's Assets and liabilities, with values determined as provided in Section 5 of this Agreement, together with a list of Investments and such Investments' respective tax costs, all as of the Valuation Time, certified on the Acquired Fund's behalf by the Acquired Fund's President (or any Vice President) and Treasurer (or any Assistant Treasurer), and a certificate of both such officers, dated the Exchange Date, that there has been no material adverse change in the financial position of the Acquired Fund since August 31, 2013, other than changes in the Investments and other Assets since that date or changes in the market value of the Investments and other Assets of the Acquired Fund, or changes due to dividends paid or losses from operations.

b. The Acquired Fund shall have furnished to the Acquiring Fund a statement, dated the Exchange Date, signed by the Acquired Fund's President (or any Vice President) and Treasurer (or any Assistant Treasurer) certifying that as of the

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Exchange Date all representations and warranties of the Acquired Fund made in this Agreement are true and correct in all material respects as if made at and as of such date and the Acquired Fund has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to such date.

c. As of the Exchange Date, there shall not be any material litigation pending or threatened that would seek to enjoin or otherwise prevent the transactions contemplated by this Agreement.

d. The Acquiring Fund shall have received an opinion of Ropes & Gray LLP, counsel to the Acquired Fund, dated the Exchange Date (which may be subject to certain qualifications and, with respect to all or some of the following, may indicate that a matter is not free from doubt), to the effect that (i) the Acquired Fund is an unincorporated voluntary association validly existing and in good standing under and by virtue of the laws of The Commonwealth of Massachusetts (commonly known as a Massachusetts business trust) and has the trust power to execute, deliver and perform its obligations under this Agreement; (ii) this Agreement has been duly authorized, executed and delivered by the Acquired Fund and, assuming that the Registration Statement, the Prospectus and the Proxy Statement comply with all applicable provisions of the federal securities laws and assuming due authorization, execution and delivery of the other parties thereto, constitutes a valid and binding obligation of the Acquired Fund, enforceable against the Acquired Fund in accordance with its terms; (iii) except as set forth in this Agreement, the execution and delivery by the Acquired Fund of this Agreement did not, and the consummation of the transactions contemplated hereby will not, violate the Acquired Fund Declaration of Trust or the Acquired Fund's Amended and Restated Bylaws, as amended (the Acquired Fund Bylaws), will not violate any provision of the laws of The Commonwealth of Massachusetts or of the federal laws of the United States of America (the Covered Laws), and will not result in a breach or violation of, or constitute a default under, any material agreements of the Acquired Fund; and (iv) to such counsel's knowledge (without any independent inquiry or investigation), under the Covered Laws, no consent, approval, license or exemption by, or order or authorization of, or filing, recording or registration with, any governmental authority is required to be obtained or made by the Acquired Fund in connection with the execution and delivery of this Agreement or the consummation by the Acquired Fund of the transactions contemplated hereby, except (i) such as have been obtained or made prior to the Exchange Date, or (ii) such as may be required under state securities or blue sky laws. In connection with the foregoing, it is understood that counsel may rely upon the representations contained in this Agreement as well as certificates of officers of the Acquired Fund including certificates with respect to investment restrictions contained in the Acquired Fund Declaration of Trust, the Acquired Fund Bylaws or the Registration Statement or Prospectus.

