

Item 1. - Cover Page

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This brochure provides information about the qualifications and business practices of Allianz Global Investors Europe GmbH (“AGIE”). If you have any questions about the contents of this brochure, please contact us at +49-69-263-13900. 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 AGIE also is available on the SEC’s website at www.adviserinfo.sec.gov.

We sometimes refer to ourselves as a registered investment adviser. This means that we are registered as an investment adviser under the Investment Advisers Act of 1940, as amended. However, registration does not imply a certain level of skill or training.

Item 2. - Material Changes

Since our previous brochure dated June 28, 2011, the following material changes have taken place: In September 2011, as part of an internal corporate restructuring of different entities owned by Allianz SE, the new name for the asset management division of Allianz Group, Allianz Asset Management, was announced. The new structure, effective January 1, 2012, provides the framework for two separate and discrete investment management businesses – Allianz Global Investors and PIMCO – to offer their own distinctive philosophies and cultures and provides clients with a comprehensive and constantly evolving range of investment styles. The new structure allows Allianz Global Investors, of which AGIE is an affiliate, to work globally through a more integrated model under one global leadership team.

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Item 4. - Advisory Business

AGIE is the successor of the investment management and investment advisory businesses of AGIA, effective as of May 31, 2011. AGIE was established in 2005 and commenced operations in 2006, but the business transferred from AGIA has been in operation since 1990 either directly or through its predecessors. Historically, AGIE's business activities focus on providing advisory services to enterprises operating in Germany and other jurisdictions in many areas of finance, in particular capital investment and asset management. AGIE also focuses on investment and contract brokering, concentrating in particular on the cross-border sale of investment funds sponsored by AGI Group entities through brokers of investment products, such as banks, fund platforms, fund of fund managers and other institutional investors. Before the merger of AGIA into AGIE, AGIE did not offer or provide services to clients in the United States. With the transfer of functions from AGIA, AGIE now provides investment management and investment advisory services to institutional clients in the United States, as described below. To a lesser extent, AGIE now also provides services to individuals, however, these services are only provided outside the United States.

AGIE offers investment management and investment advisory services for equity, fixed income, balanced, and Multi Asset accounts. We manage client accounts on both a fully discretionary basis, subject to that client's investment objectives, guidelines, and restrictions, or on a non-discretionary basis. As of December 31, 2011, AGIE had USD 50.2 billion in discretionary assets under management. As of the same date, we had USD 9.3 billion in non-discretionary assets under management. These amounts reflect our total assets under management. The assets under management of our US-based accounts managed on a discretionary and non-discretionary basis are, as of December 31, 2011, ca. USD 285 million and ca. USD 195 million, respectively.

Our services may include one or more of the following:

- Assisting clients in the development and subsequent modification of appropriate investment objectives, guidelines, and restrictions
- Determining an appropriate investment strategy, consistent with the investment objectives, guidelines, and restrictions established by the client, and reviewing and modifying the client's strategy through periodic meetings and consultations with the client or its agents
- Implementing the client's investment strategy through the purchase and sale of securities and/or other financial instruments, the exercise of options, warrants, and subscription rights, and the investment and re-investment of cash balances for the client's account
- Providing information and instructions to the custodian (or trustee) of the client's account so that transactions for the account settle in an accurate and timely manner, and reconciling client records with those of the custodian (or trustee) on a periodic basis

- Monitoring the individual instruments held in client accounts so that the individual instruments and the overall portfolio remain consistent with the investment strategy for the account as well as the client's investment objectives, guidelines, and restrictions
- Evaluating proposed corporate actions
- Furnishing reports to the client on a periodic basis concerning account activity and performance

We do not provide all of the services listed above to all clients, and we provide additional services, described below, to our clients based outside the United States. We tailor our investment advice to the investment objectives of the client and any guidelines or restrictions established by clients. Before establishing a client relationship, we work with the prospective client to understand particular needs and investment goals, and to establish any guidelines or restrictions applicable to the account.

We also provide investment advisory and/or administration, client servicing or distribution services to certain of our affiliates, including, but not limited to, Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt am Main, Allianz Global Investors Luxembourg S.A. and RCM Capital Management LLC, San Francisco.

As discussed in item 5 below, clients typically pay for our services on the basis of fees calculated as a percentage of assets under management, although we may agree to alternative fee arrangements (including, as one example, performance fees) in appropriate circumstances.

Besides the investment advisory services described above, we also offer financial planning services to particular clients. Since late 2004, through a specialized team, AGIA, and now AGIE, has advised individuals, including high net worth individuals, concerning comprehensive plans of various financial instruments tailored to address the individual client's long-term financial needs. We currently only provide financial planning services to clients outside of the United States. Although not provided to clients in the United States, our business activities include the cross-border sale of investment fund units offered by our affiliates through investment product brokers, such as banks, fund platforms and fund-of-fund managers. In the area of investment and contract brokering execution services, our target clients are predominantly based in the European Economic Area, and these services are not provided to clients in the United States.

AGIE is a wholly-owned subsidiary of Allianz Global Investors Holding GmbH ("AGI Holding"). AGI Holding is the legal entity previously known as AGI Europe Holding GmbH, the renaming was effected in January 2012. AGI Holding is a wholly-owned subsidiary of Allianz Asset Management AG ("AAM"). AAM was previously known as Allianz Global Investors AG, the renaming was effected in January 2012. AAM acts as a holding company for the asset management businesses of Allianz SE, and is a wholly-owned subsidiary of Allianz SE. Allianz SE's principal offices are located in Munich, Germany, and it acts as a reinsurance company and a holding company for the Allianz Group. The Allianz Group is one of the world's leading financial service providers, offering insurance, banking, and asset management products and services through property-casualty insurance, life and health insurance, and financial

services business segments. Allianz SE engages in financial services operations with approximately 142,000 employees in about 70 countries around the world.

We cannot guarantee or assure you that your investment objective(s) will be achieved. We do not guarantee the future performance of any client's account or any specific level of performance, the success of any investment decision or strategy that we may use, or the success of our overall management of any account. The investment decisions we make for client accounts are subject to various market, currency, economic, political and business risks, and the risk that investment decisions will not always be profitable. Many of these risks are discussed in Item 8 below, which you should review carefully before deciding to engage our services.

Item 5. - Fees and Compensation

The standard fee schedule applicable to our institutional clients in the United States is as follows:

- **Global Equity**

Up to USD \$35 million	0.75% annually
from USD \$35 million to \$75 million	0.50% annually
from USD \$75 million to \$220 million	0.35% annually
above USD \$220 million	0.30% annually

- **Europe Growth**

Up to USD \$35 million	0.70% annually
from USD \$35 million to \$75 million	0.55% annually
from USD \$75 million to \$220 million	0.40% annually
above USD \$220 million	0.40% annually

The above fee schedules are our standard fee schedules for fully discretionary separate accounts in the global equity strategy. We also subadvise US-based mutual funds, and receive a portion of the advisory fees paid by those funds to their investment manager. Each mutual fund has its own prospectus describing the fees and expenses paid by those funds. We offer investment advisory, investment management and fiduciary management services to clients outside of the US, and they may pay fees that differ from those above.

We ordinarily calculate our fees based on our valuation of the assets in the client's portfolio. We may agree with clients to instead calculate fees based upon the custodian's valuation of the assets in the client's portfolio.

Our fees are generally calculated using either of the following methods of calculation:

- **Average Month-End Assets—Arrears.** The fee for each one-, three- or six-month period is the amount obtained by computing the average market value of cash and securities in the portfolio (including amounts accrued) as of the close of business on the last day of each month of the one-, three- or six-month period and

multiplying the resultant average market value by one-twelfth, one-fourth or one-half, respectively, of the applicable annual fee rate(s).

- Arrears. The fee for each one-, three- or six-month period is the amount obtained by multiplying the market value of cash and securities in the portfolio (including amounts accrued) as of the close of business on the last day of each month, three- or six-month period by one-twelfth, one-fourth or one-half, respectively, of the applicable annual fee rate(s).

Other methods of calculation also may be available, where appropriate or upon a client's request.

While we believe that our fees are similar and competitive to fees charged by other advisory firms for similar services, comparable service may be available from other sources for lower fees.

In addition, and to the extent permitted by law, we may enter into performance-related fee arrangements, provided that all applicable regulatory requirements are met, including those relating to the qualification of clients to pay performance-related fees. Presently, our US-based clients do not pay performance-related fees; performance-related fees are currently only available to our non-US based clients. See Item 6 for a discussion of how we manage potential conflicts of interest arising from performance-related fees.

Under our general policy, we charge fees to clients in accordance with the fee schedule in effect at the time the client first entered into an investment management or investment advisory relationship with us. However, in certain circumstances, fees may be subject to negotiation, and fees may be modified for particular clients. The reasons for modifications may include, without limitation, the type of product provided, the complexity and level of service provided, the number of different accounts and the total assets under management for that client and related clients, the particular type of client, constraints imposed by substantial potential capital gains, required attendance at client meetings, other services provided by the adviser, other administrative services provided, or other circumstances or factors that we deem relevant. A different fee schedule may apply if an account receives more limited services than full discretionary investment management, or if an account has specialized investment objectives, guidelines and restrictions. We may amend our fee schedule at any time. For our financial planning clients, we receive compensation, including a portion of applicable sales charges, from funds in which those clients invest; these financial planning services are not presently offered to US-based clients.

Holdings in a client's account may include securities of investment companies or other collective investment vehicles that we advise. Those investment companies or collective investment vehicles charge a separate management fee, as disclosed in their relevant governing or offering documents. See Item 10 below for more information on these accounts.

