

Allianz Global Investors Capital LLC

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Form ADV Part 2A Brochure July 25, 2012

This brochure provides information about the qualifications and business practices of Allianz Global Investors Capital LLC ("AGI Capital"). If you have any questions about the contents of this brochure, please contact us at (800) 656-6226 and/or info@allianzgic.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority. Additional information about AGI Capital is also available via the SEC's website www.adviserinfo.sec.gov. AGI Capital is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

ITEM 2. SUMMARY OF MATERIAL CHANGES

On July 28, 2010, the SEC published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated July 25, 2012 is a revised document prepared according to the SEC’s requirements and rules.

There have been no material changes from the last annual update of our brochure dated March 30, 2012.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may provide other ongoing disclosure information about material changes as necessary.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

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ITEM 4. ADVISORY BUSINESS

Allianz Global Investors Capital LLC, a Delaware limited liability company (“AGI Capital”), is an investment adviser with offices in San Diego, California and New York, New York. AGI Capital is a wholly-owned subsidiary of Allianz Asset Management of America L.P., the owner of a number of asset managers in the U.S., which in turn is indirectly owned by Allianz SE, a diversified global financial institution. AGI Capital was formed in contemplation of the transfer of the respective investment advisory businesses of two of its wholly owned subsidiaries, Nicholas-Applegate Capital Management LLC and Oppenheimer Capital LLC into AGI Capital. AGI Capital commenced discretionary investment management services on May 1, 2010. Oppenheimer Capital LLC and Nicholas-Applegate Capital Management LLC have since withdrawn their registrations as investment advisers. Clients of Oppenheimer Capital LLC and clients of Nicholas-Applegate Capital Management LLC have become clients of AGI Capital.

AGI Capital manages client portfolios using both traditional and systematic processes across a variety of investment strategies, including domestic equity, global equity, international equity, income and growth, high yield bond, futures and options, convertibles and other securities and derivative instruments. AGI Capital provides discretionary investment management services for individual and institutional investors, including corporate and government retirement plans, foundations and endowments. In addition, AGI Capital provides discretionary investment advisory services to a variety of commingled funds (including SEC registered open-end investment companies (“Mutual Funds”), SEC registered closed-end investment companies (“Closed-End Funds”), other commingled funds which are not registered with the SEC (“Non-Registered Commingled Funds”), and non-U.S. funds such as SICAVs or others that are marketed in multiple jurisdictions under the UCITS directive, which may be sponsored or established by AGI Capital, its affiliates or by unaffiliated third parties. For the Allianz Global Investors Capital Total Return Trust and the NFJ International Value Trust, AGI Capital delegates discretionary management authority to Pacific Investment Management Company LLC (“PIMCO”) and NFJ Investment Group LLC (“NFJ”), respectively, both affiliated registered investment advisers. AGI Capital also provides investment models on a non-discretionary basis to affiliated and unaffiliated third parties.

In addition to the advisory-related services noted above, AGI Capital also provides administration and legal/compliance oversight services, back office operations, trading support, as well as global client service, marketing and sales support to NFJ and legal/compliance and back office operations to Allianz Global Investors Solutions LLC, each an affiliated registered investment adviser.

AGI Capital may from time to time determine to tailor its advisory services to the individual needs of its clients. Clients may submit reasonable guidelines or restrictions on investments in certain securities or security types to be adhered to by AGI Capital. While AGI Capital seeks to provide individualized investment advice to its clients, it may not be able to accommodate investment guidelines or restrictions that are unduly burdensome, and may decline to accept or terminate client accounts with such guidelines or restrictions. When selecting securities and determining amounts, AGI Capital observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to AGI Capital in writing.

AGI Capital provides non-discretionary sub-advisory services to an affiliated adviser who participates in managed account/wrap fee programs which are sponsored by unaffiliated broker-dealers by providing investment models to such affiliate. AGI Capital may also provide investment models on a non-discretionary basis directly to unaffiliated third parties who may manage

accounts, participate in, or sponsor, managed account/wrap fee programs. For these services, AGI Capital may receive a portion of the wrap fee paid by clients of such programs.

As of December 31, 2011, AGI Capital managed \$12,558,898,336 (USD) in client assets, including \$12,434,351,068 on a discretionary basis and \$124,547,268 on a non-discretionary basis.

ITEM 5. FEES AND COMPENSATION

AGI Capital provides investment advisory services for the assets placed under its management. AGI Capital furnishes investment advice on either a (1) discretionary basis where the client authorizes AGI Capital to make investment decisions for the account, or (2) non-discretionary basis where AGI Capital (i) provides investment models to clients or (ii) makes investment recommendations to the client but the client makes all investment decisions for the account.

Clients receiving investment advice from AGI Capital do so pursuant to a written investment advisory agreement (the "Agreement"). In general, AGI Capital bases its fees on its standard fee schedule that is in effect at the time the Agreement is entered into. Advisory fees (whether for separate accounts or commingled accounts) may also be negotiated with clients and therefore may vary from the standard fee schedule. Generally, either party upon 30 days written notice may terminate the Agreement. Upon termination, clients pay the pro-rata portion of fees through the termination date. In the event a client has paid fees in advance for the quarter and terminates prior to the end of such quarter, AGI Capital will refund the client the portion of fees paid from the date of termination to the end of such quarter.

AGI Capital generally calculates its fixed advisory fees as a percentage of assets under management. AGI Capital may also enter into a performance fee arrangement with a client pursuant to individualized negotiations with such client. AGI Capital will structure performance fee arrangements in accordance with applicable laws, including Rule 205-3 under the Investment Advisers Act of 1940, as amended ("Advisers Act"). For comparable services, other investment advisers may charge higher or lower fees than those charged by AGI Capital.

AGI Capital generally charges advisory fees quarterly in arrears based on the average ending market value at the last business day of each month in the calendar quarter. AGI Capital may also charge advisory fees quarterly in advance based on the market value at the beginning of the quarter, or more or less frequently than quarterly. For fixed fee arrangements, AGI Capital will charge advisory fees in an account that is opened on a date other than the first date of a calendar quarter on a pro-rata basis from the date of inception of the account to the last day of the quarter. Unless otherwise agreed to with a client, AGI Capital will adjust account values for purposes of calculating fees for each contribution and withdrawal of \$100,000 or more during a billing period only if the net total of all such contributions and withdrawals exceed 5% of the account's value at the end of the billing period. Clients are typically billed for fees incurred.

AGI Capital has preferred minimum account sizes, based on the character of the account. Preferred minimum account sizes for separate accounts vary, and are listed, by strategy, herein. In its sole discretion, AGI Capital may accept accounts with fewer assets than the indicated preferred minimum. In such cases, the fees charged for investment advisory services may be proportionately greater than those fees indicated herein.

Separate Accounts

The investment advisory agreement will specify AGI Capital's advisory fees for separate accounts. In certain circumstances, AGI Capital will negotiate variances in the fees and account minimums. Unless otherwise agreed to with a client, subsequent modifications to the standard fee schedule will not apply to existing clients, and therefore a client's fee schedule may be different from the standard fee schedule for new separate accounts, which are as follows as of the date of this brochure:

Unless otherwise indicated, fees and account minimums are shown in U.S. Dollars.

Emerging Markets Systematic

1.000% on the first \$25 Million
0.800% on the next \$25 Million
0.750% thereafter
Minimum Separate Account: \$25 Million

Global Select

0.850% on first \$25 Million
0.750% on next \$25 Million
0.600% on next \$50 Million
0.450% thereafter
Minimum Separate Account: \$25 Million

Global Small Cap

0.950% on the first \$50 Million
0.750% on the next \$50 Million
0.650% thereafter
Minimum Separate Account: \$25 Million

International Growth

0.850% on first \$10 Million
0.800% on next \$15 Million
0.750% on next \$25 Million
0.600% on next \$50 Million
0.450% thereafter
Minimum Separate Account: \$25 Million

International Small Cap Growth

1.000% on first \$50 Million
0.850% on next \$50 Million
0.700% thereafter
Minimum Separate Account: \$25 Million

International Systematic

0.750% on first \$50 Million
0.600% on next \$50 Million
0.450% thereafter
Minimum Separate Account: \$20 Million

Pacific Rim

1.000% of Asset Value
Minimum Separate Account: \$25 Million

Convertibles

0.750% on first \$50 Million
0.625% on next \$50 Million
0.500% thereafter
Minimum Separate Account: \$50 Million

US Emerging Growth

1.000% on the first \$25 Million
0.900% on the next \$25 Million
0.800% thereafter
Minimum Separate Account: \$15 Million

High Yield Bond

0.550% on first \$50 Million
0.400% on next \$50 Million
Negotiable thereafter
Minimum Separate Account: \$50 Million

US Micro Cap

1.250% of Asset Value
Minimum Separate Account: \$10 Million

US Ultra Micro Cap

1.750% of Asset Value below \$25 Million
1.500% on \$25 Million and above
Minimum Separate Account: \$10 Million

US Small-Mid Cap Growth

0.850% on first \$20 Million
0.700% thereafter
Minimum Separate Account: \$20 Million

US Systematic Large Cap Growth

0.750% on first \$10 Million
0.625% on next \$40 Million
0.500% on next \$50 Million
Negotiable thereafter
Minimum Separate Account: \$10 Million

US Systematic Mid Cap Growth/US Systematic Mid Cap

0.750% on first \$25 Million

Allianz Global Investors Capital LLC

0.625% on next \$75 Million
0.500% thereafter
Minimum Separate Account: \$20 Million, \$10 Million

US Systematic Small Cap Growth/US Systematic Small Cap

0.850% on first \$25 Million
0.800% on next \$15 Million
0.750% on next \$25 Million
0.700% thereafter
Minimum Separate Account: \$10 Million

Global Managed Volatility

0.450% on first \$20 Million
0.350% on next \$80 Million
0.250% thereafter
Minimum Separate Account: \$10 Million

International Managed Volatility

0.500% on first \$20 Million
0.400% on next \$80 Million
0.300% thereafter
Minimum Separate Account: \$10 Million

US Large Cap Managed Volatility

0.400% on first \$20 Million
0.300% on next \$80 Million
0.200% thereafter
Minimum Separate Account: \$10 Million

Large Cap Growth / Strategic Equity

0.750% on first \$15 million
0.500% on next \$20 million
0.375% thereafter
Minimum Account Size: \$10 million