e. The Acquiring Fund shall have received an opinion of Ropes & Gray LLP (the Tax Opinion), dated the Exchange Date, reasonably satisfactory to the Acquiring Fund and substantially to the effect that, on the basis of the existing provisions of the Code, current administrative rules, and court decisions, as further described below, for federal income tax purposes: (i) the transactions contemplated by this Agreement will constitute a reorganization within the meaning of Section 368(a) of the Code and the Acquiring Fund and the Acquired Fund will each be a party to the reorganization within the meaning of Section 368(b) of the Code; (ii) the Acquired Fund will not recognize any gain or loss upon the transfer of the Assets to the Acquiring Fund pursuant to this Agreement in exchange for the Merger Shares and the assumption by the Acquiring Fund of all liabilities of the Acquired Fund, or upon the distribution of the Merger Shares by the Acquired Fund to its shareholders in liquidation, except for (A) any gain or loss that may be recognized on section 1256 contracts as defined in Section 1256(b) of the Code as a result of the closing of the tax year of the Acquired Fund, (B) any gain that may be recognized on the transfer of stock in a passive foreign investment company as defined in Section 1297(a) of the Code, and (C) any other gain or loss that may be required to be recognized (1) as a result of the closing of the tax year of the Acquired Fund, (2) upon the termination of a position, or (3) upon the transfer of an Asset regardless of whether such a transfer would otherwise be a nontaxable transaction; (iii) Acquired Fund shareholders will not recognize any gain or loss upon the exchange of their Acquired Fund shares for Merger Shares; (iv) the aggregate basis of the Merger Shares that the Acquired Fund shareholders receive in

exchange for their Acquired Fund shares will be the same as the aggregate basis of the Acquired Fund shares exchanged therefor; (v) an Acquired Fund shareholder's holding period for the Merger Shares received pursuant to the Agreement will include the period during which the shareholder held or is treated for federal income tax purposes as having held the Acquired Fund shares exchanged for those Merger Shares, provided that the shareholder held the Acquired Fund shares as capital assets; (vi) the Acquiring Fund will not recognize any gain or loss upon the receipt of the Assets in exchange for Merger Shares and the assumption by the Acquiring Fund of the liabilities of the Acquired Fund; (vii) the Acquiring Fund's tax basis in the Assets will be the same as the Acquired Fund's tax basis immediately prior to the transfer, increased by any gain or decreased by any loss required to be recognized as described in (ii) above; (viii) the holding period of each Asset in the hands of the Acquiring Fund, other than any Asset with respect to which gain or loss is required to be recognized as described in (ii) above, will include the period during which such Asset was held or treated for federal income tax purposes as held by the Acquired Fund; and (ix) the Acquiring Fund will succeed to and take into account the items of the Acquired Fund described in Section 381(c) of the Code, subject to the conditions and limitations specified in Sections 381, 382, 383 and 384 of the Code and the regulations thereunder. The Tax Opinion will be based upon certain factual representations made by officers of the Acquired Fund and Acquiring Fund and will also be based on customary assumptions. The Tax Opinion will note and distinguish certain published precedent.

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f. As of the Exchange Date, the assets of the Acquired Fund to be acquired by the Acquiring Fund will include no assets which the Acquiring Fund identifies to the Acquired Fund as being unsuitable for the Acquiring Fund to acquire by reason of limitations in the Acquiring Fund Declaration of Trust and Acquiring Fund's Amended and Restated Bylaws, as amended (the Acquiring Fund Bylaws), or of investment restrictions disclosed in the Registration Statement or the Prospectus in effect on the Exchange Date.

g. Each Fund shall have received from the Commission and any relevant state securities administrator such order or orders as are reasonably necessary or desirable under the 1933 Act, the 1934 Act, the 1940 Act and any applicable state securities or blue sky laws in connection with the transactions contemplated hereby, and that all such orders shall be in full force and effect.

h. That all actions taken by the Acquired Fund in connection with the transactions contemplated by this Agreement and all documents incidental thereto shall be satisfactory in form and substance to the Acquiring Fund and Ropes & Gray LLP.

i. That, prior to the Exchange Date, the Acquired Fund shall have declared a dividend or dividends that, together with all previous such dividends, shall have the effect of distributing to the shareholders of the Acquired Fund (i) all of the excess of (x) the Acquired Fund's investment income excludable from gross income under Section 103 of the Code over (y) the Acquired Fund's deductions disallowed under Sections 265 and 171 of the Code, (ii) all of the Acquired Fund's investment company taxable income as defined in Section 852 of the Code, and (iii) all of the Acquired Fund's net capital gain, in each case computed without regard to any deduction for dividends paid and in each case for both its taxable year ended August 31, 2013 and the short taxable year beginning September 1, 2013 and ending on the Exchange Date.