Besides our fees, you will pay fees and expenses of other service providers, including custodians, brokers, and other third parties. These fees and expenses may also include custodial fees, sales charges, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions, including commissions. If you invest in a pooled investment vehicle, that vehicle or fund will charge management fees and other expenses, as disclosed in the fund's prospectus or offering memorandum. Although these charges, fees and

commissions are in addition to our fee, they are paid to other parties, and we do not receive any portion of these amounts, except in some cases when invested in an investment company or collective investment vehicle we advise if so agreed with you.

Item 12 below describes the factors that we consider when selecting or recommending broker-dealers for client transactions, including the use of client commissions to acquire research and brokerage services. Your account, and not us, will pay the commissions charged by broker-dealers.

Before providing services to clients, we generally will enter into a written client agreement with you. The client agreement sets forth the specific manner for charging advisory fees. We typically receive advisory fees from our separate account clients on a quarterly basis, but the term may vary as agreed to with a particular client. Investment management and investment advisory contracts between us and our clients generally are terminable at any time by either party by written notice; ordinarily notice is deemed to be effective upon receipt or at the time specified in the notice. Upon termination, advisory fees will be pro rated over the period during which investment management or investment advisory services were provided. Upon termination of any account, any earned, unpaid fees will be due and payable. Clients are billed directly for fees, and we are not authorized to directly deduct fees from your account.

Neither AGIE nor our supervised persons accept compensation for the sale of securities or other investment products to US-based clients.

Item 6. - Performance-Based Fees and Side-by-Side Management

As noted in Item 5, we may enter into performance-related fee arrangements with our clients. We manage accounts that pay asset-based fees and accounts that pay in addition a performance-related fee. Performance-related fee arrangements vary depending on the particular client's needs and individual circumstances. Performance-related fees may create an incentive for us to make investments that are riskier or more speculative than would be the case in the absence of a performance-related fee arrangement. They may also create an incentive for us to favor certain accounts over others. In addition, under certain circumstances, we may receive compensation under a performance-related fee arrangement that is larger than we otherwise might receive under asset-based fee arrangements.

We have written compliance policies and procedures designed to mitigate or manage these conflicts of interest, including but not limited to policies and procedures to seek fair and equitable allocation of investment opportunities (including IPOs) and trades (see Item 12 below, including the discussion on aggregating orders) among all client accounts. Adherence to these policies and procedures are subject to daily monitoring by Compliance. Senior staff review monthly performance reports on our client accounts, including those that pay performance-related fees and those that do not, and review the reports for, among other things, potential performance differences between these accounts. The reviews are part of the way we manage potential conflicts that could create incentives for our investment personnel to favor one account over another. While some of our accounts, including those that pay performance-related fees, may short securities held long by our US-based accounts or obtain similar exposures through the use of derivatives, the particular portfolio managers responsible for the US-based accounts make

investment decisions independently from decisions made by other portfolio managers who may engage in short sales, and the portfolio managers for the US-based accounts do not currently manage accounts that would enter into short positions in securities held long by our US-based accounts. See Item 11 below. There is no guarantee that any such policies or procedures will cover every situation in which a conflict of interest arises.

Item 7. - Types of Clients

We provide investment management and investment advisory services to, among others, investment companies, pension and profit-sharing plans, financial institutions, foundations, corporations, individuals, insurance companies, partnerships, other business entities, trusts, collective investment vehicles, estates, charitable organizations, managed accounts, governmental entities, quasi-governmental entities, and supranational entities. Some of these entities receive our services on a subadvisory basis.

We do not require a fixed minimum amount of assets for the establishment of an institutional investment management or investment advisory account, however, we generally require that accounts generate certain minimum fees. Exceptions may be made if circumstances warrant on a case by case basis. Accounts for individuals will be opened at smaller asset levels.

We generally require clients to enter into a written investment management or investment advisory agreement prior to the establishment of an account. We will not enter into an investment management or investment advisory relationship with any prospective client whose investment objectives, guidelines, and restrictions we deem incompatible with our basic investment philosophy or strategies, or if we deem the prospective client's investment objectives, guidelines, and restrictions unduly restrictive.

Item 8. - Methods of Analysis, Investment Strategies and Risk of Loss

Our Investment Methods and Strategies

We provide investment management and investment advisory services relating to a broad range of investment strategies and financial instruments. While we offer investment management and investment advisory services concerning other types of strategies to our clients based outside the United States, one of our most significant investment strategies offered to US-based accounts involves investing in the equity securities and equity-related instruments of companies around the world. This strategy and the risks associated with it are discussed below. We also offer strategies to US-based clients that may invest, in addition to equities, in fixed income, mutual funds, Exchange Trades Funds ("ETFs"), derivatives and other investment vehicles. We also offer pure risk management overlay strategies with which we manage the overall risk of a client's total portfolio. These risk management overlay strategies are typically implemented by derivative instruments such as currency forwards or swaps in addition to money market related investments and ETFs. The above mentioned funds or vehicles will typically have strategies and risks broader than as described below. You should note that investing in securities involves risk of loss that you should be prepared to bear.

For research for our equity investments, we rely on the comprehensive research provided by the RCM Investment Platform, which is coordinated by RCM Capital Management LLC, San Francisco, and we use the local centers in Frankfurt, London and San Francisco depending on the area of the required research. In addition to the equity research, we draw upon in-house macro research, multi asset research and fixed income research in multi asset strategies. In general, we seek for our clients the most favorable returns available on a risk-adjusted basis.

The RCM Investment Platform's security analysis methods vary by type of mandate, and are dependent upon each individual account's investment objectives, guidelines, and restrictions. RCM Investment Platform maintains a research staff that monitors a broad universe of stocks for comparative purposes (the "Research Department"). It makes use of contacts at several levels within companies, and, where appropriate, with a company's competitors, end-users and suppliers. The Research Department's analysts follow a global universe of companies to determine whether they are good candidates for investment, and communicate recommended action on either the buy or the sell side to the appropriate portfolio management team. The RCM Investment Platform may also receive proprietary research from, and provide proprietary research (including Grassrootssm Research Reports) to its affiliates.

The Research Department places substantial emphasis on its own fundamental research. However, the RCM Investment Platform also uses outside research in two ways. First, the opinions of a broad group of industry and company specialists are considered to supplement the analysis of the RCM Investment Platform's research staff. This research information may be provided by brokers who execute portfolio transactions for clients. Second, "street" opinions and estimates on stocks, groups and economic data are monitored.

In addition to its fundamental traditional research activities, the RCM Investment Platform utilizes research produced by Grassrootssm Research, an operating group within RCM. Grassrootssm Research augments the RCM Investment Platform's own traditional research methods by seeking to verify (or disprove) market information pertaining to various companies and/or industries and by identifying and analyzing marketplace trends. The RCM Investment Platform believes that Grassrootssm Research provides a valuable complement to its traditional research methodology.

The RCM Investment Platform maintains staff in its Grassrootssm Research unit. There are also freelance journalists and field force personnel located throughout the world, including Eastern and Western Europe, Asia, Australia, Latin America, as well as the United States who collect data and other information through interviews conducted with consumers, suppliers, service providers, trade sources, polls, and government agencies, among others. The journalists prepare research reports which the Grassrootssm employees then edit and finalize. The freelance journalist and field force personnel typically work as independent contractors for, and are compensated by, broker-dealers who provide research services to the RCM Investment Platform in exchange for commissions generated by clients. See Item 12 for a discussion of our soft dollars practices.

The RCM Investment Platform also may utilize from time to time the research services of doctors representing medical specialties likely to be affected by medical, technological and economic developments in medicine, health care and related areas. These doctors serve as independent contractors for a broker-dealer, which compensates them for the services they provide.

For multi asset and active asset allocation mandates RCM draws upon RCM's global research resources and additionally on proprietary multi asset research that is centered on the areas of asset allocation and dynamic risk budgeting, overlay, commodities and volatility topics. Multi asset research is conducted by the multi asset portfolio management teams. This ensures that research is integrated into portfolio management without the typical frictions of separate research and portfolio management efforts. Multi Asset research contributes to the information advantage for active investment strategies on multi asset, overlay, commodities and volatility.

The RCM Investment Platform also maintains a quantitative analytics department who contributes to the overall investment efforts of the firm. Their main focus is to provide risk and performance analyses of portfolios to assist in future investment decisions.

Types of Investments:

We provide investment management and investment advisory services concerning a broad range of financial instruments. Some of these instruments include, but are not limited to:

- exchange traded and over-the-counter securities
- foreign securities
- American Depositary Receipts and similar depositary instruments
- securities that are eligible for resale pursuant to SEC Rule 144A
- mutual funds and other investment funds including ETFs
- privately-placed securities in public or private entities
- commercial paper
- securities issued by the United States and foreign governments and municipalities
- currency exchange transactions
- futures contracts with respect to interest rates, securities and indices
- purchase and sale of options contracts with respect to interest rates, securities, and financial indexes
- forward currency contracts and swap and related cap, floor and collar transactions with respect to interest rates
- swaps related to single asset classes or financial indices
- other derivative instruments

Particular clients may receive investment management or investment advisory services concerning one or more of the above categories of instruments.

We may also buy and sell, among other things, options on interest rate futures contracts, and options on fixed income securities for the purpose of hedging against changes in the value of securities positions due to anticipated changes in interest rates. We may engage in foreign currency exchange transactions by means of buying or selling foreign currencies on a spot basis, enter into foreign currency forward contracts, and buy and sell foreign currency options or foreign currency futures, and we may enter into foreign currency exchange transactions for the purpose of hedging against foreign currency exchange risk. We may enter into foreign currency forward contracts and buy and sell foreign currency forward contracts and buy and sell foreign currencies or foreign currency options for purposes of increasing exposure to a particular foreign currency or to shift exposure to foreign currency fluctuations from one country to another. We may enter into swap agreements for purposes of attempting to obtain a particular investment return at a lower cost than a direct investment in an instrument. Further, we may purchase and sell securities on a when-issued or delayed delivery basis, sell securities short, enter into forward commitments to purchase securities and lend securities to brokers, dealers and other financial institutions to earn income.