All Cap Equity / SMID Growth Focus / Mid Cap Growth / Small Cap Growth

0.850% on first \$25 million
0.700% on next \$25 million
0.600% on next \$50 million
0.500% thereafter
Minimum Account Size: \$10 million

CLO

0.550% on first \$50 Million
0.400% on next \$50 Million
Negotiable thereafter
Minimum Separate Account: \$50 Million

Structured Products

Structured Alpha – Absolute Yield

30% of quarterly performance over 90-Day T-Bill
Minimum Separate Account Size: \$50 Million

Structured Alpha – Absolute Yield 10

30% of quarterly performance over 90-Day T-Bill
Minimum Separate Account Size: \$50 Million

Structured Alpha – US Large Cap Core

30% of quarterly performance over S&P 500 Index
Minimum Separate Account Size: \$50 Million

Structured Alpha – 10-Year Treasury

30% of quarterly performance over Barclays Capital Aggregate Index
Minimum Separate Account Size: \$50 Million

Structured Alpha – AY10 Plus

30% of quarterly performance over 90-Day T-Bill
Minimum Separate Account Size: \$50 Million

Enhanced Index – US Large Cap Core

30% of quarterly performance over S&P 500 Index
Minimum Separate Account Size: \$50 Million

Hedged Equity

0.500% of Asset Value
Minimum Separate Account Size: \$50 Million

Enhanced Equity

0.350% of Asset Value
Minimum Separate Account Size: \$50 Million

Long Volatility

1.000% of Asset Value
20% of quarterly performance over 0%
Minimum Separate Account Size: \$5 Million

Commingled Funds

Mutual Funds and Closed-End Funds

In addition to the separate account services described above, AGI Capital provides advisory or subadvisory services to certain Mutual Funds and Closed-End Funds managed by AGI Capital, its affiliates or unaffiliated advisers. Information concerning these funds, including a description of

the services provided, advisory fees, and other fund expenses is generally contained in each fund's prospectus and statement of additional information.

Non-Registered Commingled Funds

AGI Capital may also provide advisory or subadvisory services to Non-Registered Commingled Funds. These funds may be established by AGI Capital, its affiliates, or third parties, and AGI Capital, its affiliates and/or their personnel may have an ownership or management interest. A minimum account size may be applicable for participation in a commingled fund. Additional information concerning these funds, including advisory fees, is typically included in the relevant fund's offering documents.

Advisory fees for Non-Registered Commingled Funds are typically assessed by the funds' administrator, although in certain cases, investors in these funds may pay advisory fees directly to AGI Capital. AGI Capital's advisory fees for investments in such commingled funds are typically set forth in the client's subscription agreement. AGI Capital's current standard fee schedule for new investments in commingled funds is as follows:

International Value

0.850% on first \$25 Million
0.750% on next \$25 Million
0.600% on next \$50 Million
0.450% thereafter
Minimum Account Size: \$1 Million

Total Return

0.250% of Asset Value
Minimum Account Size: \$1 Million

On behalf of its separate account clients and fund clients, AGI Capital may invest in Closed-End Funds, Mutual Funds, exchange-traded funds ("ETFs"), Commingled Funds and other pooled investment vehicles (collectively, "Funds"). When AGI Capital invests client assets in Funds, unless otherwise agreed and where permitted by applicable law, the client will bear its proportionate share of fees and expenses as an investor in the Fund in addition to AGI Capital's investment advisory fees. The Fund's prospectus or other disclosure document contains a description of its fees and expenses.

In addition, AGI Capital may invest client assets or recommend that clients invest in shares or other interests in certain Funds to which AGI Capital or its related persons provide investment advice or other services, and from which AGI Capital and its affiliates receive advisory, administrative and/or distribution fees. To the extent that fees and expenses incurred by any Fund purchased for the client's account are in addition to certain of the expenses covered by the managed account/wrap account fee, AGI Capital and its affiliates may receive additional economic benefit when a client account is invested in such Fund, and a conflict of interest may exist. To the extent that AGI Capital invests client assets in an affiliated Fund, AGI Capital may waive investment advisory fees on the assets invested in such Fund, credit the account for the fees paid by the Fund to AGI Capital's related persons, avoid or limit the payment of duplicative fees to AGI Capital and its related persons through other means, or charge fees both at the investment company level and separate account level.

Investors in Funds advised or subadvised by AGI Capital will not be advisory clients of AGI Capital (with respect to their investment in such Fund(s)), and AGI Capital will not provide investment advice or recommendations with respect to the merits and suitability of the particular investment and investment decision for the particular investor. Investors in such Funds are encouraged to consult their own financial, tax and legal advisors regarding such decisions.

AGI Capital's clients generally will incur brokerage and other transaction costs. In managed account and wrap fee programs that permit AGI Capital to trade away from the wrap sponsor or its broker-dealer affiliate when such sponsor or its affiliate cannot provide best price or execution under the circumstances, AGI Capital may trade away from such parties. In such cases, clients may incur transaction and other costs and fees in addition to the program fee. Program clients should review all materials available from a third party sponsor concerning the program, sponsor and the program's terms, conditions and fees. Additional information about AGI Capital's brokerage practices and brokerage costs can be found under Item 12.

Investment Model Delivery to Third Parties

AGI Capital may also provide investment models (a "Model Portfolio") to third parties (each a "Model Receiver"). In this case, AGI Capital would typically enter into an investment model delivery agreement with the Model Receiver. Generally, the Model Receiver will pay a portion of the fee it receives from its respective clients to AGI Capital. Fees may be payable in arrears or in advance, typically on a quarterly basis.

Discretionary and non-discretionary clients of AGI Capital may hold the same or similar securities. There may be differences in the timing of the transmission by AGI Capital of non-discretionary Model Portfolio changes to a Model Receiver and the execution of transactions by AGI Capital on behalf of its discretionary clients. For example, AGI Capital may deliver Model Portfolio changes to a Model Receiver on either a pre-determined schedule, or upon completion of some or all transactions on behalf of its discretionary clients. As a result, trades may be executed with respect to securities for AGI Capital's discretionary clients in advance of the transmission of non-discretionary Model Portfolio Changes in those same securities to the Model Receiver.

Compensation from the Sale of Securities

AGI Capital's supervised persons and related sales personnel typically market AGI Capital's investment capabilities to various prospects and intermediaries. AGI Capital's investment capabilities may be available directly through provision of investment advisory services (through separate accounts), or indirectly by investment in Funds advised or subadvised by AGI Capital.

Certain of AGI Capital's supervised persons and related sales personnel also may be associated with one or more of AGI Capital's affiliated broker-dealers, and in that capacity may engage in marketing or selling activities with respect to shares or interests in Funds advised or subadvised by AGI Capital. See Item 10 for more information. AGI Capital supervised persons and related sales personnel may be internally compensated for successful marketing or selling activities with respect to shares or interests in Funds advised or subadvised by AGI Capital or its affiliates.

ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Performance-Based Fees

AGI Capital may also enter into a performance fee arrangement with a client pursuant to individualized negotiations with such client. AGI Capital will structure performance fee arrangements in accordance with applicable law, including Rule 205-3 and 205-1 under the Advisers Act. Performance-based fee arrangements may create an incentive for an Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

Side-by-Side Management

AGI Capital may manage accounts with fixed management fees (“fixed fee accounts”) along side other clients, including hedge funds, with performance-based fees (“performance fee accounts”). There are potential conflicts of interest that arise due to the side-by-side management of fixed fee accounts with performance fee accounts as there may be an incentive to favor the performance fee accounts over the fixed fee accounts in the allocation of investment opportunities. AGI Capital has designed and implemented side by side policies and procedures to ensure that all clients are treated fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

ITEM 7. TYPES OF CLIENTS

AGI Capital will generally provide portfolio management services to high net worth individuals, corporations, corporate and public pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, registered mutual funds, private investment funds, trust programs, sovereign funds, non-U.S.-funds, affiliated or non-affiliated registered investment advisers, insurance companies, foreign, state and local governments, supranational organizations, religious organizations, variable annuity plans, variable insurance trusts, and other U.S. and international institutions.

AGI Capital may impose minimum account requirements subject to individual client negotiations. For more information about minimum account requirements, please see Item 5 above.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

The following are broad descriptions of the methods of analysis for AGI Capital’s investment strategies. It should be noted that investing in securities involves risk of loss that clients should be prepared to bear.

Fundamental-Based Strategies

For its fundamental-based strategies, AGI Capital’s method of analysis is generally research oriented utilizing the following resources: (1) experience of AGI Capital’s portfolio managers; (2) AGI Capital’s research analysts who conduct research on companies; and (3) various third party sources of issuer research, including informational databases. AGI Capital employs a stock selection approach which may include but is not limited to (1) analysis of research material; (2) direct contact with company management; (3) qualitative assessment of management ability and business quality versus competitors or peers in the industry; and (4) fundamental analysis. In some

instances quantitative methods may be utilized in the fundamental-based strategies. Quantitative methods may include proprietary modeling for options overlay strategies.

Systematic Strategies

For its Systematic strategies, AGI Capital applies a quantitative stock-selection approach to identify companies undergoing positive change with sustainable growth characteristics and timely market recognition. The team's philosophy is predicated on behavioral finance, and its proprietary investment models optimize the tradeoff between reward and risk. Individual stock alphas are estimated through the team's multi-factor models and constructed in a risk-aware framework. The team is engaged in ongoing research to continually enhance its quantitative investment process. The integrated relationship between research and portfolio management combines the latest research from the academic and investment management communities with real world asset management experience in an effort to maximize long-term capital appreciation.

Structured Products Strategies

For its Structured Products strategies, AGI Capital analyzes the statistical behavior of one or more indices to develop proprietary expected probabilities of the magnitude of future index movements. From this analysis, AGI Capital constructs option spreads using puts and calls on the indices in order to optimize the strike and time-to expiration of each option position, as well as the probability-adjusted size of the profit zones.

The following describes the methods of analysis for each strategy:

Investment Process – US Small Cap Growth Strategies

(US Micro Cap, US Ultra Micro Cap, US Emerging Growth, and US Small-Mid Cap Growth)

The US Small Cap Growth team based in San Diego believes that investing in companies undergoing positive fundamental change, with sustainable growth characteristics and timely market recognition will result in outstanding investment performance. AGI Capital's traditional US Small Cap Growth equity strategies implement a bottom-up approach to security selection and research.