j. The Acquired Fund shall have furnished to the Acquiring Fund a certificate, signed by the President (or any Vice President) and the Treasurer (or any Assistant Treasurer) of the Acquired Fund, as to the tax cost to the Acquired Fund of the assets delivered to the Acquiring Fund pursuant to this Agreement, together with any such other evidence as to such tax cost as the Acquiring Fund may reasonably request.

k. That the Acquired Fund's custodian shall have delivered to the Acquiring Fund a certificate identifying all of the assets of the Acquired Fund held or maintained by such custodian as of the Valuation Time.

l. The Acquired Fund's transfer agent shall have provided to the Acquiring Fund (i) the originals or true copies of all of the records of the Acquired Fund in the possession of such transfer agent as of the Exchange Date, (ii) a certificate setting forth the number of shares of the Acquired Fund outstanding as of the Valuation Time, and (iii) the name and address of each holder of record of any shares of the Acquired Fund and the number of shares held of record by each such shareholder.

m. All of the issued and outstanding shares of beneficial interest of the Acquired Fund shall have been offered for sale and sold in conformity with all applicable state securities or blue sky laws (including any applicable exemptions therefrom) and, to the extent that any audit of the records of the Acquired Fund or its transfer agent by the Acquiring Fund or its agents shall have revealed otherwise, either (i) the Acquired Fund shall have taken all actions that in the opinion of the Acquiring Fund or Ropes & Gray LLP are necessary to remedy any prior failure on the part of the Acquired Fund to have offered for sale and sold such shares in conformity with such laws or (ii) the Acquired Fund shall have furnished (or caused to be furnished) surety, or deposited (or caused to be deposited) assets in escrow, for the benefit of the Acquiring Fund in amounts sufficient and upon terms satisfactory, in the opinion of the Acquiring Fund or Ropes & Gray LLP, to indemnify the Acquiring Fund against any expense, loss, claim, damage or liability whatsoever that may be asserted or threatened by reason of such failure on the part of the Acquired Fund to have

offered and sold such shares in conformity with such laws.

n. This Agreement shall have been adopted and the transactions contemplated hereby shall have been approved by the requisite votes of the holders of the outstanding shares of beneficial interest of the Acquiring Fund and the Acquired Fund entitled to vote.

o. The Registration Statement shall have become effective under the 1933 Act, and no stop order suspending such effectiveness shall have been instituted or, to the knowledge of the Acquiring Fund, threatened by the Commission.

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p. The Merger Shares shall have been accepted for listing by the New York Stock Exchange.

9. *Conditions to the Acquired Fund's Obligations.* The obligations of the Acquired Fund hereunder shall be subject to (a) performance by the Acquiring Fund of all its obligations to be performed hereunder at or before the Exchange Date, (b) all representations and warranties of the Acquiring Fund contained herein being true and correct in all material respects as of the date hereof and, except as they may be affected by the transactions contemplated hereby, as of the Exchange Date, with the same force and effect as if made at and as of the Exchange Date, and (c) the following further conditions that, at or before the Exchange Date:

a. The Acquiring Fund shall have furnished to the Acquired Fund a statement of the Acquiring Fund's net assets, together with a list of portfolio holdings with values determined as provided in Section 5, all as of the Valuation Time, certified on the Acquiring Fund's behalf by the Acquiring Fund's President (or any Vice President) and Treasurer (or any Assistant Treasurer), and a certificate of both such officers, dated the Exchange Date, to the effect that as of the Valuation Time and as of the Exchange Date there has been no material adverse change in the financial position of the Acquiring Fund since July 31, 2013, other than changes in its portfolio securities since that date, changes in the market value of the portfolio securities, or changes due to net redemptions, dividends paid or losses from operations.

b. The Acquiring Fund shall have executed and delivered to the Acquired Fund an Assumption of Liabilities dated as of the Exchange Date, pursuant to which the Acquiring Fund will assume all of the liabilities of the Acquired Fund existing at the Valuation Time in connection with the transactions contemplated by this Agreement, other than liabilities arising in connection with this Agreement.