Investing in securities involves risk of loss and you may lose money:

General. The value of your account changes with the value of its investments. Many factors can affect those values. Your account may be subject to additional risks other than those described below because the types of investments in your account can change over time. There is no guarantee that we will be able to achieve your investment objective. It is possible to lose money by investing.

Common Stocks and Other Equity Securities. Common stock represents an ownership interest in a company. Common stock may take the form of shares in a corporation, membership interests in a limited liability company, limited partnership interests, or other forms of ownership interests. The value of a company's stock 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. A stock's value may also fall because of factors affecting not just the company, but also companies in the same industry or sector, or in a number of different industries or sectors, such as increases in production costs. The value of a company's stock 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, a company's stock generally pays dividends only after the company invests in its own business and makes required payments to holders of its bonds, other debt and preferred stock. For this reason, the value of a company's stock will usually react more strongly than its bonds, other debt and preferred stock to actual or perceived changes in the company's financial condition or prospects.

Stocks of smaller companies may be more vulnerable to adverse developments than those of larger companies. Stocks of companies that we believe are fast-growing may trade at a higher multiple of current earnings than other stocks. The value of these stocks may be more sensitive to changes in current or expected earnings than the values of other stocks. Seeking earnings growth may result in significant investments in sectors that may be subject to greater volatility than other sectors of the economy.

Companies that we believe are undergoing positive change and whose stock we believe is undervalued by the market may have experienced adverse business developments or may be subject to special risks that have caused their stocks to be out of favor. If our assessment of a company's earnings growth or other prospects is wrong, or if our judgment of how other investors will value the company is wrong, then the price of the company's stock may fall or may not approach the value that we have placed on it.

Different types of equity securities provide different voting and dividend rights and priority in the event of the bankruptcy and/ or insolvency of the issuer. In addition to common stocks, equity securities include, without limitation, preferred stocks, convertible securities and warrants. Equity securities other than common stocks are subject to many of the same risks as common stocks, although possibly to different degrees. We may invest in, and gain exposure to, common stocks and other equity securities through purchasing depositary receipts.

Equity-related instruments are securities and other instruments, including derivatives such as equity-linked securities, whose investment results are intended to correspond generally to the performance of one or more specified equity securities or of a specified equity index or analogous "basket" of equity securities. To the extent that an account invests in equity-related instruments whose return corresponds to the performance of a non-U.S. securities index or one or more non-U.S. equity securities, investing in these equity-related instruments will involve risks similar to the risks of investing in non-U.S. securities. In addition, a client's account bears the risk that the issuer of an equity-related instrument may default on its obligations under the instrument. Equity-related instruments are often used for many of the same purposes as, and share many of the same risks with, other derivative instruments such as swap agreements, participation notes and zero-strike warrants and options, as discussed below. Equity-related instruments may be considered illiquid.

Credit Risk. Client accounts may be subject to credit risk. This is the risk that the account could lose money if the issuer or the guarantor of a fixed income security (including a security purchased with securities lending cash collateral, if your account engages in securities lending), or the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, 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.

Currency Risk. Client accounts may invest directly in foreign (non-U.S.) currencies and in securities that trade in, or receive revenues in, foreign (non-U.S.) currencies, and 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, including changes in interest rates, intervention (or the failure to intervene) by U.S. or non-U.S. governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the U.S. or abroad. As

a result, investments in foreign currency-denominated securities may reduce the return of your account.

Derivatives Risk. Derivatives are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate or index. We discuss below some of the types of derivatives that client accounts may use. Client accounts may (but are not required to) use derivatives as part of a strategy designed to reduce exposure to other risks, such as risks associated with changes in interest rates or currency risk or for the implementation of asset allocation changes. Client accounts may also use derivatives for leverage, which increases opportunities for gain but also involves greater risk of loss due to leveraging risk, and to gain exposure to issuers, indices, sectors, currencies, geographic regions and/or asset classes. A client account's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments, and the use of certain derivatives may subject an account to the potential for unlimited loss. To the extent an account writes call options on individual securities that it does not hold in its portfolio ("naked" call options), it is subject to the risk that a liquid market for the underlying security may not exist at the time an option is exercised or when the account otherwise seeks to close out an option position; naked call options have speculative characteristics and the potential for unlimited loss. Derivatives also involve the risk of mispricing or improper valuation, the risk of ambiguous documentation, and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. In addition, an account's use of derivatives may increase or accelerate the amount of taxes payable by the account holder. By investing in a derivative instrument, an account could lose more than the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that we will engage in these transactions to reduce exposure to other risks when that would be beneficial or that, if used, these strategies will be successful.

Finally, federal legislation has been recently enacted in the U.S. that provides for new clearing, margin, reporting and registration requirements for participants in the derivatives market. While the ultimate impact is not yet clear, these changes could restrict and/or impose significant costs or other burdens upon an account's participation in derivatives transactions.

Examples of derivative instruments that we may buy, sell or otherwise utilize include, among others, option contracts, futures contracts, options on futures contracts, forward contracts, warrants and swap agreements, including swap agreements with respect to securities indexes. An account may purchase and sell (write) call and put options on securities, securities indexes and foreign currencies. An account may purchase and sell futures contracts and options thereon with respect to securities, securities indexes, interest rates and foreign currencies.

The following provides further discussion of risks relating to derivative instruments that we may use, subject to any restrictions applicable to a particular account.

- *Management Risk.* Derivative products are highly specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a derivative requires an understanding not only

of the underlying instrument but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions.

- *Counterparty Credit Risk.* The use of a derivative instrument involves the risk that a loss may be sustained as a result of the failure of another party to the contract (usually referred to as a “counterparty”) to make required payments or otherwise comply with the contract’s terms.
- *Liquidity Risk.* Liquidity risk exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.
- *Leveraging Risk.* Because many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, reference rate or index can result in a loss substantially greater than the amount invested in the derivative itself. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment. When an account uses derivatives for leverage, investments will tend to be more volatile, resulting in larger gains or losses in response to market changes. Leveraging risk may be especially applicable to accounts that may write uncovered (or “naked”) options.
- *Basis Risk.* Basis risk is the risk that the value of a derivative instrument does not react in parallel with the value of the underlying security.
- *Lack of Availability.* Because the markets for certain derivative instruments (including markets located in non-U.S. countries) are relatively new and still developing, suitable derivatives transactions may not be available in all circumstances for risk management or other purposes. Upon the expiration of a particular contract, we may wish to retain an account’s position in the derivative instrument by entering into a similar contract, but may be unable to do so if the counterparty to the original contract is unwilling to enter into the new contract and no other suitable counterparty can be found. There is no assurance that we will engage in derivatives transactions at any time or from time to time. An account’s ability to use derivatives may also be limited by certain regulatory and tax considerations.
- *Market and Other Risks.* Like most other investments, derivative instruments are subject to the risk that the market value of the instrument will change in a way detrimental to the account’s interest. If we incorrectly forecast the values of securities, currencies or interest rates or other economic factors in using derivatives, the account might have been in a better position if we had not entered into the transaction at all. While some strategies involving derivative instruments can reduce the risk of loss, they can also reduce the opportunity for gain or result in losses by offsetting favorable price movements in other investments. The account may also have to buy or sell a security at a disadvantageous time or price.

Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives. Many derivatives, in particular privately negotiated derivatives, are complex and illiquid and thus often valued subjectively. Improper valuations can result in increased cash payment requirements to counterparties or a loss of value to the account. Also, the value of derivatives may not correlate perfectly, or at all, with the value of the assets, reference rates or indexes they are designed to closely track. In addition, our use of derivatives may accelerate and/or increase the amount of taxes payable. Derivative instruments are also subject to the risk of ambiguous documentation.

There are significant differences between the securities and derivatives markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve the intended result. A decision as to whether, when and how to use derivatives involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. In addition, derivatives strategies that are successful under certain market conditions may be less successful or unsuccessful under other market conditions.

Emerging Markets Risk. Client accounts that invest in non-U.S. securities may experience more rapid and extreme changes in value than a portfolio that invests exclusively in securities of U.S. issuers or securities that trade exclusively in U.S. markets. Non-U.S. investment risk may be particularly high to the extent that the account invests in emerging market securities, that is, securities of issuers tied economically to countries with developing economies. See “Non-US Investment Risk” below. 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. An account may also be subject to Emerging Markets Risk if it invests in derivatives or other securities or instruments whose value or returns are related to the value or returns of emerging market securities.

Focused Investment Risk. Focusing an account’s investments in a small number of issuers, industries, foreign currencies or regions increases risk. If an account invests a significant portion of its assets in a relatively small number of issuers, it may have more 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 the account’s value. Some of those issuers also may present substantial credit or other risks. In addition, the account may be subject to increased risk to the extent it focuses its investments in securities denominated in a particular foreign currency or in a narrowly-defined geographic area outside the United States. Similarly, if the account focuses its investments in a certain type of issuer, it will be particularly vulnerable to events affecting that type of issuer. Also, the account may have greater risk to the extent it invests a substantial portion of its 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. An account may from time to time invest a

substantial portion of its assets in certain sectors, and during these periods will be subject to a greater extent to the risks associated with these sectors.

Industry Concentration Risk. Market conditions, interest rates, and economic, regulatory or financial developments could significantly affect a single industry or a group of related industries, and the securities of companies in that industry or group of industries could react similarly to these or other developments. See “Focused Investment Risk” above.