Investment Process – Growth Equity Strategies

(Large Cap Growth, Mid Cap Growth, Small Cap Growth, SMID Growth Focus, and SMID Growth Select)*

The Growth Equity team based in New York focuses on strategic fundamental investing, seeking insights that are differentiated from consensus estimates about a stock's earnings potential. The investment team's approach is characterized by a broad diversification of investment ideas that are researched by a deep, experienced team. They attempt to exploit short-term inefficiencies in the market by employing a bottom-up, long term investment approach. In addition, active risk management is a key factor in their portfolio construction process. *The SMID Growth Select strategy is currently offered only as an investment model portfolio to managed account/wrap-fee programs sponsored by third-parties.

Investment Process – Global and International Strategies

(International Growth, International Small Cap Growth, Global Select, and Pacific Rim)

The Global and International investment teams based in San Diego believe that investing in companies undergoing positive change with sustainable growth characteristics and timely market recognition will result in outperformance.

The teams implement a bottom-up approach to security selection and research. Using this specialized global approach to research, the investment teams proactively capture and decisively capitalize on the subtle effects of sector and/or regional nuances.

Investment Process – Systematic Strategies

(US Systematic Large Cap Growth, US Systematic Mid Cap Growth, US Systematic Mid Cap, US Systematic Small Cap Growth, US Systematic Small Cap, Systematic Global Small Cap, Emerging Markets Systematic, International Systematic).

The Systematic investment team believes that investing in companies undergoing positive change with sustainable growth characteristics and timely market recognition will result in outstanding investment performance.

AGI Capital's Systematic strategies seek to capitalize on change by quantitatively identifying the best investment opportunities in their investment universe. The firm's systematic investment approach combines a bottom-up stock-selection process with predictable risk characteristics to deliver consistent performance relative to the benchmark over time.

Investment Process – Managed Volatility Strategies

(Global Managed Volatility, US Large Cap Managed Volatility and International Managed Volatility)

The Systematic investment team believes that over time, investors are inadequately rewarding for taking on higher levels of risk.

The Managed Volatility strategies use a disciplined process designed to capture market anomalies in an effort to construct a more efficient portfolio with favorable risk and return tradeoffs. By building a diversified portfolio with a proprietary investment process and emphasizing low risk stocks with low correlations to one another, the strategies seek lower levels of volatility than their benchmarks with the potential for attractive risk-adjusted performance.

Investment Process – Income & Growth Strategies

Convertibles

The Income and Growth team based in San Diego believes that investing in the convertible securities of successful, growing companies that manage change advantageously and are poised to exceed expectations will result in outperformance as well as diversification from other asset classes.

The Income and Growth team invests in convertible securities that it expects will exhibit an asymmetrical risk/return profile, i.e., participate in approximately 60-80% of the upside performance and 40-50% of the downside performance of the underlying equity.

High Yield Bond

The Income and Growth team believes that investing in the high yield bonds of successful, growing, creditworthy companies - ones that manage change advantageously and are poised to exceed expectations - will result in superior total returns that are diversified from other asset class returns. In implementing its investment philosophy, the investment team constructs portfolios that minimize the primary risk associated with high yield bonds – credit risk.

The management team follows a fundamental, bottom-up research process which facilitates the early identification of high yield issuers demonstrating an ability to improve their fundamental characteristics. The High Yield Bond strategy excludes asset classes such as convertibles, non-dollar bonds, derivatives and investment grade bonds.

Option Overlay

The Income and Growth team may also employ a strategy of writing (selling) call options on the stocks held in equity portfolios of closed-end and open-end funds advised by AGI Capital (the “Option Overlay Strategy”). The extent of the use of the Option Overlay Strategy may vary from time to time, depending on market conditions and other factors.

Bank Loans

The CLO strategy, managed by the Income and Growth team, is comprised of investments in bank loans, which in general are senior secured loans extended to companies with credit ratings below investment grade.

The Income and Growth team follows a fundamental bottom-up research process, which facilitates the early identification of issuers demonstrating their ability to improve their fundamental characteristics. The issues selected for the portfolio exceed minimum credit statistics and exhibit the highest visibility of future expected operating performance.

Investment Process – Structured Products Strategies

Various equity index option strategies designed to provide return enhancement, tail-risk protection, risk reduction and/or volatility smoothing. Based on analysis of historical movements of broad-based US equity indices, as well as rigorous scenario testing, the investment team utilizes combinations of index put and/or call options in pursuit of targeted investment objectives.

Risk Disclosure

Concentration Risk

Focusing investments in a small number of issuers, industries, foreign currencies or regions increases risk because changes in the value of a single security or the impact of a single economic, political or regulatory occurrence may have a greater adverse impact on a client’s account. In addition, certain accounts may be subject to increased risk to the extent they focus their investments in securities denominated in a particular foreign currency or in a narrowly defined geographic area outside the United States. Similarly, investments which are focused on a certain type of issuer can be particularly vulnerable to events affecting such type of issuer. Also, certain accounts may have greater risk to the extent they invest a substantial portion of their assets in a group of related industries (or “sectors”). The industries comprising any particular sector and investments in a particular foreign currency or in a narrowly defined geographic area outside the United States may share common characteristics, are often subject to similar business risks and regulatory burdens, and react similarly to economic, market, political or other developments. Furthermore, certain issuers, industries and regions may be adversely affected by the impacts of climate change on the demand for and the development of goods and services and related production costs, and the impacts of legislation, regulation and international accords related to climate change, as well as any indirect consequences of regulation or business trends driven by climate change.

Convertible Securities Risk

Convertible securities are fixed income securities, preferred stocks or other securities that normally pay interest or dividends and are convertible into or exercisable for common stock of the issuer (or cash or securities of equivalent value) at either a stated price or a stated rate (the “conversion price”). To the extent the market price of the underlying stock approaches or is greater than the conversion price, the convertible security’s market value tends to correlate with the market price of the underlying stock and will be subject to the risks affecting equity securities in general. To the extent the market price of the underlying stock declines below the conversion price, the value of the convertible security tends to be influenced by the yield of the convertible security. Convertible securities generally offer lower interest or dividend yields than non-convertible fixed income or other securities of similar quality. An account may be forced to convert a security before it would otherwise choose, which may decrease the account’s return.

Credit Risk

An account could lose money if the issuer or guarantor of a fixed income security (including a security purchased with securities lending cash collateral) is unable or unwilling, or is perceived (whether by market participants, ratings agencies, pricing services or otherwise) as unable or unwilling, to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in their credit ratings. A client may also subject to the risk that a counterparty to a derivatives contract, repurchase agreement, a loan of portfolio securities or an unsettled transaction may be unable or unwilling to honor its obligations to an account or fund.

Currency Risk

Accounts that invest directly in foreign (non-U.S.) currencies, or in securities that trade in, or receive revenues in, foreign currencies, or in derivatives that provide exposure to 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, that the U.S. dollar will decline in value relative to the currency being hedged. Currency rates may fluctuate significantly over short periods of time for a number of reasons. As a result, a client’s exposure to foreign currencies, including investments in foreign currency-denominated securities, may reduce the returns of the investment.

Derivatives Risk

Derivatives are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate or index. The use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. An investment in a derivative instrument could lose more than the principal amount invested, and the use of certain derivatives may subject a client to the potential for unlimited loss. Derivatives are subject to a number of risks described elsewhere in this Item, such as liquidity risk, market risk, credit risk and management risk. Derivative transactions may produce effects similar to leverage and expose an account to related risks. Consequently, an adverse change in the relative price level can result in a loss of capital that is more exaggerated than would have resulted from an investment that did not involve the use of leverage inherent in the derivative contract.

Emerging-Markets Risk

Investments in non-U.S. securities may experience more rapid and extreme changes in value than investments exclusively in securities of U.S. issuers or securities that trade exclusively in U.S. markets. See “Non-U.S. Investment Risk” in this Item. Non-U.S. investment risk may be particularly high to the extent that an account or fund invests in securities of issuers tied economically to countries with developing economies. These securities may present market, credit, currency, liquidity, legal, political, technical and other risks different from, or greater than, the risks of investing in developed countries. In addition, the risks associated with investing in a narrowly-defined geographic area are generally more pronounced with respect to investments in emerging market countries.

Equity Securities Risk

The value of a company’s equity securities may fall as a result of factors directly relating to that company, such as decisions made by its management or lower demand for the company’s products or services. The value of an equity security may also fall because of factors affecting not just the company, but also companies in the same industry or in a number of different industries, such as increases in production costs. The value of a company’s equity securities may also be affected by changes in financial markets that are relatively unrelated to the company or its industry, such as changes in interest rates or currency exchange rates or adverse circumstances involving the credit markets. In addition, because a company’s equity securities rank junior in priority to the interests of bond holders and other creditors, a company’s equity securities will usually react more strongly than its bonds and other debt to actual or perceived changes in the company’s financial condition or prospects.

Growth Investing Risk

Strategies that invest in growth-oriented securities may be subject to greater price volatility than other types of investments. Growth-oriented securities may react differently to issuer, political, market, and economic developments than the market as a whole and other types of securities. They also may be more sensitive to changes in current or expected earnings than the prices of other securities. As a result, growth-oriented securities may involve larger price swings and greater potential for loss than other types of investments. In addition, the prices of growth-oriented securities may decline in price or fail to appreciate as anticipated by the portfolio managers.

High Yield Risk

Investments in high yield securities and unrated securities of similar credit quality (sometimes referred to as “high yield securities” or “junk bonds”) may be subject to greater levels of credit and liquidity risk than investments in such securities. These securities are considered predominately speculative with respect to the issuer’s continuing ability to make principal and interest payments. An economic downturn or period of rising interest rates could adversely affect the market for these securities and reduce the ability to sell these securities (liquidity risk). If the issuer of a security is in default with respect to interest or principal payments, a client may lose its entire investment.

Index Risk

Investments in derivatives that are linked to the performance of an index, will be subject to the risks associated with changes in the applicable index. If the applicable index changes, such an investment could receive lower interest payments (in the case of a debt-related derivative) or experience a reduction in the value of the derivative to below what the investor paid. Certain

indexed securities may create leverage to the extent that they increase or decrease in value at a rate that is a multiple of the changes in the applicable index.