c. The Acquiring Fund shall have furnished to the Acquired Fund a statement, dated the Exchange Date, signed by the Acquiring Fund's President (or any Vice President) and Treasurer (or any Assistant Treasurer) certifying that as of the Exchange Date all representations and warranties of the Acquiring Fund made in this Agreement are true and correct in all material respects as if made at and as of such date, and that the Acquiring Fund has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied at or prior to such date.

d. As of the Exchange Date, there shall not be any material litigation pending or threatened that would seek to enjoin or otherwise prevent the transactions contemplated by this Agreement.

e. The Acquired Fund shall have received an opinion of Ropes & Gray LLP, counsel to the Acquiring Fund, and dated the Exchange Date (which may be subject to certain qualifications and, with respect to some or all of the following, may indicate that a matter is not free from doubt), to the effect that (i) the Acquiring Fund is an unincorporated voluntary association validly existing and in good standing under and by virtue of the laws of The Commonwealth of Massachusetts (commonly known as a Massachusetts business trust) and has the trust power to execute, deliver and perform its obligations under this Agreement; (ii) the Merger Shares to be delivered to the Acquired Fund as provided for by this Agreement are duly authorized and upon such delivery will be validly issued and will be fully paid and, except as described in the Registration Statement, nonassessable by the Acquiring Fund and no shareholder of the Acquiring Fund has any preemptive right to subscription or purchase in respect thereof; (iii) this Agreement has been duly authorized, executed and delivered by the Acquiring Fund and, assuming that the Registration Statement, the Prospectus and the Proxy Statement comply with all applicable provisions of the federal securities laws and assuming due authorization, execution and delivery of the other parties thereto, constitutes a valid and binding obligation of the Acquiring Fund, enforceable against the Acquiring Fund in accordance with its terms; (iv) except as set forth in this Agreement, the execution and delivery by the Acquiring Fund of this Agreement did not, and the consummation of the transactions contemplated hereby will not, violate the Acquiring Fund Declaration of Trust or the Acquiring Fund Bylaws, will not violate any provision of the Covered Laws, and will not result in a breach or violation of, or constitute a default under, any material agreements of the Acquiring Fund; (v) to such counsel's knowledge (without

any independent inquiry or investigation), under the Covered Laws, no consent, approval, license or exemption by, or order or authorization of, or filing, recording or registration with, any governmental authority is required to be obtained or made by the Acquiring Fund in connection with the execution and delivery of this Agreement or the consummation by the Acquiring Fund of the transactions contemplated hereby, except (i) such as have been obtained or made prior to the Exchange Date, or (ii) such as may be required under state securities or blue sky laws; and (vi) the Registration Statement has been declared effective under the 1933 Act, and based solely upon oral inquiries to the Commission staff, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for any such purposes is pending or threatened by the Commission. In connection with the foregoing, it is understood that counsel may rely upon the representations contained in this Agreement as well as certificates of officers of the Acquiring Fund, including certificates with respect to investment restrictions contained in the Acquiring Fund Declaration of Trust, the Acquiring Fund Bylaws or the Registration Statement or Prospectus.

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f. The Acquired Fund shall have received a Tax Opinion of Ropes & Gray LLP, the substance of which is described above in Section 8(f), dated the Exchange Date, reasonably satisfactory to the Acquired Fund. The Tax Opinion will be based upon certain factual representations made by officers of the Acquired Fund and Acquiring Fund and will also be based on customary assumptions. The Tax Opinion will note and distinguish certain published precedent.

g. All of the issued and outstanding shares of beneficial interest of the Acquiring Fund shall have been offered for sale and sold in conformity with all applicable state securities or blue sky laws (including any applicable exemptions therefrom) and, to the extent that any audit of the records of the Acquiring Fund or its transfer agent by the Acquired Fund or its agents shall have revealed otherwise, either (i) the Acquiring Fund shall have taken all actions that in the opinion of the Acquired Fund or Ropes & Gray LLP are necessary to remedy any prior failure on the part of the Acquiring Fund to have offered for sale and sold such shares in conformity with such laws or (ii) the Acquiring Fund shall have furnished (or caused to be furnished) surety, or deposited (or caused to be deposited) assets in escrow, for the benefit of the Acquired Fund in amounts sufficient and upon terms satisfactory, in the opinion of the Acquired Fund or Ropes & Gray LLP, to indemnify the Acquired Fund against any expense, loss, claim, damage or liability whatsoever that may be asserted or threatened by reason of such failure on the part of the Acquiring Fund to have offered and sold such shares in conformity with such laws.

