AllianzGI Equity & Convertible Income Fund
Form 497
November 26, 2013
Table of Contents

Allianz Global Investors Fund Management LLC

1633 Broadway

New York, New York 10019

November 26, 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 may 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. AGI U.S. 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 common shares 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. AGIFM, AGI U.S. and their affiliates remain committed to shareholders in terms of fund performance, communications and service.

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 <u>both</u> proxy cards.**

Table of Contents

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

Table of Contents

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.

i

Table of Contents

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

November 26, 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.

Table of Contents

ALLIANZGI GLOBAL EQUITY & CONVERTIBLE INCOME FUND

ALLIANZGI EQUITY & CONVERTIBLE INCOME FUND

1633 Broadway

New York, New York 10019

(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 years ended January 31, 2013 for NIE and August 31, 2013 for NGZ are also available at us.allianzgi.com/closedendfunds.

JOINT PROSPECTUS/PROXY STATEMENT

November 26, 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 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 November 26, 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.

Table of Contents

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	22,304,189
NGZ	7,019,923

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
Proposal I(a): Approval of the Merger Agreement	ü	
Proposal I(b): Approval of the Merger Agreement and the issuance of Merger Shares		ü
Proposal II: Re-Election of NGZ Trustees		
Re-election of James A. Jacobson	ü	
Re-election of Bradford K. Gallagher	ü	

A Statement of Additional Information dated November 26, 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. 333-191818). The Merger SAI is available upon oral or written request and without charge from the Funds at the phone number and address provided above and on the Funds website at us.allianzgi.com/closedendfunds.

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 August 31, 2013 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-Adviser may be found under Additional Information Investment Manager and Sub-Adviser 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 (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

Table of Contents

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 the Merger Shares 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.

Table of Contents

TABLE OF CONTENTS

Table of Contents

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, and more information on, 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).

1

Table of Contents

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 may 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. AGI U.S. 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.

Table of Contents

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.

	NIE	NGZ
Investment Objective	NIE s investment objective is to seek total return comprised of capital appreciation, current income and gains.	The same as NIE.
Investment Strategies	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). NIE 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	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 Foreign (non-U.S.) Securities below.

Table of Contents

	NIE	NGZ
	extent of NIE s use of the Option Strategy will vary depending on 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.	
80% Policy	Under normal circumstances, NIE will invest at least 80% of its net assets (plus any borrowings for investment purposes) in	The same as NIE.

4

Table of Contents

	NIE	NGZ
	a combination of equity securities and income-producing convertible securities.	
Foreign (non-U.S.) Securities	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.
Equity Component	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.
Convertible Component	The Convertible Component will ordinarily consist principally of income-producing convertible	The same as NIE.

Table of Contents

	NIE	NGZ
	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.	
Credit Rating	AGI U.S. will normally attempt to maintain the portfolio of the Convertible Component with an average credit quality that is investment grade *i.e.*, 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 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	The same as NIE.

6

Table of Contents

	NIE	NGZ
	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. 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.	
Weighted Average Maturity	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.
Non-Convertible Fixed Income Securities	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	The same as NIE.

Table of Contents

	NIE	NGZ
	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.	
Illiquid Securities	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.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). 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.
Other Investment Companies	NIE may invest in securities of other investment companies, including exchange traded funds, and may invest in real estate investment trusts.	The same as NIE.
Diversification	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	The same as NIE.

Table of Contents

	NIE	NGZ
	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.	
Concentration	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.
Leverage	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.

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. Based on NGZ s assets as of August 31, 2013, AGIFM and AGI U.S. expect that such repositioning of NGZ s portfolio will involve the sale of approximately 30% of NGZ s assets and will result in NGZ realizing a capital loss of approximately $30 million. AGIFM and AGI U.S. estimate that the commissions and related transaction costs associated with the repositioning will be approximately $82,000, all of which will be borne by NGZ. 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**	**NIE *Pro Forma* Combined Fund(1)**
Shareholder Transaction Expenses			
Sales Load (as a percentage of offering price)(2)	None	None	None
Dividend Reinvestment Plan Fees(3)	None	None	None

Table of Contents

	NGZ	NIE	NIE *Pro Forma* Combined Fund(1)
Annual Expenses (as a percentage of net assets attributable to common shares)			
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) 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.