Interest Rate Risk

Interest rate risk is the risk that fixed income securities will decline in value because of changes in interest rates. As nominal interest rates rise, the value of certain fixed income securities is likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. The values of equity and other non-fixed income securities may also decline due to fluctuations in interest rates.

Leveraging Risk

Leverage, including borrowing, will cause the value of an account to be more volatile than if the account did not use leverage. This is because leverage tends to exaggerate the effect of any increase or decrease in the value of an account's portfolio securities. Certain strategies may engage in transactions or purchase instruments that give rise to forms of leverage. Such transactions and instruments may include, among others, the use of reverse repurchase agreements and other borrowings, the investment of collateral from loans of portfolio securities, or the use of when issued, delayed-delivery or forward commitment transactions. The use of derivatives and short sales may also involve leverage. The use of leverage may cause an account to liquidate portfolio positions when it would not be advantageous to do so in order to satisfy its obligations or to meet segregation requirements.

Liquidity Risk

Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing the sale of such illiquid securities at an advantageous time or price, or possibly requiring an account to dispose of other investments at unfavorable times or prices in order to satisfy its obligations. Investment strategies that involve securities of companies with smaller market capitalizations, non-U.S. securities, Rule 144A securities, derivatives or securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk. Additionally, the market for certain investments may become illiquid under adverse market or economic conditions independent of any specific adverse changes in the conditions of a particular issuer. In such cases, an account, due to limitations on investments in illiquid securities and the difficulty in purchasing and selling such securities or instruments, may be unable to achieve its desired level of exposure to a certain issuer or sector.

Management Risk

Each strategy is subject to management risk because it is an actively managed investment portfolio. AGI Capital will apply investment techniques and risk analyses in making investment decisions for the strategies, but there can be no guarantee that these will produce the desired results. The strategies are also subject to the risk that deficiencies in the internal systems or controls of the Adviser or another service provider will cause losses for the strategies or hinder operations. For example, trading delays or errors (both human and systemic) could prevent a strategy from purchasing a security expected to appreciate in value. Additionally, legislative, regulatory, or tax developments may affect the investment techniques available to AGI Capital in connection with managing the strategies and may also adversely affect the ability of the strategies to achieve their investment objectives.

Market Risk

The market price of securities in a client account may go up or down, sometimes rapidly or unpredictably. Substantial investments in common stocks and/or other equity securities may decline in value due to factors affecting securities markets generally or particular industries or sectors represented in those markets. The values of 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, adverse changes to credit markets or adverse investor sentiment generally. They may also decline due to factors that disproportionately affect a particular industry, group of related industries or sector, such as labor shortages or increased production costs and competitive conditions within an industry or sector. Equity securities generally have greater price volatility than fixed income securities. During a general downturn in securities markets, multiple asset classes may decline in value simultaneously.

Non-U.S. Investment Risk

Investments in non-U.S. securities may experience more rapid and extreme changes in value than investments in securities of U.S. issuers or securities that trade exclusively in U.S. markets. The securities markets of many non-U.S. countries are relatively small, with a limited number of companies representing a small number of industries. Additionally, issuers of non-U.S. securities are often not subject to the same degree of regulation as U.S. issuers. Reporting, accounting and auditing standards of non-U.S. countries differ, in some cases significantly, from U.S. standards. Also, nationalization, expropriation or confiscatory taxation, currency blockage, market disruption, political changes, security suspensions or diplomatic developments could adversely affect investments in a non-U.S. country. In the event of nationalization, expropriation or other confiscation, an account or fund could lose its entire investment in non-U.S. securities. Significant investments in a particular currency or geographic area may have more exposure to regional economic risks, including weather emergencies and natural disasters, associated with non-U.S. investments. Adverse developments in certain regions can also adversely affect securities of other countries whose economies appear to be unrelated. Investments in non-U.S. securities may be subject to withholding and other taxes imposed by countries outside the U.S., which could reduce the return on an investment.

REIT Risk

To the extent that a strategy invests in real estate investment trusts (REITs), 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 a strategy invests in REITs, it will also be subject to the risk that a REIT will default on its obligations or go bankrupt. Investments in REITs could cause a strategy to recognize income in excess of cash received from those securities and, as a result, a strategy may be required to sell portfolio securities, including when it is not advantageous to do so, in order to make required distributions.

Smaller Company Risk

The general risks associated with investing in equity securities risk and liquidity risk are particularly pronounced for securities of companies with smaller market capitalizations. These companies may have limited product lines, markets or financial resources or they may depend on a few key employees. 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 trade in the over-the-counter market or on a regional exchange, or may otherwise have limited liquidity. Companies with medium-sized market capitalizations also have substantial exposure to these risks.

Turnover Risk

A change in the securities held in an account or fund is known as “portfolio turnover.” Higher portfolio turnover involves correspondingly greater expenses to a client, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales may also result in realization of taxable capital gains, including short-term capital gains (which are taxed as ordinary income when distributed to individual shareholders), and may adversely impact a client’s after-tax returns. The trading costs and tax effects associated with portfolio turnover may adversely affect performance.

Other Investment-Related Information

Firm Level Risk Management

AGI Capital’s goal of risk management is to balance risk and reward and to help ensure that in meeting performance objectives it does not incur any unwanted or unintentional risk. Since risk is multi-dimensional, AGI Capital seeks to use a forward-looking process that identifies both intended and unintended risks in the portfolio. The AGI Capital Risk Management group carries out this process in conjunction with AGI Capital’s investment teams. While the investment teams apply risk management guidelines to the construction and maintenance of all portfolios, the Risk Management group applies returns-based statistical factor analysis, security-based fundamental factor analysis and a series of stress tests that examine liquidity, volatility and value-at-risk to prepare for those “once in a lifetime” events. The results of this analysis will also be for use in portfolio construction of client accounts as well as on-going portfolio management. The Risk Management group is available to all investment teams to assist in analyzing the risks in the portfolios and determining if the risks are appropriate for the strategy.

Tax Information (for tax-paying entities)

Clients should also understand that AGI Capital may sell all or a portion of the securities in a client’s account, either initially or during the course of the client’s participation in any managed account/wrap fee program. Clients are responsible for all tax liabilities arising from these transactions. In addition, if the client is not a resident of the United States, the adverse tax consequences and other risks involved in investing in U.S. securities will be assumed by the client. Furthermore, the client acknowledges that ordinary income dividends, including distributions of short-term capital gain, paid by certain funds to the client may be subject to a United States withholding tax under existing provisions of the Internal Revenue Service Code of 1986 applicable to non-U.S. individuals and entities, unless a withholding exemption is provided under applicable treaty law.

Clients should understand that AGI Capital does not, and will not, offer tax advice to clients on any such issues and clients are strongly encouraged to seek the advice of a qualified tax professional. Clients should also understand that AGI Capital is not responsible for making any tax credit or similar claim or any legal filing (including but not limited to proofs of claim) on a client's behalf.

Other Sources of Information

AGI Capital may use other sources of information in its investment process not listed in this Item, such as services that provide historical data on individual securities, companies or industry data that is gathered from external sources.

Additional Disclosure – Derivatives

AGI Capital invests from time to time, and on a very limited basis, in securities that derive their value from some underlying asset. From a technical point of view, these securities could meet the definition of the term “derivative”. From time to time, AGI Capital accepts investment mandates from its clients that restrict investments in “derivatives” or that otherwise reference the use of “derivatives.” While there may be little ambiguity about the categorization of some instruments or transactions as “derivatives,” certain other instruments or transactions are less generally considered to be “derivatives.” Accordingly, and unless otherwise specifically agreed to in writing with individual clients, AGI Capital generally intends to construe the term “derivatives” for these purposes as an instrument or transaction that both (1) contractually obligates the relevant clients' account to make some payment or to fulfill some contractual obligation at a future date; and (2) results in the net exposure of the client account to the relevant class in an amount that could not have been achieved through direct investment in that asset class. Thus, for example, the purchase of a convertible security would not constitute, for these purposes, an investment in a derivative security, even though the instrument may include an “embedded” call option that gives the account the right to obtain another instrument (e.g., common stock) upon the exercise of the conversion right. Similarly, if an account includes cash or cash equivalents and AGI Capital believes it would be appropriate for that portion of the account to be invested in an asset class (e.g., large capitalization growth stocks), AGI Capital may cause the account to enter into a long futures or swap position on an appropriate index (e.g., the S&P 500) during the period that AGI Capital seeks to identify individual securities for the account. The foregoing means, for example, but not by way of limitation, that AGI Capital would generally not construe mandate restrictions on the use of derivatives to apply to repurchase agreements, securities lending, the purchase of call and put options, the writing of covered call options, the use of futures or foreign exchange contracts for hedging, including so-called “anticipatory hedging,” and certain other risk management strategies, or to the investment instruments (e.g., ADRs, equity linked products) that AGI Capital expects, as a result of investment restrictions or adverse tax consequences in non-U.S. jurisdictions, to have more desirable investment characteristics (e.g., greater liquidity, greater tax efficiency) than securities that may be traded in non-U.S. jurisdictions.

Certain non-U.S. markets are closed, partially closed or severely limited to direct investments by non-residents. Such partially closed markets may lead to price distortions where “foreign” shares and ADRs trade at prohibitive premiums to the local underlying shares. In order to achieve the liquidity and economic performance of the local shares without subjecting the investor to the requirements/restrictions associated with purchases of local shares, and when ADRs are not available or exhibit similar limitations, AGI Capital may invest client accounts in equity linked products, also known as “equity linked notes”, “participation notes,” “zero-strike warrants” or “low-exercise warrants.” Created by brokers-dealers to facilitate trading in non-U.S. markets, these instruments (derivatives by technical definition) are U.S. dollar denominated, trade over-the-counter and on recognized exchanges and may settle Euroclear. The purchase price typically represents the underlying equity price translated into U.S. dollars plus an up-front fee. The sale price typically represents the underlying equity price translated into U.S. dollars minus any taxes.

Therefore, AGI Capital believes these instruments are equivalent to holding the local shares and provide significant cost advantages to purchasing ADRs in those markets.