h. That all actions taken by the Acquiring Fund in connection with the transactions contemplated by this Agreement and all documents incidental thereto shall be satisfactory in form and substance to the Acquired Fund and Ropes & Gray LLP.

i. That the Acquiring Fund shall have received from the Commission and any relevant state securities administrator such order or orders as are reasonably necessary or desirable under the 1933 Act, the 1934 Act, the 1940 Act and any applicable state securities or blue sky laws in connection with the transactions contemplated hereby, and that all such orders shall be in full force and effect.

j. That this Agreement shall have been adopted and the transactions contemplated hereby shall have been approved by the requisite votes of the holders of the outstanding shares of beneficial interest of the Acquiring Fund and the Acquired Fund entitled to vote.

k. That the Registration Statement shall have become effective under the 1933 Act, and no stop order suspending such effectiveness shall have been instituted or, to the knowledge of the Acquiring Fund, threatened by the Commission.

l. The Merger Shares shall have been accepted for listing by the New York Stock Exchange.

*10. Indemnification.*

a. The Acquired Fund shall indemnify and hold harmless, out of the assets of the Acquired Fund (which shall be deemed to include the assets of the Acquiring Fund represented by the Merger Shares following the Exchange Date) but no other assets, the Acquiring Fund and the trustees and officers of the Acquiring Fund (for purposes of this Section 10(a), the Indemnified Parties ) against any and all expenses, losses, claims, damages and liabilities at any time imposed upon or reasonably incurred by any one or more of the Indemnified Parties in connection with, arising out of, or resulting from any claim, action, suit or proceeding in which any one or more of the Indemnified Parties may be involved or with which any one or more of the Indemnified Parties may be threatened by reason of any untrue statement or alleged untrue statement of a material fact relating to the Acquired Fund contained in this Agreement, the Registration Statement, the Prospectus or the Proxy Statement or any amendment or supplement to any of the foregoing, or arising out of or based upon the omission or alleged omission to state in any of the foregoing a material fact relating to the Acquired Fund required to be stated therein or necessary to make the statements relating to the

Acquired Fund therein not misleading, including, without limitation, any amounts paid by any one or more of the Indemnified Parties in a reasonable compromise or settlement of any such claim, action, suit or proceeding, or threatened claim, action, suit or proceeding made with the consent of the Acquired Fund. The Indemnified Parties will notify the Acquired Fund in writing within ten days after the receipt by any one or more of the Indemnified Parties of any notice of legal process or any suit brought against or claim made against such Indemnified Party as to any matters covered by this Section 10(a). The Acquired Fund shall be entitled to participate at its own expense in the defense of any claim, action, suit or proceeding covered by this Section 10(a), or, if it so elects, to assume at its expense by counsel satisfactory to the Indemnified Parties the defense of any such claim, action, suit or proceeding, and if the Acquired Fund elects to assume such defense, the Indemnified Parties shall be entitled to participate in the defense of any such claim, action, suit or proceeding at their expense. The Acquired Fund's obligation under this Section 10(a) to indemnify and hold

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harmless the Indemnified Parties shall constitute a guarantee of payment so that the Acquired Fund will pay in the first instance any expenses, losses, claims, damages and liabilities required to be paid by it under this Section 10(a) without the necessity of the Indemnified Parties first paying the same.