- **Eco-Sectors Related Risk.** To the extent an account focuses its investments in companies that have exposure, directly or indirectly, to one or more of the EcoEnergy, Pollution Control and Clean Water sectors that comprise the Eco-Sectors, events or factors affecting companies in the Eco-Sectors will have a greater effect on, and may more adversely affect, the account than they would with respect to an account that is more diversified among a number of unrelated sectors and industries. Companies in the Eco-Sectors may be particularly susceptible to factors such as environmental protection regulatory actions, other international political and economic developments, changes in government subsidy levels, environmental conservation practices, changes in taxation and other government regulations, and increased costs associated with compliance with environmental or other regulations. There are substantial differences between the environmental and other regulatory practices and policies in various jurisdictions, and any given regulatory agency may make major shifts in policy from time to time. Other economic and market developments that may significantly affect companies in the Eco-Sectors include, without limitation, inflation, rising interest rates, fluctuations in commodity prices, raw material costs and other operating costs, and competition from new entrants into the Eco-Sectors.

The Eco-Sectors, on the whole, are newly developing and strongly influenced by technological changes. The Eco-Sectors can be significantly affected by the level and volatility of technological change in industries focusing on energy, pollution and environmental control. In particular, technological advances can render an existing product, which may account for a substantial portion of a company’s revenue, obsolete. Product development efforts in the Eco-Sectors may not result in viable commercial products, and companies in the Eco-Sectors typically bear high research and development costs, which can limit their ability to maintain operations during periods of organizational growth or instability. Many companies in the Eco-Sectors are in the early stages of operation and may have limited operating histories and smaller market capitalizations on average than companies in other sectors. As a result of these and other factors, the value of investments in companies in the Eco-Sectors tends to be considerably more volatile than that of companies in more established sectors and industries. Each of the sectors that comprise the Eco-Sectors is susceptible to particular risks. Companies in the EcoEnergy sector may be adversely affected by substantial and/or abrupt variations in the use or prices of oil and other fossil fuels. Changes in energy conservation practices and the demand for renewable energy may also significantly impact the EcoEnergy sector. Companies in the Pollution Control sector are particularly susceptible to changes in regulatory controls on, and international treaties with respect to, the production or containment of pollutants. Changes in market practices and regulatory conditions

surrounding recycling and other waste management techniques may significantly affect the demand for products and services of companies in the Pollution Control sector. Scientific developments, such as breakthroughs in the remediation of global warming or changing sentiments about the deleterious effects of pollution, may also affect practices with respect to pollution control, which could in turn impact companies in the Pollution Control sector. Companies in the Clean Water sector are susceptible to changes in investment in water purification technology globally, and a slackening in the pace of new infrastructure projects in developing or developed countries may constrain such companies' abilities to grow in global markets. Other reductions in demand for clean water, such as significant decreases in world population or increased availability of potable water in arid regions, may reduce demand for products and services provided by companies in the Clean Water sector. To the extent an account invests in companies that may share common characteristics, are often subject to similar business risks and regulatory burdens, and whose securities may react similarly to various events and other factors, the account may be subject to focused investment risk. See "Focused Investment Risk" above. See also "Non-U.S. Investment Risk" and "Emerging Markets Risk."

- **Water-Related Risk.** To the extent an account focuses its investments in companies that are substantially engaged in water-related activities, events or factors affecting the sector consisting of companies engaged in such activities (the "water-related resource sector") will have a greater effect on, and may more adversely affect, the account than they would with respect to an account that is more diversified among a number of unrelated sectors and industries. Companies in the water-related resource sector may be significantly affected by events relating to international political and economic developments, water conservation, the success of exploration projects, commodity prices and tax and other government regulations. There are substantial differences between the water-related, environmental and other regulatory practices and policies in various jurisdictions, and any given regulatory agency may make major shifts in policy from time to time. Other economic and market developments that may significantly affect companies in the water-related resource sector include, without limitation, inflation, rising interest rates, fluctuations in commodity prices, raw material costs and other operating costs, and competition from new entrants into the sector.

Companies in the water-related resource sector are susceptible to changes in investment in water purification technology globally, and a slackening in the pace of new infrastructure projects in developing or developed countries may constrain such companies' ability to grow in global markets. Other reductions in demand for clean water, such as significant decreases in world population or increased availability of potable water in arid regions, may reduce demand for certain products and services provided by companies in the water-related resource sector. While the water-related resource sector includes established and mature companies, portions of the sector are newly developing and strongly influenced by technological changes. The sector can be significantly affected by the level and volatility of technological change in industries focusing on the quality or availability of or demand for potable and non-potable water. In particular, technological advances can render an existing product, which may account for a substantial portion of a company's revenue, obsolete. Product development efforts by companies in the sector that are focused on developing newer technologies may not result

in viable commercial products, and such companies in the sector typically bear high research and development costs, which can limit their ability to maintain operations during periods of organizational growth or instability. Many companies in the sector are in the early stages of operation and may have limited operating histories and smaller market capitalizations on average than companies in other sectors. As a result of these and other factors, the value of investments in companies in the water-related resource sector tends to be considerably more volatile than that of companies in more established sectors and industries. To the extent an account invests in companies that may share common characteristics, are often subject to similar business risks and regulatory burdens, and whose securities may react similarly to various events and other factors, the account may be subject to focused investment risk. See “Focused Investment Risk” above. See also “Non-U.S. Investment Risk” and “Emerging Markets Risk.”

Interest Rate Changes Risk. To the extent that a client account invests directly or indirectly in interest-bearing securities, it is exposed to interest-rate risk. If market interest rates rise, the value of the interest-bearing assets held by the account may decline substantially. This applies to an even greater degree if an account also holds interest-bearing securities with a longer time to maturity and a lower nominal interest rate.

IPO Risk. Client accounts may purchase securities in initial public offerings (“IPOs”). These securities are subject to many of the same risks as investing in companies with smaller market capitalizations and often to a heightened degree. Securities issued in IPOs have no trading history, and information about the companies may be available for very limited periods. In addition, the prices of securities sold in IPOs may be highly volatile. At any particular time or from time to time, an account may not be able to invest in securities issued in IPOs, or invest to the extent desired, because, for example, only a small portion (if any) of the securities being offered in an IPO may be made available to the account. See Item 12 below for a discussion of our policies concerning IPOs and secondary offerings. In addition, under certain market conditions, a relatively small number of companies may issue securities in IPOs. Similarly, as the number of portfolios to which IPO securities are allocated increases, the number of securities issued to the account may decrease. The investment performance of an account during periods when it is unable to invest significantly or at all in IPOs may be lower than during periods when the account is able to do so. In addition, as an account increases in size, the impact of IPOs on its performance will generally decrease.

Issuer Risk. The value of a security may decline for a number of reasons that directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer’s goods or services, as well as the historical and prospective earnings of the issuer and the values of its assets.

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 the account’s portfolio securities. We may engage in transactions or purchase instruments that give rise to forms of leverage. These 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. Certain types of leveraging transactions, such as short sales that are not “against the box,” could theoretically be subject to unlimited losses in cases where the account, for any reason, is unable to close out the transaction. In addition, to the extent an account borrows money, interest costs on these borrowings may not be recovered by any appreciation of the securities purchased with the borrowed amounts and could exceed the account’s investment returns, resulting in greater losses.

Liquidity Risk. Client accounts may be subject to liquidity risk. Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing the account from selling these illiquid securities at an advantageous time or price, or possibly requiring the account to dispose of other investments at unfavorable times or prices in order to satisfy its obligations. 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 these cases, the account, due to the difficulty in purchasing and selling securities or instruments, may be unable to achieve its desired level of exposure to a certain issuer or sector. To the extent that the account invests in securities of companies with smaller market capitalizations, non-U.S. securities, Rule 144A securities, derivatives or securities with substantial market and/or credit risk, it will tend to have the greatest exposure to liquidity risk.

Management Risk. Client accounts may be subject to management risk because they are actively managed investment portfolios. We will apply investment techniques and risk analyses in making investment decisions for an account, but there can be no guarantee that these will produce the desired results. An account is also subject to the risk that deficiencies in our internal systems or controls or those of another service provider will cause losses for the account or hinder operations. For example, trading delays or errors (both human and systemic) could prevent the account from purchasing a security expected to appreciate in value. Additionally, legislative, regulatory, or tax developments may affect the investment techniques available to us in connection with managing the account and may also adversely affect the ability of an account to achieve its investment objective.

Market Risk. The market price of securities owned by an account may go up or down, sometimes rapidly or unpredictably. Where an account intends to invest substantially in common stocks and/or other equity securities, a principal risk of investing is that the investments in the portfolio will 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. The market price of fixed income securities, as well as equity securities and other types of investments, may decline due to changes in interest rates or other factors affecting the applicable

markets generally. 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. Where an account invests primarily in foreign (non-U.S.) securities, it may experience more rapid and extreme changes in value than portfolios that invest exclusively 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 an account's investments in a non-U.S. country. In the event of nationalization, expropriation or other confiscation, an account could lose its entire investment in non-U.S. securities. To the extent that an account invests a significant portion of its assets in a particular currency or geographic area, the account will generally have more exposure to regional economic risks, including weather emergencies and natural disasters, associated with non-U.S. investments. For example, if an account invests a substantial amount in particular countries, the account may be subject to increased risks due to political, economic, social or regulatory events in those countries. Adverse developments in certain regions can also adversely affect securities of other countries whose economies appear to be unrelated. In addition, an account's 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.

