

## Allianz Global Investors U.S. LLC

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### Form ADV Part 2A Brochure January 1, 2013

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

## ITEM 2. SUMMARY OF MATERIAL CHANGES

### **Since the last update of this brochure in November 1, 2012:**

Effective January 1, 2013 two of AGI US advisory affiliates, Allianz Global Investors Managed Accounts LLC (“AGI Managed Accounts”) and Allianz Global Investors Solutions LLC (“AGI Solutions”) combined their respective investment advisory businesses (collectively, the “Merged Affiliates”) with Allianz Global Investors Capital LLC (“AGI Capital”) to form a more integrated company while at the same time respecting and supporting the distinct investment capabilities of their respective investment teams. In addition, AGI Capital changed its name to Allianz Global Investors U.S. LLC (“AGI US”) and clients of AGI Managed Accounts and AGI Solutions have become clients of AGI US.

AGI US’s assets under management (“AUM”) has been updated to include the AUMs of AGI Managed Accounts and AGI Solutions.

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

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

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#### ITEM 4. ADVISORY BUSINESS

##### Our Firm

AGI US, a Delaware limited liability company, is a registered investment adviser with offices in New York, New York and San Diego, California. AGI US is a direct, wholly-owned subsidiary of Allianz Global Investors U.S. Holdings LLC, the parent company of five asset managers in the U.S., which in turn is directly owned by Allianz Asset Management of America L.P. and indirectly, by Allianz SE, a diversified global financial institution. AGI US began furnishing discretionary and non-discretionary investment management services on May 1, 2010 following the combination of two registered investment advisory affiliates, Nicholas-Applegate Capital Management LLC and Oppenheimer Capital LLC.

##### Our Services

AGI US provides discretionary and non-discretionary investment management services throughout the world. AGI US manages client portfolios (either directly or through model delivery and wrap fee programs) applying traditional and systematic processes across a variety of investment strategies, including domestic equity, global equity, international equity, income and growth, high yield bond, futures and options, convertibles, collateralized loans and other securities and derivative instruments. AGI US also acts as a sub-adviser to wrap fee programs, investment companies and other pooled products. AGI US may also provide consulting and research services in connection with asset allocation and portfolio structure analytics.

In addition to the advisory-related services noted above, AGI US also provides administration and legal/compliance oversight services, back office operations, trading support, as well as global client service, marketing and sales support to NEJ Investment Group LLC (“NEJ”) and global client service and sales support to RCM Capital Management LLC (“RCM”). From time to time, AGI US may engage in other business activities, including licensing of intellectual property.

##### Tailoring Services to Client Needs

AGI US employs a broad range of portfolio management tools in seeking to control risk, hedge exposures and seek returns consistent with the client’s guidelines and restrictions. AGI US considers reasonable restrictions to include 1) a restriction on the purchase of a particular security or types of securities, or 2) a restriction on the purchase of a group of securities that are classified by the client to be in a particular industry acceptable to AGI US, *e.g.*, tobacco or alcohol. Other proposed restrictions are analyzed on a case-by-case basis.

AGI US generally has the responsibility to monitor investment restrictions. Clients should be aware that their restrictions can limit AGI US’s ability to act and as a result, their performance may differ from and may be less successful than that of other accounts which do not impose any restrictions. AGI US shall not be bound by any amendment to the investment restrictions unless and until the client notifies AGI in writing of such amendment.

AGI US may take up to ten business days from the time an account is approved to fully invest an account funded in cash or ten business days from the time AGI US has received instructions to terminate an account to fully liquidate the account. If the client intends to fund the account by transferring in-kind securities, AGI US will need to receive from the client, prior to the effective date

of its management duties, a list of such securities to allow AGI US to determine which securities to retain and which to replace. The client will be responsible for all tax liabilities that result from sales of contributed securities.

AGI US also offers discretionary and non-discretionary investment advisory services through wrap fee programs (“Wrap Programs”) that are generally sponsored by banks, broker-dealers or other investment advisers (each a “Sponsor”). Generally, in a Wrap Program, the client enters into an agreement with the Sponsor, who furnishes for a single “wrap” fee a variety of services which include:

- Assistance with establishing investment goals, objectives
- Asset allocation
- Security selection
- Selection of portfolio managers
- Trade execution
- Ongoing monitoring and client support

The relevant agreements between or among the client, the Sponsor and AGI US will generally outline the services that will be performed by the Sponsor, AGI US, and others in the Wrap Programs. Typically, the Wrap Program Sponsor is responsible for determining whether a specific AGI US strategy is suitable or advisable for a particular investor. For discretionary Wrap Programs, AGI US is responsible for implementing securities transactions for each investor that are appropriate for the selected investment strategy (and, if relevant, in accordance with reasonable investment restrictions imposed by an investor and accepted by AGI US). For non-discretionary Wrap Programs, AGI US will provide a model portfolio and any subsequent changes to the Sponsor to be analyzed and implemented at the Sponsor’s discretion. Clients and prospective clients in Wrap Programs should carefully review the terms of the Wrap Program disclosure documents to understand the services, minimum account size, and expenses, and other terms and conditions of such Wrap Programs.

### Assets Under Management

As of November 30, 2012, AGI US along with the Merged Affiliates managed \$29,764,908,738 (USD) in client assets, including \$19,616,061,121 on a discretionary basis and \$10,148,847,617 on a non-discretionary basis.