b. The Acquiring Fund shall indemnify and hold harmless, out of the assets of the Acquiring Fund but no other assets, the Acquired Fund and the trustees and officers of the Acquired Fund (for purposes of this Section 10(b), the Indemnified Parties ) against any and all expenses, losses, claims, damages and liabilities at any time imposed upon or reasonably incurred by any one or more of the Indemnified Parties in connection with, arising out of, or resulting from any claim, action, suit or proceeding in which any one or more of the Indemnified Parties may be involved or with which any one or more of the Indemnified Parties may be threatened by reason of any untrue statement or alleged untrue statement of a material fact relating to the Acquiring Fund contained in this Agreement, the Registration Statement, the Prospectus or the Proxy Statement or any amendment or supplement to any thereof, or arising out of, or based upon, the omission or alleged omission to state in any of the foregoing a material fact relating to the Acquiring Fund required to be stated therein or necessary to make the statements relating to the Acquiring Fund therein not misleading, including, without limitation, any amounts paid by any one or more of the Indemnified Parties in a reasonable compromise or settlement of any such claim, action, suit or proceeding, or threatened claim, action, suit or proceeding made with the consent of the Acquiring Fund. The Indemnified Parties will notify the Acquiring Fund in writing within ten days after the receipt by any one or more of the Indemnified Parties of any notice of legal process or any suit brought against or claim made against such Indemnified Party as to any matters covered by this Section 10(b). The Acquiring Fund shall be entitled to participate at its own expense in the defense of any claim, action, suit or proceeding covered by this Section 10(b), or, if it so elects, to assume at its expense by counsel satisfactory to the Indemnified Parties the defense of any such claim, action, suit or proceeding, and, if the Acquiring Fund elects to assume such defense, the Indemnified Parties shall be entitled to participate in the defense of any such claim, action, suit or proceeding at their own expense. The Acquiring Fund's obligation under this Section 10(b) to indemnify and hold harmless the Indemnified Parties shall constitute a guarantee of payment so that the Acquiring Fund will pay in the first instance any expenses, losses, claims, damages and liabilities required to be paid by it under this Section 10(b) without the necessity of the Indemnified Parties first paying the same.

11. *No Broker, etc.* Each of the Acquired Fund and the Acquiring Fund represents that there is no person who has dealt with it who, by reason of such dealings, is entitled to any broker's or finder's or other similar fee or commission arising out of the transactions contemplated by this Agreement.

12. *Termination.* The Acquired Fund and the Acquiring Fund may, by mutual consent of the trustees on behalf of each Fund, terminate this Agreement. If the transactions contemplated by this Agreement have not been substantially completed by July 31, 2014, this Agreement shall automatically terminate on that date unless a later date is agreed to by the Acquired Fund and the Acquiring Fund.

13. *Covenants, etc. Deemed Material.* All covenants, agreements, representations and warranties made under this Agreement and any certificates delivered pursuant to this Agreement shall be deemed to have been material and relied upon by each of the parties, notwithstanding any investigation made by them or on their behalf.

14. *Further Covenants.* Each of the Acquiring Fund and the Acquired Fund further agrees that unless such delivery is otherwise waived by the Acquiring Fund, the Acquired Fund agrees to deliver to the Acquiring Fund, within a reasonable period of time following the Exchange Date, a letter from the Trust's independent registered public accounting firm in form and substance reasonably satisfactory to the Acquiring Fund, relating to such matters and the performance of such procedures, if any, as may be agreed upon by the officers of the Acquired Fund, the Acquiring Fund and such independent registered public accounting firm.

15. *Sole Agreement; Amendments; Governing Law.* This Agreement supersedes all previous correspondence and oral communications between the parties regarding the subject matter hereof, constitutes the only understanding with respect to such subject matter, may not be changed except as provided by Section 16 hereto, and shall be construed in accordance with and governed by the laws of The Commonwealth of Massachusetts.

16. *Amendment.* This Agreement contains the entire agreement of the parties with respect to the transactions contemplated by the Agreement and may be amended by mutual consent of the parties in writing at any time; provided, however, that there shall not be any amendment that by law requires approval by the shareholders of a party without obtaining such approval.

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17. *Waiver.* At any time on or prior to the Exchange Date, the Acquired Fund or the Acquiring Fund, after consultation with counsel and by consent of its trustees or an officer authorized by such trustees, may waive any condition to its respective obligations hereunder.