Example

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 $10,000 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
NIE *Pro Forma* Combined Fund	$ 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 distributions during fiscal years 2009, 2010, 2012 and 2013, 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 those 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. There can be no assurance that the Combined Fund s distributions will not include RoC following 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

Table of Contents

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 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

	Common share market price(1)		Common share net asset value		Premium (discount) as a % of net asset value	
Quarter	**High**	**Low**	**High**	**Low**	**High**	**Low**
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

	Common share market price(1)		Common share net asset value		Premium (discount) as a % of net asset value	
Quarter	**High**	**Low**	**High**	**Low**	**High**	**Low**
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	$ 19.26	$ 18.03	$ 22.16	$ 20.84	-11.97%	-13.85%

(1)

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

Table of Contents

NIE s net asset value per common share at the close of business on November 12, 2013 was $22.19 and the last reported sale price of a common share of NIE on the NYSE on that day was $19.27, representing a (13.16)% discount to such net asset value. NGZ s net asset value per common share at the close of business on November 12, 2013 was $16.86 and the last reported sale price of a common share of NGZ on the NYSE on that day was $16.72, representing a (0.83)% discount 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, the Combined Fund. 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 asset. 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 and prior to the Merger taking place. 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

Table of Contents

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 Merger 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.

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.

Table of Contents

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 timely 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 (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 (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 (based on expenses 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 following the Merger.

Table of Contents

Except as noted below, 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 expenses incurred by or on behalf of the Funds in connection with the Merger (estimated to be approximately $200,000) 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 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. It is estimated that the total costs of the Merger (excluding costs associated with repositioning NGZ s portfolio discussed above, but including legal fees and expenses) will be $317,000. Of these costs and expenses, approximately $128,000 are expected to be borne by NIE, $89,000 are expected to be borne by NGZ, and $100,000 are expected to be borne by AGIFM.

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 distributions during fiscal years 2009, 2010, 2012 and 2013, 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. There can be no assurance that the Combined Fund s distributions will not include RoC following 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.

Table of Contents

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.

Both NGZ and NIE are subject to the following principal 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

Table of Contents

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 the Merger.

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 then 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.

Table of Contents

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 Funds may also purchase synthetic convertible securities created by other parties, typically investment banks, including convertible structured notes. 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 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.

Table of Contents

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

Table of Contents

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.

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

Table of Contents

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.

Table of Contents

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 Options Clearing Corporation (the OCC) may not at all times be adequate to handle current trading 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

Table of Contents

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

Table of Contents

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.

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

Table of Contents

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.

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.

Table of Contents

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

Table of Contents

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.

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.

Table of Contents

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

Table of Contents

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.

Initial Public Offerings (IPOs) Risk. Each Fund may purchase securities in 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.

Table of Contents

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

Table of Contents

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.

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

Table of Contents

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

34

commodity interests and limits on the manner in which such 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.

Table of Contents

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 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

Table of Contents

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.

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.

Table of Contents

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.

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.

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

Table of Contents

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 may 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. AGI U.S. 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.

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 (as defined below).

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 associated with a larger portfolio, greater diversification of portfolio investments, the ability to trade in larger positions and more favorable transaction terms. Each Board also considered the 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, as well as the benefits from having fewer similar funds in the same Fund Complex, including a reduction in risk of operational, legal and financial errors.

Effects 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 anticipated 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

Fund	**Net Assets**	**Capital Loss Carry-forwards**	**Fiscal YTD Net Realized Capital Gains (Losses)**	**Net Unrealized Gain (Loss)**
NGZ	$ 111,285,182	$ (23,945,794)*	None	$ (15,866,613)*
NIE	$ 466,005,902	None	$ 22,608,475	$ (81,002,304)
NIE *Pro Forma* Combined Fund	$ 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 an 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.

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. Except as noted below, 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 expenses incurred by or on behalf of the Funds in connection with the Merger (estimated to be approximately $200,000) 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 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. It is estimated that the total costs of the Merger (excluding costs associated with repositioning NGZ s portfolio discussed above, but including legal fees and expenses) will be $317,000. Of these costs and expenses, approximately $128,000 are expected to be borne by NIE, $89,000 are expected to be borne by NGZ, and $100,000 are expected to be borne by AGIFM.

Table of Contents

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.

Table of Contents

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.

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.

Table of Contents

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 November 12, 2013, NIE had 22,304,189 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.

Table of Contents

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 be 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 unless and until the Boards determine to take or propose further action.