Other Fund Risks. To the extent a client account invests primarily in mutual funds or other investment vehicles, the risks associated with the account will be closely related to the risks associated with the securities and other investments held by the mutual fund or investment vehicle, which will be described in the fund's or vehicle's prospectus or offering document. The ability of a client account to achieve its investment objective will depend upon the ability of the funds or other vehicles to achieve their investment objectives. The value of a client's account, when investing in funds or vehicles, will fluctuate in response to changes in the net asset values of the funds or vehicles in which it invests. The extent to which the investment performance and risks associated with a client account correlate to those of a particular fund or vehicle will depend upon the extent to which the account's assets are allocated from time to time for investment in a fund or vehicle, which will vary.

Smaller Company Risk. The general risks associated with investing in equity securities 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 by an account is known as “portfolio turnover.” Higher portfolio turnover involves correspondingly greater expenses to the account, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. These sales may also result in realization of taxable capital gains, including short-term capital gains, and may adversely impact the account’s after-tax returns. The trading costs and tax effects associated with portfolio turnover may adversely affect the account’s performance.

The foregoing is only a summary of certain risks of investing in the securities and instruments that we use. Specialized mandates may have particular risks not described above, and you should have a full understanding of the risks applicable to your account before engaging our services.

Item 9. - Disciplinary History

This item requires us to disclose any legal or disciplinary events material to a client’s or prospective client’s evaluation of our business or the integrity of our management. We have no information to report for this item.

Item 10. - Other Financial Industry Activities and Affiliations

In addition to providing investment advice, we distribute funds managed by AGI Group companies to our clients. Our investment and contract brokering activities concentrate in particular on the cross-border sale of investment funds sponsored by AGI Group entities through brokers of investment products, such as banks, fund platforms, fund of fund managers and other institutional investors. Also, we have entered into Client Servicing Agreements with some of our affiliates under which we provide client relationship services to their clients. These distribution, brokerage and servicing activities only take place outside the United States of America, and do not involve our United States clients.

As discussed in Item 4, we are part of the Allianz Group, which includes a number of affiliates in the investment management business. We refer to Allianz and all of its direct and indirect subsidiaries (other than us), including those listed below, as the “Allianz Affiliates.” The Allianz Affiliates may be registered as investment advisers and/or broker-dealers with the SEC or other foreign regulatory authorities. We may act as investment adviser to one or more Allianz Affiliates on either a discretionary or non-discretionary basis, and may serve as a sub-adviser for accounts or clients for which one or more Allianz Affiliates serve as investment manager or investment adviser. We also may share employees with or provide other services to the Allianz Affiliates. Similarly, we receive services, including but not limited to investment advisory services, from certain Allianz Affiliates. The discussion of Allianz Global Investors Kapitalanlagegesellschaft mbH (“AGI KAG”) in this Item below notes some of the services we receive from AGI KAG.

We and the Allianz Affiliates provide a variety of commercial banking, brokerage and other services to a broad range of clients, including issuers of securities that we may recommend

for purchase or sale by clients. These activities present potential conflicts of interest, which are discussed in Item 11 below.

We may coordinate our activities with certain other Allianz investment management businesses. These businesses include but are not limited to AGI KAG, RCM Capital Management LLC (“RCM SF”), RCM (UK) Ltd., RCM Asia Pacific Ltd., Allianz Global Investors France S.A. and AGI Luxembourg S.A. (collectively, the “Allianz Advisory Affiliates”). Some of these entities are discussed in this Item below. The Allianz Advisory Affiliates may share proprietary research and information developed by each of those entities. We and the Allianz Advisory Affiliates may attempt to make a good faith allocation of the costs incurred in creating such research, and to apportion such costs among the offices receiving access to this research. Alternatively, some or all of the cost of this research may be borne exclusively by the affiliate creating the research. Allianz Affiliates also may provide research services to non-affiliated parties.

In addition, we acquire investment information and research services from broker-dealers. One or more of the Allianz Advisory Affiliates also may acquire similar research information from broker-dealers. We and the Allianz Advisory Affiliates expect generally to share this research and to use any shared research for the benefit of our clients. See Item 12 below.

The coordination and sharing of information and research with our affiliates, including the Allianz Advisory Affiliates, creates potential conflicts of interest, as we or our employees may have an incentive to use information obtained from affiliates to our benefit and the potential detriment of clients. Conversely, our affiliates could potentially use our investment ideas for the benefit of themselves or their clients, to the detriment of our clients. We manage potential conflicts of interest related to our employees’ personal trading by, amongst others, requiring the preclearance of certain trades that may impact our clients and by using and monitoring restricted lists. See Item 11 below for a general description of our Code of Ethics. We manage the sharing of information between us and our affiliates through our trading aggregation policies described in Item 12 below. Under these policies, we aggregate trade orders sent to the trading desk, within prescribed time windows (generally 30 minutes, although the period may be adjusted in certain cases), for our clients with each other and with clients of certain Allianz Advisory Affiliates to attempt to ensure that all clients are treated in a fair and equitable manner as all orders in a certain stock executed during this window will receive the same price and will be allocated shares on a *pro rata* basis, in the case of partial fills. These practices are designed to help minimize the possibility that our clients and those of the Allianz Advisory Affiliates (with whom research is shared) would compete in the marketplace by executing transactions in the same security during these specific time frames. Further, we have allocation policies, as described in Item 12, which attempt to ensure that all clients are treated in a fair and equitable manner over time.

We describe certain of the Allianz Affiliates and Allianz Advisory Affiliates below:

AGI KAG

AGI KAG is a wholly-owned subsidiary of AGI Holding and registered as an Investment Company (“Kapitalanlagegesellschaft”) with its head office in Frankfurt am Main, Germany.

AGI KAG's business mainly focuses on the retail business, the provision of asset management services, investment advice for institutional clients and on the provision of investment advisory services for mutual funds. AGIE and AGI KAG may introduce institutional clients to each other. We share employees with AGI KAG and receive certain services, including but not limited to investment advisory, investment controlling, middle office, trade support, and IT-services from AGI KAG. We have entered into distribution agreements with AGI KAG for the distribution of funds managed by AGI KAG.

RCM (UK) Ltd

RCM (UK) Ltd. is, like AGIE, a wholly-owned subsidiary of AGI Holding, which is wholly-owned by AAM. As noted in Item 4, AAM is a wholly-owned subsidiary of Allianz SE. Certain portfolio managers working for RCM (UK) Ltd. will be providing portfolio management services through us for US clients.

RCM SF

RCM SF is wholly owned by RCM US Holdings LLC ("US Holdings"). US Holdings is a Delaware limited liability company that is wholly owned by AAM and, in turn, by Allianz SE. RCM SF employs a disciplined, globally integrated investment strategy that uses active, bottom-up stock selection methods to uncover high-quality growth companies for investment. These methods are complemented by top-down macro-economic and thematic analysis of market and sector trends. We provide investment advisory services regarding predominantly European stock selection to RCM SF on a case-by-case basis.

Allianz Affiliates

As noted above, AGIE is a wholly-owned subsidiary of AGI Holding, which is a wholly-owned subsidiary of AAM which, in turn, is a wholly-owned subsidiary of Allianz SE. Other Allianz SE subsidiaries or affiliates include, without limitation: RCM Asia Pacific Ltd., RCM Japan Co. Ltd., Allianz Global Investors Hong Kong Ltd., Allianz Global Investors France S.A., Allianz Global Investors Italia SGR, S.p.A., RCM SF, Allianz Global Investors Singapore Ltd., Allianz Asset Management of America L.P., Allianz Global Investors Fund Management LLC ("AGIFM"), Allianz Global Investors Distributors LLC, NFJ Investment Group, LLC, Allianz Pension Partners GmbH, Allianz Treuhand GmbH, risklab GmbH, Allianz Global Investors Luxembourg S.A., Allianz Global Investors Ireland Ltd., Aequitas GmbH Allianz Equity-Alternative Strategies, PIMCO Deutschland GmbH, Fondsdepot Bank GmbH, and ADIG Fondsvertrieb GmbH.

Allianz Funds Multi-Strategy Trust

RCM SF is the portfolio manager of certain series of the Allianz Funds Multi-Strategy Trust, an open-end management company. AGIFM serves as investment adviser and administrator to the Trust, and AGIE has taken on the role as a sub-adviser for one of the series, the Allianz RCM Global Water Fund, a non-diversified fund which invest primarily in equity and equity-related securities of U.S. and non-U.S. companies substantially engaged in water-related activities.

Item 11. - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Our Code of Ethics:

Our reputation for integrity and ethics is one of our most important assets. In order to safeguard this reputation, we believe it is essential not only to comply with relevant laws (national and foreign) and regulations, but also to maintain high standards of personal and professional conduct at all times. Our Code of Ethics, adopted pursuant to Rule 204A under the Advisers Act, is designed to ensure that our conduct is at all times consistent with these standards, with our fiduciary obligations to our clients, and with industry and regulatory standards for investment managers. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

The basic principles underlying our Code of Ethics are:

- We will at all times conduct our operations with integrity and distinction, putting first the interests of our clients
- Even if our clients are not harmed, we cannot take inappropriate advantage of information we learn through our position as fiduciary
- We must take care to avoid even the appearance of impropriety in our personal actions

Our officers, employees, and associated persons (collectively, “employees”) are required to follow the Code, which sets out standards of conduct and helps us 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 our Code of Ethics permits employees to trade in securities for their own accounts, employees are required to follow the Code of Ethics, which contains preclearance procedures, blackout period rules, 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. The Code of Ethics sets forth the general principles that will apply even when the specific rules do not address a specific situation or are unclear or potentially inapplicable.