18. *Assignment.* This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, but no assignment or transfer hereof or of any rights or obligations hereunder shall be made by either party without the written consent of the other party. Nothing herein expressed or implied is intended or shall be construed to confer upon or give any person other than the parties hereto and their respective successors and assigns any rights or remedies under or by reason of this Agreement.

19. *Notices.* Any notice, report, statement or demand required or permitted by any provisions of this Agreement shall be in writing and shall be given by facsimile, courier or certified mail addressed to the Acquired Fund or the Acquiring Fund, care of Allianz Global Investors Fund Management LLC, at 1633 Broadway, New York, NY 10019.

20. *Recourse.* All persons dealing with the Acquiring Fund or the Acquired Fund must look solely to the property of such Fund for the enforcement of any claims against such Fund, as neither the trustees, directors, officers, agents nor shareholders of the Funds assume any liability for obligations entered into on behalf of any of the Funds.

21. *Headings.* The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

22. *Counterparts.* This Agreement may be executed in any number of counterparts, each of which shall be deemed an original.

23. *Acquiring Fund Declaration of Trust.* A copy of the Acquiring Fund Declaration of Trust is on file with the Secretary of State of The Commonwealth of Massachusetts, and notice is hereby given that this instrument is executed on behalf of the trustees of the Acquiring Fund on behalf of the Acquiring Fund, as trustees and not individually and that the obligations of this instrument are not binding upon any of the trustees, officers or shareholders of the Acquiring Fund individually but are binding only upon the assets and property of the Acquiring Fund, as the case may be.

24. *Acquired Fund Declaration of Trust.* A copy of the Acquired Fund Declaration of Trust is on file with the Secretary of State of The Commonwealth of Massachusetts, and notice is hereby given that this instrument is executed on behalf of the trustees of the Acquired Fund on behalf of the Acquired Fund, as trustees and not individually and that the obligations of this instrument are not binding upon any of the trustees, officers or shareholders of the Acquired Fund individually but are binding only upon the assets and property of the Acquired Fund, as the case may be.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first above written.

AllianzGI Global Equity & Convertible  
Income Fund

By:  
Name:  
Title: President

AllianzGI Equity & Convertible Income Fund

By:  
Name:  
Title: President

Agreed and accepted as to Section 6 only:  
Allianz Global Investors Fund Management  
LLC

By:  
Name:  
Title:

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**Table of Contents***Appendix E to Joint Prospectus/Proxy Statement***FINANCIAL HIGHLIGHTS**

The financial highlights table is intended to help you understand NIE's recent financial performance. Certain financial highlights information reflects financial results for a single common share of NIE. The total returns represent the rate that an investor would have earned or lost on an investment in NIE, assuming reinvestment of all dividends and distributions. The information for the six months ended July 31, 2013 is unaudited. The information in the table below for the fiscal years ended January 31, 2013, 2012, 2011, 2010 and 2009 has been audited by PricewaterhouseCoopers LLP and the Report of the Independent Registered Public Accounting Firm thereon appears in NIE's Annual Report for the fiscal year ended January 31, 2013, which is available upon request.

**Financial Highlights**

AllianzGI Equity & Convertible Income Fund

For a share outstanding throughout each period:

	Six Months ended July 31, 2013 (unaudited)	2013	2012	Year ended January 31, 2011	2010	2009	For the Period February 27, 2007* through January 31, 2008
Net asset value, beginning of period	\$ 20.10	\$ 19.28	\$ 20.28	\$ 17.58	\$ 13.41	\$ 23.44	\$ 23.88**
<b>Investment Operations:</b>							
Net investment income	0.27	0.39	0.36	0.40	0.40	0.67	0.62
Net realized and change in unrealized gain (loss) on investments and call options written	1.47	1.55	(0.24)	3.42	4.89	(8.39)	0.68
Total from investment operations	1.74	1.94	0.12	3.82	5.29	(7.72)	1.30
<b>Dividends and Distributions to Shareholders from:</b>							
Net investment income	(0.28)	(0.28)	(0.46)	(0.41)	(0.99)	(0.65)	(0.70)