AGI Capital may, in certain market conditions, invest eligible client accounts with international exposure in forward currency contracts or currency options to protect the accounts against currency movements. Forward currency contracts are obligations to purchase or sell a specific quantity of a foreign currency at the current "spot" price, with delivery and settlement at some specified future date, individually negotiated and privately traded by traders and their customers. For example, an account may do a "transaction hedge" where it enters into a forward currency contract in order to "lock in" the U.S. dollar price of the security when it buys or sells a foreign-denominated security. Or, an account may enter into a "position hedge" if an account believes that a particular foreign currency or group of currencies may suffer a substantial decline against the U.S. dollar by entering into a forward exchange contract or currency option to sell an amount of each foreign currency approximating the value of some or all of the accounts portfolio securities denominated in such foreign currency. Alternatively, if the portfolio manager believes that the U.S. dollar may suffer a substantial decline against a foreign currency, the account may enter into a forward exchange contract or currency option to buy that foreign currency for a fixed dollar amount. Alternatively, AGI Capital may choose to maintain foreign currency cash balances in client accounts marked-to-market daily and, if possible, invested overnight to earn interest, to facilitate foreign security settlements.

Additional Disclosure – “Foreign” Securities

From time to time, AGI Capital accepts investment mandates from its clients that either require, to varying degrees, investment in “foreign” securities or that restrict such investments. Sometimes different geographical terms are used for these purposes (e.g., “non-U.S. securities”, “European” securities, “emerging markets,” etc.). The globalization and integration of the world economic system and related financial markets have made it increasingly difficult to define issuers geographically. Accordingly, and unless otherwise specifically agreed to in writing with individual clients, AGI Capital intends to construe geographic terms such as “foreign,” “non-U.S.,” “European” and “emerging markets” in the manner that affords to AGI Capital the greatest flexibility in seeking to achieve the investment objective(s) of its investment advisory clients. Specifically, in circumstances where the investment advisory mandate is to invest (a) exclusively in “foreign securities,” “non-U.S. securities” “international securities,” “European securities,” “emerging markets” (or similar directions) or (b) at least some percentage of the client’s assets in foreign securities, etc., AGI Capital will take the view that a security meets this description so long as the issuer of a security is tied economically to the particular country or geographic region indicated by words of the relevant investment mandate (the “Relevant Language”). For these purposes the issuer of a security is deemed to have that tie if:

- (i) the issuer is organized under the laws of the country or a country within the geographic region suggested by the Relevant Language or maintains its principal place of business in that country or region; or
- (ii) the securities are traded principally in the country or region suggested by the Relevant Language; or
- (iii) the issuer, during its most recent fiscal year, derived at least 50% of its revenues or profits from goods produced or sold, investments made, or services performed in the country or region suggested by the Relevant Language or has at least 50% of its assets in that country or region.

In addition, AGI Capital intends to look through private and registered investment companies for these purposes and to treat derivative securities (e.g., equity linked notes) by reference to the underlying security. Conversely, if the investment advisory mandate limits the percentage of assets

that may be invested in “foreign securities,” etc. or prohibits such investments altogether, AGI Capital may categorize securities as “foreign,” etc. only if the security possesses all of the attributes described above in clauses (i), (ii) and (iii).

ITEM 9. DISCIPLINARY INFORMATION

There are no legal or disciplinary events that are material to a client’s or prospective client’s evaluation of or the integrity of AGI Capital.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Certain of AGI Capital’s officers and portfolio managers are registered representatives of AGI Capital’s affiliated broker-dealer, Allianz Global Investors Distributors LLC.

AGI Capital is registered as a commodity pool operator and a commodity trading advisor, and certain employees of AGI Capital are registered as associated persons with the National Futures Association in this regard.

AGI Capital is indirectly related, through common ownership or otherwise, to a number of SEC-registered broker-dealers, including Allianz Global Investors Distributors LLC, a limited-purpose broker-dealer which serves as the distributor and principal underwriter to certain funds affiliated with AGI Capital and funds for which AGI Capital provides advisory or subadvisory services. See below for additional information regarding Allianz Global Investors Distributors LLC.

AGI Capital is related, through common ownership or otherwise, to a number of SEC-registered investment advisers, including (but not limited to) Allianz Global Investors Europe GmbH, Allianz Global Investors Fund Management LLC, Allianz Global Investors Managed Accounts LLC, Allianz Global Investors Solutions LLC, NFJ Investment Group LLC, and RCM Capital Management LLC.

AGI Capital is related, through common ownership or otherwise, to a number of non-U.S. investment advisers, including (but not limited to) Allianz Global Investors Capital Limited, Allianz Global Investors France S.A., Allianz Global Investors Italia SGR S.p.A., Allianz Global Investors Kapitalanlagegesellschaft mbH, Allianz Global Investors Korea Limited, Allianz Global Investors Luxembourg S.A., Allianz Global Investors Singapore Limited, and Allianz Global Investors Taiwan Ltd. AGI Capital may act as sub-adviser to accounts advised by certain of the related non-U.S. advisers. Clients’ fees are allocated between the AGI Capital and the non-U.S. affiliate with reference to relevant U.S. and non-U.S. tax laws and considerations based upon the types of services provided in the relevant jurisdiction.

Arrangements With Affiliates

AGI Capital assists its U.S. and non U.S. affiliated investment advisers and/or insurance companies in providing investment advisory services to: (a) affiliated Mutual Funds, Closed-End Funds, Non-Registered Commingled Funds, non-U.S. funds, and variable annuity products, (b) unaffiliated clients, or (c) in connection with wrap programs or other similar programs that are sponsored by various financial intermediaries. AGI Capital may also enter into a relationship with an affiliated investment adviser for (a) research sharing arrangements, or (b) personnel sharing relationships, i.e., certain personnel of AGI Capital serve as directors and officers of affiliated entities owned or sponsored by Allianz Asset Management of America L.P.

AGI Capital serves as a subadviser to the following affiliated families of Mutual Funds: the Allianz Funds Multi-Strategy Trust and the Allianz Funds (together, “Affiliated Mutual Funds”). The Affiliated Mutual Funds are open-end management investment companies registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). The Affiliated Mutual Funds are advised by Allianz Global Investors Fund Management LLC. Allianz Global Investors Fund Management LLC is an indirect subsidiary of AGI Capital’s owner, Allianz Asset Management of America L.P.

Allianz Global Investors Distributors LLC serves as the distributor and principal underwriter of the Affiliated Mutual Funds. Certain employees of AGI Capital may also be registered representatives of Allianz Global Investors Distributors. The Affiliated Mutual Funds pay an investment advisory fee to Allianz Global Investors Fund Management LLC, who pays a subadvisory fee to AGI Capital. AGI Capital makes payments to Allianz Global Investors Distributors LLC pursuant to a service level agreement for sales and administrative services. Allianz Global Investors Distributors may also serve as the placement agent for certain commingled vehicles managed by AGI Capital.

AGI Capital provides trade support, risk management and research services, back-office operations and legal/compliance oversight services, as well as global client service, marketing and sales support to certain of its affiliated advisers, including the following:

Trade Support

- Provide personnel to support trading pursuant to the advisory affiliate’s trading policies and procedures utilizing advisory affiliate’s equipment and data

Risk Management

- Apply returns-based statistical factor analysis, security-based fundamental factor analysis and a series of stress tests that examine liquidity, volatility and value-at-risk
- Provide consulting to advisory affiliate’s investment teams and review portfolio and risk profiles

Operations

- Provide data management, reconciliation, trade settlements, pricing of securities and investment accounting functions
- Provide back office administration, client service support, trade support and business solutions
- Provide performance data and analysis applying best practices and calculating performance and constructing composites in compliance with GIPS standards

Legal/Compliance

- Provide legal and compliance support to its advisory affiliate
- Provide investment/portfolio surveillance coverage and administration of the Compliance Program

Global Client Service, Marketing & Sales

- Recommend the services of its advisory affiliates to potential clients
- Maintain, expand and improve relationships with clients

- Co-ordinate and facilitate the existing and potential business opportunities with Allianz Global Investors-related business groups on behalf of its advisory affiliates
- Maintain, expand and improve its advisory affiliate's relationships with institutional consultants
- Organize, create and distribute investment product information; serve as a link between investment professionals at advisory affiliates and their clients.
- Produce RFPs, RFIs, and maintain database and marketing materials for use in client education and prospecting situations

AGI Capital may be compensated directly with respect to the risk management and research services, back-office operations support, legal/compliance oversight services, global client service, marketing and sales support that it provides to one or more of its affiliated advisers, such as NEJ Investment Group LLC and RCM Capital Management LLC. In other cases, affiliated advisers may fund the shared costs of AGI Capital, including the compensation paid to sales and clients service personnel.

Additional corporate services, such as human resources, information technology, business systems and certain legal and compliance services are provided to AGI Capital by Allianz Asset Management of America L.P.

As set forth in Item 4, AGI Capital delegates discretionary management authority for two Non-Registered Commingled Funds, the Allianz Global Investors Capital Total Return Trust and the NEJ International Value Trust, to PIMCO and NEJ.

ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

AGI Capital has adopted a Code of Ethics ("Code") pursuant to Rule 204A-1 under the Advisers Act. AGI Capital's officers, employees, and associated persons (collectively, "Employees") are required to follow the Code, which sets out standards of conduct and helps AGI Capital detect and prevent potential conflicts of interest. The Code covers personal securities transactions of all Employees and their family members (as defined in the Code), which includes most persons sharing the same household as the Employee. Although the Code permits Employees to trade in securities for their own accounts, Employees are required to follow the Code, which contains preclearance procedures, reporting requirements, and other provisions that restrict trading by Employees. In some circumstances, Employees may trade in securities for their own accounts that are recommended to and/or purchased by our clients. In these circumstances, there is a possibility that the Employee may benefit from market activity within a client account. Employee trading is monitored for compliance with the Code. Any Employee who violates the Code may be subject to remedial actions, including, but not limited to: a letter of caution, warning, recertification of the Code, disgorgement of profits, imposition of a fine, suspension of trading privileges, or suspension, and under certain circumstances termination of employment and/or referral to governmental authorities. Employees are required to annually certify compliance with the Code. AGI Capital will provide clients and prospective clients with a copy of the Code upon request.