Although the Code of Ethics provides guidance concerning many common types of situations, it cannot address every possible circumstance that could give rise to a conflict of interest, a potential conflict of interest, or an appearance of impropriety. Whether or not a specific provision of the Code applies, we require that each employee conduct his or her activities in accordance with the general principles embodied in the Code of Ethics, and in a manner that is designed to avoid any actual or potential conflict of interest or any abuse of an

individual's position of trust and responsibility. Technical compliance with the procedures incorporated in the Code of Ethics will not insulate actions that contravene an employee's duties to us and our clients from scrutiny. We instruct each employee to consider whether a particular action might give rise to an appearance of impropriety, even if the action itself is consistent with the employee's duties to us and our clients, and to always be alert for potential conflicts of interest. We instruct employees to consult with the Compliance Department whenever questions arise concerning the application of the Code of Ethics to a particular situation.

Our Compliance Department monitors and enforces our Code of Ethics. See Item 13 below. Although we have additional offices, AGIE employees responsible for our US-based accounts are currently based only in our London and Frankfurt offices. AGIE employees responsible for our US-based accounts and who are based in Frankfurt are subject to our US Code of Ethics. AGIE employees responsible for our US-based accounts and who are based in the United Kingdom are subject to our UK Code of Ethics, which in substance provides the same protections as our US Code of Ethics. In addition, all Frankfurt-based employees are subject to our company related (local) Codes of Ethics, which is the AGIE (ex US) Code for employees with an AGIE contract or the local German Code for employees with an AGI KAG contract who perform services to our US-based business on certain matters. These Codes are very similar and in case of discrepancies, the stricter rules are applied. Any employee who violates the Code of Ethics may be subject to remedial actions, including, but not limited to: profit disgorgement, censure, suspension, or dismissal. Employees are also required to promptly report any violation of the Code of Ethics of which they become aware. Employees are required to annually certify compliance with the Code of Ethics.

Our Participation or Interest in Client Transactions

While certain Allianz Affiliates act as brokers or agents in the sales of securities, we have a policy that securities transactions for our US-based accounts will not be effected through affiliates. As a result, we may not be able to aggregate trades for our US-based clients with our clients and those of the Allianz Advisory Affiliates if the aggregation would be executed with or through an Allianz Affiliate. Further, this policy may, in certain instances, limit the universe of brokers able to execute trades for our clients. See Item 12 for a discussion of our aggregation policies. Our related persons may affect brokerage transactions as agents for brokerage customers who may be on one side of a trade and our clients, executing through another broker, may be on the other side of the transaction.

The Allianz Affiliates provide a variety of commercial banking, brokerage and other services to a broad range of clients, including issuers of securities that we may recommend for purchase or sale by clients. In addition, we provide services, as described above, to a broad range of clients. In the course of providing these services, we or the Allianz Affiliates may come into possession of material, non-public information. However, this material, non-public information ordinarily will not be disclosed to us or our employees. We and the Allianz Affiliates have installed procedures intended to prevent the sharing of confidential information concerning issuers through commercial banking, brokerage, investment management and other operations. Confidential information, if obtained, will not be used as a factor in making investment decisions for the portfolios of our clients.

We believe that the nature and range of clients to whom we or the Allianz Affiliates render commercial banking, brokerage and other services is such that it would be inadvisable to exclude these companies from a client's portfolio solely on the basis of their relationship with us or the Allianz Affiliates. Accordingly, except to the extent prohibited by law, we will not, as a matter of policy, refrain from initiating purchases or sales of any security as to which we or the Allianz Affiliates provide commercial banking, brokerage or other services, or as to which the Allianz Affiliates possess material, non-public information. As a result, subject to each client's investment objectives, guidelines and restrictions, it is likely that client holdings will, from time to time, include the securities of issuers for whom we or the Allianz Affiliates provide commercial banking, brokerage and other services.

We also may purchase or sell for one or more client portfolios the securities of companies in which we, the Allianz Affiliates, or any of our or their employees have positions. See Item 12 below. Due to these relationships, we or the Allianz Affiliates may potentially benefit from our recommendation or purchase of the issuers for which we or the Allianz Affiliates provide services, or from our decision not to recommend or sell holdings of these issuers.

To meet applicable regulatory requirements or internal policies, there may be periods during which we may not be permitted to recommend or effect certain types of transactions in the securities of companies for which we or an Allianz Affiliate are performing commercial banking, brokerage or other services, or in which an interest is held. This may result in us being unable to recommend or effect transactions at a time when it might otherwise be advisable to do so.

We provide services to a number of different clients and accounts. We may give advice and take action with respect to any client or accounts that may differ from action taken on behalf of other clients or accounts. We are not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling, any security that our affiliates or our employees may buy or sell for their own account or for the accounts of any other client. We manage conflicts with our employees investing for their accounts by requiring that any transaction be made in compliance with our Code of Ethics, as discussed above.

Because we manage more than one account, potential conflicts of interest may arise related to the amount of time individuals devote to managing particular accounts. We may also have an incentive to favor accounts in the allocation of investment opportunities or otherwise treat preferentially those accounts that pay us a performance-related fee, or a higher fee level or greater fees overall. We have adopted procedures for allocation of portfolio transactions and investment opportunities across multiple client accounts on a fair and equitable basis over time. See Item 6 above and Item 12 below.

Potential conflicts of interest may also arise in connection with an employee's knowledge and the timing of transactions, investment opportunities, broker selection, portfolio holdings and investments. Some employees who have access to the size and timing of transactions may have information concerning the market impact of transactions. Employees may be in a position to use this information to their possible advantage or to the possible detriment of our other client accounts. An investment opportunity may also be suitable for multiple accounts we manage, but not in sufficient quantities for all accounts to participate fully. Similarly, there may be limited opportunity to sell an investment held by multiple accounts. We manage these potential conflicts

with employee transactions by requiring that any transaction be made in compliance with our Code of Ethics, and potential conflicts between client accounts through our procedures for aggregating and allocating portfolio transactions and investment opportunities discussed in Item 12 below.

While some of our accounts, including those that pay performance-related fees, may short securities held long by our US-based accounts or obtain similar exposures through the use of derivatives, the particular portfolio managers responsible for the US-based accounts generally do not manage accounts that would enter into short positions in securities held long by our US-based accounts. Nevertheless, there may be instances where a client of ours enters into short positions for a security, or obtains exposures to the security, held long by another client, which could impact the price of the security. See Item 6 above.

Certain of the Allianz Advisory Affiliates advise or manage investment companies or collective investment vehicles, and our clients may invest or be solicited to invest in these vehicles. Our affiliates receive fees from these vehicles, in addition to the fees we receive directly from our clients. We will only invest in these vehicles if the investment is in accordance with the client's guidelines and restrictions. In addition, although we do not manage private funds, some of our affiliates manage limited partnerships and/or limited liability companies. Our clients are not solicited to invest in those entities.

All of the transactions described above involve the potential for conflict of interest between us or the Allianz Affiliates and our clients. The Investment Advisers Act of 1940, the Investment Company Act of 1940, and ERISA and the regulations under those laws, where applicable, impose certain requirements designed to decrease the possibility of conflict of interest between an investment adviser and its clients. In some cases, transactions may be permitted subject to fulfillment of certain conditions. In other cases, transactions may be prohibited. We seek to ensure that potential or actual conflicts of interest are appropriately resolved, taking into consideration the overriding best interests of our client.

Item 12. - Brokerage Practices

As noted above, most clients give us full discretionary authority over assets under management, subject to any limitations or prohibitions that may be imposed by each client in its investment objectives, guidelines, and restrictions, or in instructions otherwise provided to us by the client or, in the case of subadvisory accounts, the client's principal advisor. For accounts over which we have full discretionary authority, we have the power to determine (without consultation with the client) which securities are bought and sold, when such purchases and sales are made, and the total amount of such purchases and sales. Except in those instances where a client wishes to retain discretion over broker selection and commission rate, we accept full discretionary authority to determine the broker to be used and the commission paid, with the objective of attaining the best available price and most favorable execution ("best execution") for each transaction. Some trades are made on a net basis where the client buys securities directly from a dealer, or sells them directly to a dealer. This is typical for certain equity securities traded in the over-the-counter market, and for most debt securities. In these transactions, there is no direct commission charged, but the dealer receives a "spread" which is the equivalent of a commission for engaging in the transaction.

From time to time, we may accept accounts for which we do not have full discretionary authority. For example, we may recommend purchases and sales of securities for such accounts, subject to the client's approval, or we may provide only reporting and performance measurement services. If we make a recommendation that is accepted by a non-discretionary client, that client may choose to execute the transaction itself, without our assistance. In that event, the non-discretionary client may seek to purchase or sell securities at the same time as we seek to execute a purchase or sale of the same securities for our discretionary clients, to the potential disadvantage of both. Alternatively, the client may request us as an accommodation to place orders for the purchase or sale of the securities recommended and we may either be given the right to determine the executing broker-dealer or the client may direct that these transactions be effected through specified broker-dealers. As a result, the timing of the non-discretionary client's transaction and price received may differ from that of our other clients because their transactions may be executed after the transactions for fully discretionary accounts.

In addition, from time to time, we may accept private client accounts for which a broker-dealer serves as custodian, although we don't generally entertain such requests. In these cases, the client may agree with the broker-dealer that some or all transactions for that account must be executed through that broker-dealer. In these circumstances, even though we have discretionary authority over the account, our authority to select the broker-dealer through whom transactions will be executed may be limited. As a result, we may not be in a position to ensure best execution of transactions for that client. As a result, a directed brokerage arrangement may result in clients paying more money through higher transaction costs or receiving poorer quality execution than other clients, and the client's trades may receive less favorable prices. For example, we may not be able to aggregate trades with other clients to obtain volume discounts or reduce transaction costs. See the discussion on directed brokerage below.