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Net realized gains	(0.28)	(0.84)	(0.66)	(0.71)		(1.66)	(0.99)
Return of capital						(0.13)	
Total dividends and distributions to shareholders	(0.56)	(1.12)	(1.12)	(1.12)	(1.12)	(2.31)	(1.69)
<b>Capital Share Transactions:</b>							
Offering costs charged to paid-in-capital in excess of par							(0.05)
Net asset value, end of period	\$ 21.28	\$ 20.10	\$ 19.28	\$ 20.28	\$ 17.58	\$ 13.41	\$ 23.44
Market price, end of period	\$ 18.82	\$ 17.91	\$ 17.22	\$ 19.30	\$ 15.83	\$ 13.10	\$ 22.02
<b>Total Investment Return (1)</b>	8.34%	10.92%	(4.85)%	30.16%	30.75%	(31.75)%	(5.66)%
<b>Ratios/Supplemental Data:</b>							
Net assets, end of period (000 s)	\$ 474,522	\$ 448,384	\$ 430,095	\$ 452,406	\$ 392,092	\$ 299,126	\$ 522,848
Ratio of expenses to average net assets	1.08%(2)	1.09%	1.08%	1.10%	1.10%	1.07%	1.08%(2)
Ratio of net investment income to average net assets	2.68%(2)	2.06%	1.87%	2.16%	2.54%	3.42%	2.73%(2)
Portfolio turnover rate	91%	122%	118%	168%	94%	86%	241%

\* Commencement of operations.

\*\* Initial public offering price of \$25.00 per share less underwriting discount of \$1.125 per share.

(1) Total investment return is calculated assuming a purchase of a share of common stock at the market price on the first day and a sale of a share of common stock at the market price on the last day of each period reported. Dividends and distributions, if any are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions or sales charges in connection with the purchase or sale of Fund shares. Total investment return for a period less than one year is not annualized.

(2) Annualized.



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The financial highlights table is intended to help you understand NGZ's recent financial performance. Certain financial highlights information reflects financial results for a single common share of NGZ. The total returns represent the rate that an investor would have earned or lost on an investment in NGZ, assuming reinvestment of all dividends and distributions. [The information in the table below for the fiscal years ended August 31, 2013, 2012, 2011, 2010 and 2009 has been audited by PricewaterhouseCoopers LLP and the Report of the Independent Registered Public Accounting Firm thereon appears in NGZ's Annual Report for the fiscal year ended [August 31, 2013], which is available upon request.]

**Financial Highlights**

AllianzGI Global Equity & Convertible Income Fund

For a share outstanding throughout each year:

		Year ended August 31,					For the Period September 28, 2007* through August 31, 2008
	2013	2012	2011	2010	2009		
Net asset value, beginning of year	\$ [ ]	\$ 15.53	\$ 14.54	\$ 14.71	\$ 18.84		23.88**
<b>Investment Operations:</b>							
Net investment income	[ ]	0.31	0.31	0.27	0.44		0.65
Net realized and change in unrealized gain (loss)	[ ]	0.22	1.88	0.76	(2.93)		(3.72)
Total from investment operations	[ ]	0.53	2.19	1.03	(2.49)		(3.07)
<b>Dividends and Distributions to Shareholders from:</b>							
Net investment income	[ ]	(0.43)	(0.27)	(0.33)	(0.55)		(0.60)
Net realized gains	[ ]	(0.53)	(0.93)	(0.69)	(0.55)		(1.32)
Return of capital	[ ]	(0.24)		(0.18)	(0.54)		
Total dividends and distributions to shareholders	[ ]	(1.20)	(1.20)	(1.20)	(1.64)		(1.92)

**Capital Share Transactions:**

Offering costs changed to paid-in-capital in excess of par	[ ]						(0.05)
Net asset value, end of year	\$ [ ]	\$ 14.86	\$ 15.53	\$ 14.54	\$ 14.71	\$	18.84
Market price, end of year	\$ [ ]	\$ 13.30	\$ 14.75	\$ 14.10	\$ 12.99	\$	18.10
<b>Total Investment Return (1)</b>	[ ]%	(1.62)%	12.59%	17.66%	(17.63)%		(20.67)%