Participation or Interest in Client Transactions

AGI Capital generally limits transactions on behalf of its clients with or through any affiliated company. Affiliated transactions include executing client transactions through a broker-dealer or counterparty that is affiliated, directly or indirectly, with AGI Capital. Affiliated investments include an investment by AGI Capital on behalf of clients in the securities of Allianz SE or one of its affiliates. In addition, the Employee Retirement Income Security Act of 1974 (“ERISA”) and the Investment Company Act impose limitations on AGI Capital’s ability to purchase securities in an underwriting if an affiliated broker-dealer is the manager or member of the underwriting or selling syndicate. AGI Capital has a general policy to avoid transactions executed through affiliated brokers-dealers. However, if consistent with fiduciary obligation, applicable law, and client guidelines, AGI Capital may use affiliated broker-dealers to effect transactions in client accounts. AGI Capital generally prohibits investments in securities issued by Allianz SE and its affiliates.

As provided herein, AGI Capital serves as investment manager to Non-Registered Commingled Funds. AGI Capital makes the opportunity to invest in such funds available to its separate account clients who are eligible to invest in them, in addition to soliciting other persons who AGI Capital has reason to believe would qualify as investors in such funds. AGI Capital typically does not use its investment discretion to place separate account client assets in affiliated Non-Registered Commingled Funds. Clients are required to complete subscription agreements and qualify for such investments. Please refer also to Item 5 for information pertaining to investment in or recommendation to invest in shares or other interests in certain funds to which AGI Capital or its related persons provide investment advice or other services, and from which AGI Capital and its affiliates receive advisory, administrative and/or distribution fees.

Participation or Interest in Personal Trading – Client Recommendations

AGI Capital and its related persons may invest in securities for their personal accounts that are also recommended to AGI Capital clients. Potential conflicts may arise in this situation because AGI Capital or its related person may have a material interest in or relationship with the issuer of a security or may use knowledge about pending or currently considered securities transactions for clients to profit personally. To address these potential conflicts, employees deemed to be “Access Persons” under the Code are required to report brokerage and trading accounts to AGI Capital upon commencement of employment. In addition, employee transactions are subject to limitations regarding the type and timing of transactions, including certain trading prohibitions, and pre-approval and monitoring by compliance professionals of AGI Capital and/or certain related persons. To the extent AGI Capital determines that there is no conflict of interest, certain officers and employees of AGI Capital from time to time may engage in outside business activities.

AGI Capital, its employees and its affiliates may give advice and take action in the performance of their duties for some clients that may differ from advice given, or the timing or nature of actions taken, for other clients or for their seed capital or personal accounts.

Subject to the restrictions described above, AGI Capital and its employees may at any time hold, acquire, increase, decrease, dispose of or otherwise deal with positions in investments in which a client account may have an interest from time to time. AGI Capital has no obligation to acquire for a client account a position in any security which it acquires on behalf of another client, or which an employee acquires for his or her own account. Likewise, client accounts shall not have first refusal, co-investment or other rights in respect of any such investment.

Participation or Interest in Personal Trading – Client Trading

Access Persons are subject to certain blackout periods under the Code, whereby they may not purchase or sell securities (except for securities considered to be exempted or otherwise permitted under the Code) if, at the time of pre-clearance (i) there is a pending buy or sell order on the relevant trading desk for a client in the same security or an equivalent security; or (ii) the same security or an equivalent security has been purchased or sold by a client during the blackout period set forth under the Code.

Certain employees who make or participate in making recommendations on securities, as well as certain employees in a control relationship with AGI Capital or its affiliates and who may obtain information concerning securities recommendations are considered “Investment Persons” under the Code. Investment Persons are subject to more restrictive trading prohibitions than those described above. In addition, certain related persons of AGI Capital may be subject to greater restrictions than those applicable to Investment Persons under the Code.

ITEM 12. BROKERAGE PRACTICES

Investment or Brokerage Discretion

AGI Capital generally receives investment discretionary investment authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all such cases, discretion is exercised in a manner consistent with achieving best execution and meeting the stated investment objectives for the client’s account. AGI Capital also generally will receive discretionary authority to determine the brokers used and the commissions paid. In such relationships, AGI Capital will make investment decisions and direct the execution of all transactions without prior consultation with the client.

Regional Trade Desks

As described in Item 4 herein, AGI Capital was formed in part by the combination of a predecessor firm in New York and a predecessor firm in San Diego. Consequently, AGI Capital currently operates two separate regional trading desks. In some instances, certain policies, procedures and activities of AGI Capital as described in this Item are administered and conducted on a regional basis.

Selection of Broker-Dealers

When exercising its full discretion in the selection of brokers or dealers for the execution of client transactions, AGI Capital will seek to obtain the most favorable net results that take into account such factors as: price, commission, size of order, difficulty of execution, and the degree of skill required by the broker-dealer. AGI Capital will also take into account factors that are relevant to the specific broker-dealers such as: trading capability, financial stability and responsibility, reputation, reliability and accuracy of recommendations on particular securities, ability to achieve prompt and reliable executions at favorable prices, the operational efficiency with which transactions are effected, the nature and frequency of sales coverage, responsiveness to AGI Capital, and the depth of services provided, including research coverage, bond capability, back office and processing capabilities, and commission rate.

In its selection of such broker-dealers, AGI Capital does not adhere to any rigid formulas in selecting brokers and dealers, but weighs a combination of the factors described above. For equity brokers, AGI Capital allocates brokerage transactions based on a qualitative evaluation of the full service

provided by the broker-dealer including such factors as: research, execution capability, capital commitment capability, initiation of trades, and securities syndication. The overriding objective in the selection of these broker-dealers is their ability to secure the best possible execution of orders.

On a periodic basis (no less than annually), portfolio managers and research analysts vote for broker-dealers that they believe offer superior overall brokerage and research services. Broker-dealers are then ranked according to the total votes they receive. Factors considered include, but are not limited to; the broker-dealer's research, access to their analysts, and access to company management. Portfolio managers and traders also assess the overall execution capabilities of broker-dealers including, but not limited to, block orders, technology infrastructure, capital commitment, confidentiality, and delivery and settlement capabilities.

On a periodic basis (no less than annually), the regional heads of trading and certain members of senior management will evaluate the quality and cost of services received from broker-dealers with whom client orders are placed and consider the quality and cost of comparable services available from alternative broker-dealers, market makers and market centers (including ECN's).

AGI Capital will accept direction from a client to execute trades with a particular broker-dealer. However, as a matter of general policy, AGI Capital seeks to limit the amount of client directed brokerage arrangements because it believes these arrangements may result in additional costs to the client and may adversely affect the performance of the client's account. AGI Capital believes that the potential benefits derived from any directed brokerage, expense reimbursement or commission recapture program may be offset by 1) AGI Capital's potential inability to negotiate the same favorable commission rates as those obtained for clients who do not impose such restrictions, 2) clients unable to participate in certain block purchases or sales of securities, 3) the investment management team receiving less research, 4) the broker's unwillingness to commit capital and 5) AGI Capital's potential inability to achieve best execution.

Orders for a client's account that directs 100% of its trades to a specified broker or brokers are placed separately from and after the completion of orders for other advisory clients. Therefore, such client may be precluded from being able to realize any volume commission discounts or other cost savings inherent in the aggregation of orders for several clients as a single securities transaction. To the extent that such orders for such client account(s) are placed after the orders for other advisory clients, the price of the securities purchased or sold for such client account(s) may be adversely affected.

Derivative Counterparties

As noted in Item 8, derivative strategies that AGI Capital employs on behalf of its clients involve a variety of special risks. AGI Capital has established controls to mitigate counterparty credit risk.

AGI Capital will only enter into OTC derivatives transactions with broker-dealers that have been approved for OTC derivative trading ("Approved Derivative Counterparty Brokers"). The Best Execution Committee (the "Committee") is responsible for the approval process. (Note: AGI Capital cannot enter into any OTC derivative trades with broker-dealers that are considered "affiliates" of AGI Capital).

AGI Capital will seek to transact primarily with established, nationally recognized broker-dealers with whom it has a pre-existing trading relationship (Tier One Brokers). AGI Capital may transact with smaller less known brokers where necessary or appropriate, or brokers operating exclusively

in non-U.S. jurisdictions (Tier Two Brokers) meeting the minimum credit rating standard described below.

Tier One and Tier Two brokers must have a senior debt or claims paying ability of at least “high quality” at the time of the transaction by at least one of the established rating agencies (e.g., their commercial paper is rated at least P-1 by Moody’s or A-1 by S&P or their outstanding debt is rated Aa or better by Moody’s or A or better by S&P) or if not rated, the broker-dealers are judged to be of comparable creditworthiness. For unrated brokers, the Committee will review relevant financial and other information and will in good faith assign a rating.

AGI Capital also assesses OTC derivative counterparty creditworthiness by looking at fluctuation of the 5 Yr CDS Spread. CDS spreads represent the amount of premium paid in connection with Credit Default Swaps insuring the counterparty’s long-term debt paying ability. Generally, CDS spreads will increase as a counterparty’s credit-worthiness declines, and decline as credit-worthiness increases.

Compliance assists the Committee and monitors, on a monthly basis, credit ratings and CDS spreads of the approved OTC derivatives counterparties.

The Committee may remove a broker-dealer from the Approved Derivative Counterparty Broker List with or without cause; however the Committee may place a broker-dealer on hold for any broker whose credit rating is downgraded below acceptable levels.

AGI Capital limits exposure to a single OTC derivative counterparty to 5% of AGI Capital’s assets under management. The firm measures the amount at risk based on the structure of the derivative instrument.

For purposes of determining the actual monetary amount at risk relative to AGI Capital’s assets under management, AGI Capital will base exposure on the cost of recovery given a default of the counterparty broker.

Commission Benefits

AGI Capital may also place securities transactions on behalf of its clients through brokers or dealers that provide AGI Capital with brokerage and research services. Such services provide appropriate assistance to AGI Capital in carrying out its responsibilities. The brokerage and research services can either be proprietary (created and provided by the broker) or third party (created by a third party but provided to AGI Capital by the broker). Brokerage and research services include, but are not limited to, advice as to the value of securities, the advisability of investing in, purchasing or selling securities, electronic market quotations, performance measurement services, providing information regarding the availability of securities and potential buyers or sellers of securities, and furnishing analysis and reports concerning issuers, industries, securities, economic factors and trends, and portfolio strategy. Brokerage and research services may also include financial newsletters, analytical software, company financial data, economic data, market data, clearance, settlement and custody, post trade matching, connectivity services between AGI Capital and broker-dealers and trading software. In recognition of the value of such brokerage and research services that are provided to AGI Capital by a particular broker, AGI Capital may, consistent with its duty to seek best execution, effect securities transactions which may cause a client to pay such broker an amount of commission in excess of the amount of commission another broker would have charged. With respect to these arrangements, AGI Capital intends to comply with the “safe harbor” provided

by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, which permits the use of commissions to obtain “brokerage and research” services.