In selecting a broker or dealer for each specific transaction, we use our best judgment to choose the broker or dealer most capable of providing the services necessary to obtain the best execution of that transaction. In seeking the best execution of each transaction, we evaluate a wide range of criteria, including any or all of the following:

- the broker's commission rate
- liquidity and ability of the broker or dealer to commit capital
- promptness, reliability and quality of executions
- trading expertise
- positioning and distribution capabilities
- back office efficiency
- ability to handle difficult trades
- knowledge of other buyers and sellers
- ability to provide us with market-related information

- confidentiality
- capital strength and financial stability
- prior performance and responsiveness in serving us and our clients

We may also consider other factors affecting the overall benefit received by the client(s) in the transaction. We do not adhere to any rigid formula in seeking best execution.

Orders for bonds are generally placed on over-the-counter (OTC) markets. The OTC markets, which are characterised by proprietary trading transactions, are decentralised, fragmented and have low pretrade transparency, because the counterparties generally do not make the prices quoted available to a broad market. Rather, these prices are negotiated on a bilateral basis with the counterparties. Unlike on the equity markets, the choice of counterparties for bonds is often limited. In many cases, as the products are only offered by a limited number of counterparties, there is not much transparency in terms of liquidity or price. In volatile non-transparent markets, it may be necessary to accept the first price offered without the opportunity to obtain or request other prices. Moreover, there may be bonds offered exclusively through one counterparty, or for which settlement of an order of a certain size can only be guaranteed by one counterparty, in which cases it is not possible to obtain a comparative offer.

When circumstances relating to a proposed transaction indicate, in our judgment, that a particular broker or dealer is in a position to obtain the best execution, the order is placed with that broker or dealer. This may or may not be a broker or dealer that has provided investment information and research services to us. Subject to the requirement of seeking best execution, we may, in circumstances in which two or more brokers or dealers are in a position to offer comparable price and execution, give preference to a broker or dealer that has provided investment information and research services to us. In so doing, subject to applicable laws and regulations, we may effect securities transactions which cause a client to pay an amount of commission in excess of the amount of commission another broker would have charged. In selecting the broker or dealer, we will make a good faith determination that the amount of commission is reasonable in relation to the value of the brokerage services and research and investment information received, viewed in terms of either the specific transaction or our overall responsibility to the accounts for which we exercise investment discretion. We regularly evaluate all commissions paid in order to ensure that the commission represents reasonable compensation for the brokerage and research services provided by these brokers.

The brokerage commissions used to acquire research or brokerage services are known as “soft dollars.” Broker-dealers typically provide a bundle of services that include both research or brokerage services, along with execution of particular transactions. The services can be either proprietary (meaning the broker-dealer both creates and provides them) or third-party (meaning a third party creates them, but a broker-dealer provides them to us). Proprietary services include research reports as well as access to analysts and traders. Special execution services or proprietary services rarely have a fixed dollar value. We may use soft dollars to acquire both proprietary and third-party services.

Receiving research and brokerage services in exchange for soft dollars creates potential conflicts of interest for us, since we would not otherwise have to produce the services, or pay for them from our own resources, allowing us to potentially reduce our costs. We may have an incentive to direct client trades to broker-dealers who provide these services to us. Sometimes, broker-dealers require a specific level of client commissions to provide research or brokerage services that we want, and we may have an incentive to execute more trades through them, rather than through other broker-dealers that do not provide the services but who would otherwise provide comparable execution for a given trade. The services benefit us by allowing us, at no additional cost to us, (1) to supplement our own research, analysis and execution activities, (2) to receive the views and information of individuals and research staffs of other securities firms; (3) to gain access to persons having special expertise on certain companies, industries, areas of the economy and market factors; and (4) to gain access to execution services of third-parties.

Under a safe harbor from the Securities Exchange Act of 1934, an investment adviser may cause clients to pay more than the lowest available commission rate in order to acquire certain research and brokerage services with the soft dollars generated by its client account transactions. Any product and service we receive with soft dollars must fall within the safe harbor, and must provide lawful and appropriate assistance in carrying out our investment decision-making responsibilities. In some cases, our affiliates have entered into commission sharing arrangements whereby they have arrangements with a broker and the broker has arrangements with another party to provide them research, which (as noted above) is typically shared with us, effectively allowing us, subject to our best execution responsibilities, to obtain research from other parties.

We use investment information and research services that we receive from broker-dealers to evaluate securities and to formulate investment recommendations for both discretionary and non-discretionary clients. We use this information and services as part of our investment process to enhance portfolio return and to reduce trading costs, and they are helpful in serving our clients. Among other things, we may receive research reports, oral advice, and data from brokers or dealers regarding particular companies, industries, or general market or economic conditions. Investment information and research services also may include, among other things, information concerning pertinent federal and state legislative and regulatory developments and other developments that could affect the value of companies in which we have invested or may consider investing; attendance at meetings with corporate management personnel, industry experts, economists, government personnel and other financial analysts and journalists; consultation with scientific and technical experts concerning the viability and market potential of an issuer's products and services; subscription to publications that provide investment-related information; accounting and tax law interpretations; economic advice; execution or research measurement services; market-related and survey data concerning the products and services of an issuer and its competitors or concerning a particular industry that are used in reports prepared by RCM's Grassrootssm Research group to enhance our ability to analyze an issuer's financial condition and prospects; information from doctors concerning medical, technological and economic developments in medicine, health care, and related areas; and other services provided by recognized experts on investment matters of particular interest to us. Although we may not typically receive eligible brokerage services from brokers with soft dollars, we may do so if the product or service provides lawful and appropriate assistance to us in effecting securities transactions, in performing services incidental to the execution or otherwise as permitted by SEC rules and interpretations.

Our research analysts and portfolio managers use the investment information and research services that we receive from brokers or dealers to formulate recommendations for the purchase or sale of securities. These recommendations, as well as our analysis and the investment information and research services used to formulate recommendations, may be made available to the Allianz Advisory Affiliates and all of our clients (including non-US clients of AGIE and the Allianz Advisory Affiliates) and we use the information in servicing all of our clients. However, a particular account may be charged a commission paid to a broker or dealer who supplied research services not utilized by that account. In addition, non-discretionary clients for whom we do not place brokerage orders ordinarily will benefit from this investment information, even though the information was generated through commissions paid by other clients. This may also be true for clients who require us to direct all or a significant portion of their trades to one of a small number of broker-dealers. Private clients for whom a broker-dealer acts as custodian also will benefit from this research information, even though we may not receive investment information in connection with transactions executed for these private clients through that broker-dealer. However, we expect that each account generally will benefit overall by these practices because each is receiving the benefit of research services and the execution of such transactions not otherwise available to it.

In many cases, portfolio transactions may be executed in an aggregated transaction that includes concurrent authorizations to purchase or sell the same security for numerous accounts we serve, including some that may have similar investment objectives. In addition, we will aggregate trades for certain proprietary accounts of AGI Group entities with trades for our clients, and we may coordinate the execution of transactions for our clients with execution for transactions for the clients of the Allianz Advisory Affiliates, as more fully described below.

We believe that aggregation of transactions may enable us, on average and over time, to obtain enhanced execution and lower brokerage commissions (although there is no certainty that these objectives will be achieved). Coordination of transactions among our clients and the Allianz Advisory Affiliates may have similar results.

As a result, we coordinate transactions for our clients on a regional basis with certain Allianz Advisory Affiliates and through an Allianz Advisory Affiliate Executing Office (“Executing Office”). This practice helps to minimize the possibility that our clients and those of Allianz Advisory Affiliates (with whom research is shared) would compete in the marketplace by executing transactions in the same security during the same day.

Trading centers for some of the Allianz Advisory Affiliates, including AGIE, have been established as follows:

<u>Executing Offices</u>	<u>Trading Region</u>
Hong Kong	Asia (including Japan)
Frankfurt	Europe (including the U.K.)
San Francisco	North and South America

When we or an Allianz Advisory Affiliate execute an order for a security that trades in a Trading Region noted above, the order is routed to the applicable Executing Office. The

Executing Office generally will aggregate that order for execution along with any other order(s) it may have received for the same security from another Allianz Advisory Affiliate.

One of our objectives in aggregating trades for our clients with each other and with clients of the Allianz Advisory Affiliates is to attempt to ensure that all clients are treated in a fair and equitable manner over time. To help achieve this objective, we have adopted written procedures for the aggregation of orders of advisory clients (the “Aggregation Procedures”). The Aggregation Procedures are designed to comply with all applicable legal and regulatory requirements. The Aggregation Procedures provide the procedures under which orders for one client account may be aggregated with other client accounts. In general, the Aggregation Procedures require all aggregated orders to be allocated to client accounts prior to the execution of the order. In certain circumstances, deviations from the original allocation instructions may occur after a trade has been executed to the extent that one or more clients are not advantaged or disadvantaged systematically. Although we use our best efforts to ensure that all clients are treated fairly and equitably over time, there can be no assurance (and the Aggregation Procedures do not require) that any particular investment will be proportionally allocated among clients, or that the allocation process will achieve the same results for each client. Aggregated orders generally will be averaged as to price, with transaction costs shared *pro rata* based on each client’s participation in the transaction.

Although executing portfolio transactions in an aggregated transaction potentially could be either advantageous or disadvantageous to any one particular account, aggregated transactions will be effected only when we believe that to do so will be in the best interest of the affected accounts, and we have no obligation to aggregate orders into larger transactions. Orders placed by one of our affiliates, which is responsible for managing the proprietary accounts of Allianz Group entities, may also be aggregated under the policies described above, unless specific instructions e.g. regarding the broker to be used are provided by the entity (see our description regarding “directed brokerage” below in Item 12), and proprietary orders are also subject to compliance reviews. In addition, through our Zurich office, we manage fixed income holdings of proprietary accounts of certain Allianz Group entities. Personnel responsible for these accounts do not receive information concerning trades for our client accounts, and orders for these accounts, which do not involve equity holdings, are not aggregated with trades for our clients or with clients of the Allianz Advisory Affiliates.