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

Table of Contents

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 for re-election 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:

Trustee/Trustee Nominee	**Class**	**Expiration of Term if Elected**
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).

Trustees and Officers

Board Leadership Structure The composition of the Boards of Trustees of both Funds is identical. Currently and, assuming the nominees are elected as proposed, the Board of Trustees of each Fund consists and will continue to consist 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.

Table of Contents

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

Table of Contents

(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.

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	**Position(s) Held with the Funds**	**Term of Office and Length of Time Served**	**Principal Occupation(s) During the Past 5 Years**	**Number of Portfolios in Fund Complex Overseen by Trustee/ Nominee**	**Other Directorships Held by Trustee/ Nominee During the Past 5 Years**
Independent Trustees/Nominees					
Bradford K. Gallagher 1944 Class III	Trustee, Nominee	Since 2011	Retired. 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	64	Formerly, Chairman and Trustee of Grail Advisors ETF Trust (2009-2010) and Trustee of Nicholas-Applegate Institutional Funds (2007-2010)

Investment Management
Company (since 1995).
Formerly, Partner, New
Technology Ventures
Capital Management LLC,
a venture capital fund
(2011-2013). Trustee of the
funds in the
Allianz/PIMCO Fund
Complex since 2010.

51

Table of Contents

Name, Address*, Year of Birth and Class	Position(s) Held with the Funds	Term of Office and Length of Time Served	Principal Occupation(s) During the Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee/ Nominee	Other Directorships Held by Trustee/ Nominee During the Past 5 Years
James A. Jacobson 1945 Class III	Trustee, Nominee	Since 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.	64	Trustee, Alpine Mutual Funds Complex consisting of 17 funds
Hans W. Kertess 1939 Class I	Chairman of the Board Trustee	Since 2007	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.	64	None
William B. Ogden, IV 1945 Class I	Trustee	Since 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.	64	None
Alan Rappaport 1953 Class I	Trustee	Since 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	64	None

			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.		
Deborah A. DeCotis 1952 Class II	Trustee	Since 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 Investment and Finance Committees, Henry Street Settlement (since 2007); Trustee, Stanford University (since 2010). Formerly,	64	None

52

Table of Contents

Name, Address*, Year of Birth and Class	Position(s) Held with the Funds	Term of Office and Length of Time Served	Principal Occupation(s) During the Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee/ Nominee	Other Directorships Held by Trustee/ Nominee During the Past 5 Years
			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					
John C. Maney** 680 Newport Center Drive Suite 250 Newport Beach, CA 92660 1959 Class II	Trustee	Since 2007	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.	84	None

* 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	Dollar Range of Equity Securities in the Fund*	Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Trustee/Nominee in the Family of Investment Companies*
Independent Trustees/Nominees		
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
Interested Trustee/Nominee		
John C. Maney	None	Over $100,000

* Securities are valued as of November 12, 2013.

Table of Contents

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, 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 Allianz Closed-End 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.

Table of Contents

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

Name of Trustee/Nominees	Aggregate Compensation from NGZ for the Fiscal Year Ended August 31, 2013	Total Compensation from the Funds and Fund Complex Paid to Trustees /Nominees for the Calendar Year Ended December 31, 2012*
Independent Trustees/Nominees		
Bradford K. Gallagher	$ 959	$ 250,000
James A. Jacobson	$ 1,150	$ 300,000
Hans W. Kertess	$ 1,246	$ 325,000
William B. Ogden, IV	$ 959	$ 250,000
Alan Rappaport	$ 959	$ 250,000
Deborah A. DeCotis	$ 959	$ 250,000
Interested Trustee/Nominee		
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 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.

Table of Contents

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 by the Board 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

Table of Contents

positions with investment advisory firms affiliated with the Manager. Because of his familiarity with the Manager and affiliated entities, he serves as an important information resource for the Independent Trustees and as a facilitator of communication with the 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.

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 October 22, 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.

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, for details.

Table of Contents

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 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.

Table of Contents

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 NGZ Annual 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.

Table of Contents

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.

Table of Contents

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	NIE *Pro Forma* Combined Fund*
Net Assets	$ 113,427,488	$ 474,521,763	$ 587,732,251
Common Shares Outstanding	7,019,923	22,304,189	27,634,428
Net Asset Value per common share	$ 16.16	$ 21.28	$ 21.27