In exchange for the direction of commissions to certain brokers, AGI Capital may generate credits (“Commission Credits”) which may be used by AGI Capital to pay for the brokerage and research services provided by or paid for by such brokers. This may result in AGI Capital allocating more commission business to brokers that also provide brokerage and research services than to brokers who only effect securities transactions. To the extent that AGI Capital uses such Commission Credits to obtain brokerage and research services, AGI Capital will be receiving a benefit by reason of the direction of commissions. Any such benefit may offset or reduce certain expenses for which AGI Capital would otherwise be responsible for payment.

AGI Capital believes, however, that the acquisition of brokerage and research services may provide its clients with benefits by supplementing the research and brokerage services otherwise available to AGI Capital and its clients. The investment research that AGI Capital receives from brokers/dealers in connection with securities transactions is in addition to and not in lieu of the services required to be performed by AGI Capital itself, and the advisory fee payable by its clients is not reduced as a result of the receipt of such supplemental information. AGI Capital believes that such information is only supplemental to AGI Capital’s own research efforts, because the information must still be analyzed, weighed, and reviewed by AGI Capital.

Where AGI Capital receives a brokerage or research service that may also have a non-research use, a potential conflict of interest may arise, since such brokerage or research service may directly benefit AGI Capital even though it arises in connection with the Commission Credits of AGI Capital’s clients. In such situations, AGI Capital will make a reasonable allocation of the cost of any such mixed-use brokerage or research service according to its use on a regional basis. The portion of the brokerage or research service that provides assistance to AGI Capital in the investment decision-making process may be paid for with Commission Credits while the portion that provides neither brokerage nor research assistance will be paid for by AGI Capital with cash.

AGI Capital does not attempt to put a specific monetary value on the proprietary research or brokerage services of any broker or to allocate the relative costs or benefits of such proprietary research, believing that research received assists AGI Capital in fulfilling its overall fiduciary obligation to its clients. Accordingly, AGI Capital may use the research received from a particular client’s brokerage Commission Credits to benefit other clients whether or not AGI Capital uses such clients’ Commission Credits to obtain research services. AGI Capital may also use brokerage and research services for the benefit of advisory clients other than the client account or accounts whose transactions generated the Commission Credits used to pay for such products or services. For example, AGI Capital may use Commission Credits generated by one group of accounts (i.e., equity and balanced accounts) to obtain certain brokerage and research services which it uses in connection with or to service a different group of accounts (i.e., fixed income).

Certain clients may instruct AGI Capital to not use their commissions to generate Commission Credits to pay for third party research; however, as a matter of policy AGI Capital seeks to limit these requests because it believes such arrangements may result in additional costs to the client and may adversely affect the performance of the client’s account. AGI Capital believes that the potential benefits derived from any directed brokerage, expense reimbursement or commission recapture program may be offset by 1) clients unable to participate in certain block purchases or sales of

securities, 2) the investment management team receiving less research, 3) the broker's unwillingness to commit capital and 4) AGI Capital's potential inability to achieve best execution.

AGI Capital provides "Commission Credit" reports to clients upon request which typically only include commissions which were designated as a Commission Credit for payment of third party brokerage and research services. Such reports generally do not include commissions paid to a broker-dealer in connection with proprietary or bundled research.

Commission Sharing Arrangements

AGI Capital may also request brokers effecting transactions on behalf of its clients to allocate a portion of the commission to a pool of Commission Credits maintained by the executing broker or commission management provider from which the executing broker or commission management provider, at AGI Capital's direction, pays independent research providers (which may or may not be other brokers) for Research Products and Services ("Commission Sharing Arrangements"). Commission Sharing Arrangements may be used to pay for both proprietary and third party Research Products and Services. Commission Sharing Arrangements help enable an investment manager to select the most appropriate broker for trade execution regardless of whether or not the broker prepares or develops the Research Products and Services used by the investment manager. Accordingly, instead of paying a broker for its research by trading with it directly, the investment manager directs the executing broker or commission management provider to pay the research provider from the pool of Commission Credits accumulated.

Step Outs – Research

AGI Capital may "step out" trades to broker-dealers for Commission Credits. A "step-out" trade for Commission Credits occurs when the executing broker-dealer agrees to "step-out" a portion of a bunched execution, and that "stepped-out" portion is cleared through the broker-dealer that provides Commission Credits. The executing broker-dealer receives compensation in the form of commission from the portion of the bunched execution that was not "stepped-out" to other brokers. "Step-out" trades will be executed so as to conform to the rules of the applicable exchange on which the trade occurs.

Step Outs – Directed Brokerage

AGI Capital uses two methods to satisfy client requests for directed brokerage. First, AGI Capital may execute the trade on behalf of that client with the broker-dealer selected by the client, which may or may not be the broker-dealer used by AGI Capital for other trades in the same security during that period. Alternatively, AGI Capital may use a "step-out" trade mechanism. A "step-out" trade occurs when the executing broker-dealer agrees to "step-out" a portion of a bunched execution, and that "stepped-out" portion is cleared through the client directed broker-dealer. The client is assessed a commission only by the broker-dealer who clears the transaction. The executing broker-dealer receives compensation in the form of commission from the portion of the bunched execution that was not "stepped-out" to other brokers. "Step-out" trades will be executed so as to conform to the rules of the applicable exchange on which the trade occurs.

The use of "step-out" trades can, in some circumstances, help ensure that clients that seek to direct brokerage are not disadvantaged by the inability to participate in aggregated executions. However, "step-out" trades are an accommodation by the executing broker-dealer, and "step-out" trades will

not be available in all circumstances to satisfy requests for directed brokerage. If an account is 100% directed, AGI Capital will typically not step-out transactions for that account.

For clients who provide AGI Capital with “suggested” directed brokerage instructions, AGI Capital will treat the client’s direction to use the Broker(s) for their account’s securities transactions as a suggestion for the selection of the broker-dealers that AGI Capital would otherwise have the discretion to select and negotiate commissions with pursuant to the discretionary authority granted under the investment management agreement. In situations where AGI Capital believes that the broker can provide best execution on particular securities transactions, AGI Capital will use its best efforts to meet the client’s brokerage selection criteria. If the broker is someone with whom AGI Capital typically executes large volumes of securities transactions for advisory clients in the normal course of business, there is an increased likelihood that the client’s target may be met. When the firm believes that it is practical, it will aggregate securities transactions orders for such client account(s) with other advisory clients. However, due to the client’s suggested brokerage direction, such client orders may, in the ordinary course, be placed separately from and after orders for other advisory clients. To the extent that orders for such client’s account(s) are placed after orders for other advisory clients, the price of securities purchased or sold for such client account(s) may be adversely affected.

Trade Allocations

The objective of AGI Capital’s trade allocation policy is to seek to achieve fair and equitable treatment of all clients when allocating trades among client’s accounts. AGI Capital designed its trade allocation policy to timely allocate trades, to prevent trade allocations that unfairly advantage one client over another, and to allocate limited offerings equitably among qualifying accounts.

AGI Capital considers a number of factors when allocating securities among accounts, the most important being the account’s investment objectives and strategies, investment restrictions, securities availability, cash levels and existing portfolio composition. AGI Capital endeavors to manage accounts in such a way that all accounts will have an equitable and fair opportunity to participate in investment allocations; however, accounts are not assured of participating equally or at all, in particular investment allocations.

Trade Allocations - Initial Public or Secondary Offerings

AGI Capital may participate in initial or secondary public or private offerings of securities (“New Issue”). Because of the limited number of shares available in such offerings, AGI Capital may not acquire sufficient shares to allocate a New Issue across all accounts eligible to purchase the New Issue. AGI Capital will not allocate New Issues to any account that is prohibited by FINRA regulations from receiving such an allocation.

For New Issues, portfolio managers will allocate shares to eligible accounts, generally on a pro rata basis, based on the assets under management, taking into consideration such factors as: Benchmark coverage of the security; Sector weightings; Industry weightings; Portfolio weightings; Eligible market capitalization; Available cash and Terms of the offering. The allocation of New Issues shall be effected on a regional basis.

Portfolio managers normally allocate New Issues either a minimum of \$50,000 or a 0.20% position in the respective account. Portfolio managers may also allocate certain international equity

offerings to U.S. product portfolios if deemed appropriate for the given product/portfolio (e.g., ADRs or U.S. listed equities, including NASDAQ, with non-U.S. exposure).

The general over-riding principle for participation in a New Issue or private offering is that AGI Capital will treat clients in a fair and equitable manner. The New Issue Administrator (a member of the trading desk), one for the Domestic Team and one for the International Team, administers the participation procedures and provides the final allocation on a regional basis.

In instances where AGI Capital determines it may likely receive more favorable overall execution, it may elect to aggregate or “bunch” the purchase or sale of the same securities for various client accounts. Such orders may be aggregated or “bunched” in order to minimize transactional cost. Each account included in an aggregated order is allocated their requested allotment on an average price basis. On any trading day when orders in a security are received after orders in the same security have been fully or substantially executed, the later orders generally are not aggregated with the earlier executed orders and would not receive the earlier orders’ average price. Remaining open orders or portions of the earlier orders may be bunched with new orders at the discretion of the trading desk. The aggregation or bunching of orders, as described above, may be done across locations or on a regional basis, depending on the particular circumstances.

As described above, orders for clients that designate the use of a specified broker or brokers will be placed separately from and after the completion of orders for other advisory clients, and shall not benefit from any volume commission discounts or other cost savings derived from the aggregation of client transactions.

ITEM 13. REVIEW OF ACCOUNTS

Review of Accounts

AGI Capital’s review of client accounts is an integral component of AGI Capital’s investment management process. Portfolio managers review each of their accounts on a regular basis and select investments for clients in accordance with each client’s investment objectives and consistent with the investment philosophy of AGI Capital. AGI Capital maintains systems for guideline surveillance (collectively, the “Portfolio Compliance Systems”) that check both pre-trade security transactions and post-trade account holdings against client account guidelines.