In addition to the Aggregation Procedures, we also have adopted procedures intended to ensure that the allocation of shares or bonds received in an initial public offering (“IPO”) is done in a manner that is fair and equitable to all clients over time. Under these procedures, which apply to IPOs / new issues and secondary placement allocations, all clients whose investment profiles permit the holding of the security must be offered the opportunity to participate. Where there is interest from multiple clients, we will pre-allocate orders based on the interest from portfolio managers of eligible accounts, and our procedures are designed to ensure that all relevant portfolio managers have been consulted concerning the potential opportunity. If we do not receive the full amount of our order in an IPO / new issue or secondary offering (known as a partial fill), orders will be allocated *pro rata* relative to the initial application, but rounding may apply in some instances. Clients that would not have received a material holding may not participate in the final allocation. A non-material holding may be determined in accordance with our “small lots” policies. Under these policies, if we receive an allocation in an IPO or secondary offering that has been significantly scaled back (generally 10% or less of our

aggregate subscription, or the portfolio position would be less than 10 basis points), a client may not participate in that allocation. Any allocation not taken up by a client will be re-allocated to other participating clients. Depending on the circumstances, where a number of portfolios remain eligible to participate, selection of remaining accounts to participate will be based on either rotational or *pro rata* principles. Compliance personnel will periodically review allocations, and the application of the “small lots” policies to ensure proper allocations in accordance with these policies. Exceptions to these policies must be fully documented.

Because each client has its own investment guidelines, objectives, and restrictions, a particular security may be bought for one or more clients at a time when one or more clients are selling the same security. In these cases, when we believe it is appropriate and in accordance with applicable law and regulations, we may effect third party agency cross transactions between two or more accounts. We believe that these transactions can benefit both accounts by effecting a transfer of securities from one account to another at reduced cost.

We regularly purchase securities for client accounts that are not listed on a national securities exchange but that are traded in the over-the-counter market, and may also purchase listed securities in the third market (over-the-counter trades of exchange-listed securities) or fourth market (direct trades of securities between institutional investors without intermediation of a broker-dealer). Where transactions are executed in the over-the-counter market or third market, we will seek to deal with the primary market-makers; but when necessary in order to obtain the best price and execution, we will utilize the services of others. In all cases, we will seek to secure best execution.

We will also place orders with brokerage firms pursuant to direction received from investment management or investment advisory clients (“directed brokerage”). Clients typically arrange directed brokerage as a method whereby the brokerage commissions serve as compensation to the broker for goods and services provided directly to the client in an agreement negotiated between the client and the broker. Alternatively, the client may seek to negotiate a particular commission rate with that broker, or may use the direction of brokerage to accomplish unrelated objectives (for example, the direction of brokerage to minority-owned brokerage firms, or to brokerage firms located in the same geographic area as the client). Clients that direct brokerage may ask us to ensure that they continue to receive best execution of each transaction, or they may negotiate commission rates themselves. In addition, for clients that are ERISA plans, by law, any direction by the plan sponsor must be in the best interests of, and for the exclusive benefit of, the plan participants, in order to procure goods and services on behalf of the plan for which the plan otherwise would be obligated to pay.

When a client asks us to direct trades to a particular broker-dealer, we ordinarily will seek to fulfill that request, subject to seeking best execution of each transaction. However, we may not be in a position to negotiate commission rates or spreads, or to select brokers or dealers on the basis of best price and execution. Moreover, the client may lose the possible advantage which non-designating clients can derive from the aggregation of orders for several clients in a single transaction. Thus, orders for clients who direct trades may be executed after the orders in the same security have been completed for our other clients. As a result, directed brokerage transactions may result in higher commissions, greater spreads, or less favorable net prices than would be the case if we were authorized to choose the brokers or dealers through which to execute transactions for the client's account. In addition, accounts that direct brokerage may not be able to participate in certain allocations of IPOs.

Should a trading error occur in a client account that we caused, we will seek to place the client in the same position that it would have been in had the error not occurred. In resolving any possible trading error, our fundamental policy is that our clients' interests always come first. Errors may occur either in the investment decision making process (for example, a decision may be to purchase a security or an amount of a security that violates the client's investment restrictions), in the trading process (for example, a buy order may be executed as a sell, or a security other than that which the portfolio manager ordered may be purchased or sold) or in the processing of a trade (for example, in settling or booking a trade). We will not use soft dollars to compensate brokers for absorbing trade errors.

Item 13. - Review of Accounts

Account Reviews

Portfolio managers have primary responsibility for managing the investment risk in the portfolios they are in charge of. They are supported by research teams. The review of portfolio/composite performance is conducted on request (ad hoc), daily, weekly, monthly and during the Quarterly Performance Review process. During this quarterly review process the Global CIO, Global Head of Performance and Portfolio Risk and local CIO meet with key portfolio management teams usually 3-4 weeks after the end of each quarter. During these meetings they review the portfolios' performance, peer group performance, outperformance analysis, attribution including detailed analysis and "quick sheets", best and worst active contributors but also by voting category, style and stock snapshots (holdings based risk report), realized tracking error, composite dispersion, style analytics, and other key risk factors. Most of the analysis is provided for the last quarter as well as a longer time period.

In addition, we have implemented several internal control procedures conducted by different entities within the AGI Group that work independently from the portfolio management teams:

The Risk Management Department is responsible for the development, implementation and fostering of an integrated risk management and supervisory system according to relevant regulatory requirements, including a system for the early detection of potential issues. The department coordinates all risk-related issues within the group, focusing primarily on credit, operational and strategic risks and it coordinates the entire risk management process (strategy, identification, analysis, management, reporting, documentation). The Risk Management Department accomplishes regular reviews on a yearly basis relating to operational risks. It also is responsible for individual reviews as the case arises, for example, for the implementation of new risk strategies for one department.

The Compliance Office, among others, is responsible for the monitoring and policing of personal dealing including the misuse of insider information for the benefit of individual employees or to the detriment of individual funds/clients. It monitors employees' transactions according to internal rules. In addition, it takes measures to prevent money-laundering. Further, Compliance is in charge of best execution monitoring.

The Guideline Monitoring Team is mainly responsible for ensuring adherence to client guidelines and contractual or regulatory constraints. A portfolio administration system monitors client portfolios.

Regular performance and risk monitoring is conducted by IDS GmbH, which is a subsidiary of Allianz Group. It operates independently of the portfolio management teams and also provides a performance attribution analysis of the portfolios, using both in-house systems following common standards, as well as external software. IDS GmbH calculates performance, and it is subject to regular review by the AGI Internal Audit department.

A separate Performance and Portfolio Risk department is responsible for the calculation and analysis of portfolio returns. This department focuses specifically on the front office, working closely with portfolio managers to develop portfolio risk management techniques, providing analytical data to support and improve the investment management process. A key aspect of the role is to ensure robust and user friendly systems to facilitate portfolio risk and performance analytics across the entire investment platform.

Reports to Clients

We issue comprehensive monthly and/or quarterly written reports, consisting of portfolio valuations, transaction summaries and performance data. Depending on clients' requirements, they may also include comments on relevant economic and capital markets trends as well as portfolio reviews. In some cases, we may also provide additional, tailor-made periodical reports.

Confirmations of transactions are issued if requested by the client on the day following execution to the broker and the client's custodian bank. These confirmations contain a complete breakdown of each transaction including principal amount, commission, taxes, and other information. Transactions, cash positions, and market values are reconciled with the records of the client's custodian or trustee, as the case may be, on at least a monthly basis. Any significant differences are reported to management and resolved in an appropriate manner. Reports detailing reconciliation items are available, upon request, to the client and the custodian.

Item 14. - Client Referrals and Other Compensation

We have some arrangements where we receive some economic benefit from a non-client, such as a broker-dealer, in connection with giving advice to clients. Arguably, the use of soft dollars confers an economic benefit to us related to the advisory services we provide to clients. As discussed in Item 12 above, conflicts of interest may arise from our use of soft dollars, a client asset generated from commissions on brokerage transactions executed for client accounts. See Item 12 above for additional information concerning soft dollars and the types of research and brokerage services we may acquire with soft-dollars. We may also, from time to time, enter into arrangements with certain affiliates. See Items 10 and 11 above.

We may, from time to time, compensate solicitors with respect to solicitation activities related to our non-US clients, but these arrangements are not intended to be used to solicit for US-based clients.

Item 15. - Custody

We do not take physical possession of client funds or securities. We have a related person who may have custody over the securities of some of our non-US client's accounts. However, our related person does not have custody over the accounts of our US-based clients.

Item 16. - Investment Discretion

Most institutional clients give us full discretionary authority over assets under management. Our discretion may be subject to any limitations or prohibitions imposed by applicable laws or regulations or by a client in its investment objectives, guidelines, and restrictions, or in instructions otherwise provided to us by the client or, for subadvisory accounts, by the client's principal advisor. Before we exercise discretionary authority or invest for an account, clients generally enter into a written client agreement with us. See also Item 4 above.

Item 17. - Voting Client Securities

We do not presently have, and do not intend to accept, authority to vote proxies for securities of our US-based clients, although we may vote proxies for our clients based outside the United States. Similarly, we generally do not advise or take any action on behalf of our clients in any legal proceedings, including class actions. For our US-based clients, our services are typically limited to the investment management services described above.

Item 18. - Financial Information

We do not require or solicit prepayment of any fees in advance. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy petition in the past.