A dedicated team of AGI Capital compliance analysts review pre-trade activity and post-trade portfolio compliance results in the Portfolio Compliance Systems for all AGI Capital client accounts on a daily basis. The compliance analyst runs compliance testing of post-trade holdings via an overnight scheduler and reviews the results daily. The compliance analyst will bring any potential violation that is detected through the Portfolio Compliance Systems to the attention of the CCO.

Reports to Clients

The nature and frequency of reports to clients are determined primarily by the particular needs of each client. AGI Capital generally furnishes reports to clients on a quarterly basis but may also furnish them monthly at the client’s request. The reports show all purchases and sales of securities made during the reporting period (market price, total cost/proceeds, original unit cost and realized gain/loss on sales) and include a summary of investments in the portfolio (unit cost, total cost, market price, total market value, yield and percentage of portfolio). Clients invested in a fund receive reports from the funds’ transfer agent, administrator or custodian bank. In addition,

through telephone calls and in-person meetings, client service representatives strive to keep clients regularly informed of the investment policy and strategy AGI Capital is pursuing to achieve clients' investment objectives.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

AGI Capital may, from time to time, compensate third-party solicitors with respect to solicitation activities in accordance with Rule 206(4)-3 under the Advisers Act. Consequently, persons introducing new client accounts to AGI Capital may receive a portion of the management fee generated by the account. The portion of the fee paid and the length of time for which such fee is paid will vary on a case by case basis. Such arrangements will be disclosed to the prospective client at the time of solicitation or referral as required by applicable law and regulations.

ITEM 15. CUSTODY

AGI Capital does not maintain physical custody of client assets. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client investment assets. AGI Capital urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

ITEM 16. INVESTMENT DISCRETION

AGI Capital typically receives discretionary authority from the client at the outset of an advisory relationship, pursuant to an investment advisory agreement, to select the identity and amount of securities to be bought or sold, subject to the stated investment objectives for the particular client account.

When selecting securities and determining amounts, AGI Capital observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, AGI Capital's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to AGI Capital in writing. For additional information about AGI Capital's investment advisory services and restrictions, please see Item 4 above.

ITEM 17. VOTING CLIENT SECURITIES

AGI Capital typically votes proxies as part of its discretionary authority to manage accounts, unless the client has explicitly reserved the authority for itself. To ensure that the proxies are voted in the best interests of its clients, AGI Capital has adopted proxy voting procedures and guidelines for voting proxies on specific types of issues. When voting proxies, AGI Capital seeks to make voting decisions solely in the best interests of its clients and to enhance the economic value of the underlying portfolio securities held in its clients' accounts.

AGI Capital has adopted written Proxy Policy Guidelines and Procedures (the “Proxy Guidelines”) that are reasonably designed to ensure that the firm is voting in the best interest of its clients. The Proxy Guidelines reflect AGI Capital’s general voting positions on specific corporate governance issues and corporate actions. AGI Capital has retained an independent third party service provider (the “Proxy Provider”) to assist in the proxy voting process by implementing the votes in accordance with the Proxy Guidelines as well as assisting in the administrative process. The services provided offer a variety of proxy-related services to assist in AGI Capital’s handling of proxy voting responsibilities.

In certain circumstances, a client may request in writing that AGI Capital vote proxies for its account in accordance with a set of guidelines which differs from the Proxy Guidelines. For example, a client may wish to have proxies voted for its account in accordance with the Taft-Hartley Proxy Voting Guidelines. In that case, AGI Capital will vote the shares held by such client accounts in accordance with their direction, which may be different from the vote cast for shares held on behalf of other client accounts that vote in accordance with the Proxy Guidelines.

AGI Capital will generally refrain from voting proxies on non-U.S. securities that are subject to share blocking restrictions. Certain countries require the freezing of shares for trading purposes at the custodian/sub-custodian bank level in order to vote proxies to ensure that shareholders voting at meetings continue to hold the shares through the actual shareholder meeting. However, because AGI Capital cannot anticipate every proxy proposal that may arise (including a proxy proposal that an analyst and/or portfolio manager believes has the potential to significantly affect the economic value of the underlying security, such as proxies relating to mergers and acquisitions), AGI Capital may, from time to time, instruct the Proxy Provider to cast a vote for a proxy proposal in a share blocked country.

The Proxy Guidelines also provide for oversight of the proxy voting process by a Proxy Committee. The Proxy Committee meets at least annually, and when necessary to address potential conflicts of interest. AGI Capital may have conflicts of interest that can affect how it votes its client’s proxies. For example, AGI Capital may manage a pension plan whose management is sponsoring a proxy proposal. In order to ensure that all material conflicts of interest are addressed appropriately while carrying out AGI Capital’s obligation to vote proxies, the Proxy Committee is responsible for developing a process to identify proxy voting issues that may raise conflicts of interest between AGI Capital and its clients and to resolve such issues. Any deviations from the Proxy Guidelines will be documented and maintained in accordance with Rule 204-2 under the Advisers Act.

The Proxy Committee monitors the outsourcing of voting obligations to the Proxy Provider and AGI Capital’s proxy voting recordkeeping practices; adheres to a process for resolution of voting issues that require a case-by-case analysis; and, to the extent the Proxy Guidelines do not cover potential proxy voting issues, determines a process for voting such issues.

In accordance with the Proxy Guidelines, AGI Capital may review additional criteria associated with voting proxies and evaluate the expected benefit to its clients when making an overall determination on how or whether to vote a proxy. Upon receipt of a client’s written request, AGI Capital may also vote proxies for that client’s account in a particular manner that may differ from the Proxy Guidelines. In addition, AGI Capital may refrain from voting a proxy on behalf of its clients’ accounts due to de-minimis holdings, immaterial impact on the portfolio, items relating to non-U.S. issuers (such as those described below), non-discretionary holdings not covered by AGI Capital, timing issues related to the opening/closing of accounts, securities lending issues (see

below), contractual arrangements with clients and/or their authorized delegate, the timing of receipt of information, or where circumstances beyond its control prevent it from voting. For example, AGI Capital may refrain from voting a proxy of a non-U.S. issuer due to logistical considerations that may impair the AGI Capital's ability to vote the proxy. These issues may include, but are not limited to: (i) proxy statements and ballots being written in a language other than English, (ii) untimely notice of a shareholder meeting, (iii) requirements to vote proxies in person, (iv) restrictions on non-U.S. person's ability to exercise votes, (v) restrictions on the sale of securities for a period of time in proximity to the shareholder meeting, or (vi) requirements to provide local agents with power of attorney to facilitate the voting instructions. Such proxies are voted on a best-efforts basis.

If a client has decided to participate in a securities lending program, AGI Capital will defer to the client's determination and not attempt to recall securities on loan solely for the purpose of voting routine proxies as this could impact the returns received from securities lending and make the client a less desirable lender in the marketplace. If the participating client requests, AGI Capital will use reasonable efforts to notify the client of proxy measures that AGI Capital deems material.

The ability to timely identify material events and recommend recall of shares for proxy voting purposes is not within the control of AGI Capital and requires the cooperation of the client and its other service providers. Efforts to recall loaned securities are not always effective and there can be no guarantee that any such securities can be retrieved in a timely manner for purposes of voting the securities.

Clients may obtain a copy of the Proxy Guidelines upon request. To obtain a copy of the Proxy Guidelines or to obtain information on how an account's securities were voted, clients should contact their account representative.

ITEM 18. FINANCIAL INFORMATION

AGI Capital has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

ITEM 19. PRIVACY POLICY

AGI Capital considers customer privacy to be a fundamental aspect of its relationship with clients and is committed to maintaining the confidentiality, integrity and security of its current, prospective and former clients' personal information. To ensure a client's privacy, AGI Capital has developed policies designed to protect this confidentiality, while allowing client needs to be served.

In the course of providing its clients with products and services, AGI Capital may obtain non-public personal information about its clients which may come from sources such as account applications and other forms, from other written, electronic or verbal correspondence, from client transactions, from brokerage or financial advisory firms, financial advisers or consultants, and/or from information captured on AGI Capital's website.

As a matter of policy, AGI Capital does not disclose any personal or account information provided by its clients or gathered by AGI Capital to non-affiliated third parties, except as necessary in connection with providing services to its clients (including, but not limited to, proxy voting service providers, custodians, or broker-dealers), or as required or permitted by law. As is common in the

industry, non-affiliated companies may from time to time be used to provide certain services, such as preparing and mailing prospectuses, reports, account statements and other information, conducting research on client satisfaction and gathering shareholder proxies. AGI Capital may also retain non-affiliated companies to market its products and enter into joint marketing agreements with other companies. These companies may have access to clients' personal and account information, but are solely permitted to use the information to provide the specific service or as otherwise permitted by law. AGI Capital may also provide its clients' personal and account information to a client's brokerage or financial advisory firm and/or to a client's financial adviser or consultant.

AGI Capital reserves the right to disclose or report personal information to non-affiliated third parties, in limited circumstances, where it believes in good faith that disclosure is required under law to cooperate with regulators or law enforcement authorities, to protect its rights or property or upon reasonable request by any mutual fund in which its clients have chosen to invest. In addition, AGI Capital may disclose information about a client or a client's account to a non-affiliated third party if AGI Capital receives written consent from the client to the disclosure.

AGI Capital may share client information with its affiliates in connection with servicing a client's account(s) or to provide a client with information about products and services that it believes may be of interest to them. The information AGI Capital shares may include, for example, a client's participation in its mutual funds or other investment programs, a client's ownership of certain types of accounts (such as a public pension), or other data about a client's account(s). AGI Capital's affiliates, in turn, are not permitted to share client information with non-affiliated entities, except as required or permitted by law.

AGI Capital takes seriously the obligation to safeguard its clients' non-public personal information. AGI Capital has implemented procedures designed to restrict access to a client's non-public personal information only to its personnel who need to know that information to provide products or services to its clients. In addition, AGI Capital has physical, electronic, and procedural safeguards in place to guard a client's non-public personal information.

AGI Capital will dispose of records that are knowingly derived from a consumer reporting agency regarding a client that is an individual in a manner that ensures that the confidentiality of the data is maintained. Such records include, among other things, copies of consumer reports and notes of conversations with individuals at consumer reporting agencies.