### ITEM 5. FEES AND COMPENSATION

AGI US furnishes investment advice pursuant to a written investment advisory agreement (the “Agreement”). In general, AGI US bases its fees on its standard fee schedule that is in effect at the time the Agreement is entered into. Advisory fees may also be negotiated with clients and therefore may vary from the standard fee schedule. Generally, either party may terminate the Agreement upon 30 day’s prior written notice. Upon termination, clients pay the pro-rata portion of fees through the termination date. In the event a client has paid fees in advance for the quarter and terminates prior to the end of such quarter, AGI US will refund the client the portion of fees paid from the date of termination to the end of such quarter.

AGI US generally calculates its fixed advisory fees as a percentage of assets under management. AGI US also may enter into a performance fee arrangement with a client pursuant to individualized

negotiations. Other investment advisers may charge higher or lower fees than those charged by AGI US for comparable services.

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

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

#### Separate Accounts Fees (Excluding Wrap Fee Programs)

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

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

#### Emerging Markets Systematic

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

#### Global Small Cap

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

#### International Systematic

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

#### Convertibles

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

#### US Emerging Growth

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

#### High Yield Bond

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

#### US Micro Cap

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

#### US Ultra Micro Cap

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

#### US Small-Mid Cap Growth

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

#### US Systematic Large Cap Growth

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

#### US Systematic Mid Cap Growth / US Systematic Mid Cap

0.750% on the first \$25 Million  
0.625% on the next \$75 Million  
0.500% thereafter  
Minimum Separate Account: \$20 Million, \$10 Million

US Systematic Small Cap Growth / US Systematic Small Cap

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

Global Managed Volatility

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

International Managed Volatility

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

US Large Cap Managed Volatility

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

All Cap Equity / SMID Growth Focus / Small Cap Growth

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

CLO

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

Asset Allocation

0.850% on the first \$50 Million  
0.750% on the next \$50 Million  
0.600% thereafter  
Minimum Separate Account: \$5 Million



## Structured Products

### Structured Alpha 500

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

### Structured Alpha 1000

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

### Structured Alpha U.S. Equity 500

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

### Structured Alpha 10 Year Treasury 500

30% of quarterly performance over BofA Merrill Lynch 10 Year US Treasury Index  
Minimum Separate Account Size: \$50 Million

### Structured Alpha 1000 Plus

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

### Structured Alpha U.S. Equity 250

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

### Hedged Equity

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

### Enhanced Equity

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

### Long Volatility

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

## Commingled Funds

### Mutual Funds, Funds of Funds and Closed-End Funds

In addition to the separate account services described above, AGI US provides advisory or sub-advisory services to registered investment companies (“Funds”) managed by AGI US, its affiliates or unaffiliated advisers. Additional information concerning a Funds’ investment management fees, and other expenses, is contained in the prospectus and statement of additional information. Investors are advised to review prospectus and statement of information prior to investing in a Fund.

AGI US compensation for acting as a sub-adviser to Funds is typically calculated as a percentage of a Fund’s average net assets, and may vary depending on a number of factors including the investment strategy employed, the type of Fund, and the amount of assets under management. The market value of a Fund’s portfolio for purposes of calculating fees will be based on the Fund custodian’s valuation. An investment in a Fund will typically be reduced by the management fees and fund expenses.

### Unregistered Commingled Funds

AGI US may also provide advisory or sub-advisory services to Unregistered Commingled Funds and may act as managing member of Unregistered Commingled Funds. These funds may be established by AGI US, its affiliates, or third parties. AGI US, its affiliates and/or their personnel may have an ownership or management interest in an Unregistered Commingled Fund. A minimum account size may be applicable for participation in an Unregistered Commingled Fund. Additional information concerning these funds, including advisory fees, is typically included in the relevant fund’s offering documents.

Advisory fees for Unregistered Commingled Funds are typically assessed by the funds’ administrator, although in certain cases, investors in these funds may pay advisory fees directly to AGI US. The Unregistered Commingled Funds may enter into agreements with certain investors which in some cases may result in lower management fees and incentive allocations than disclosed in AGI US’s standard fee schedule. AGI US’s current standard fee schedule for new investments in Unregistered Commingled Funds, if different from separate account fees disclosed above, are as follows:

### NFI International Value

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

### Allianz Global Investors Total Return

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

### **Managed Account and Wrap Fee Programs**

AGI US also receives fees for providing discretionary advisory services to Wrap Program Sponsors. AGI US does not maintain a standard fee schedule for discretionary advisory services to Wrap Programs. The advisory fees are typically negotiated with, and paid by, the Sponsor pursuant to an agreement between the parties. The advisory fees may vary by Sponsor and strategy, but are generally between .25% and .75% of total assets under management. Clients are advised to review the Wrap Program Sponsor's brochure for fees applicable to the program.

In most cases, because the Sponsor does not charge an additional commission for brokerage transactions, it will usually be more cost effective to the client for AGI US to execute transactions through the Sponsor instead of through other broker-dealers. However, if AGI US determines that the Sponsor may not provide best execution, AGI US may select another broker-dealer to effect transactions which may cause the client to incur additional overall costs. Additional information on AGI US's brokerage practices is set forth below under Item 12 Brokerage Practices.

### **Target Date Strategies**

AGI US does not maintain a standard fee schedule for Target Date Strategies. Actual fees are individually negotiated and may vary depending on a number of factors, including the size of the portfolios, the portfolio's asset allocation, additional services or differing levels of servicing or as otherwise agreed with the client.

### **Investment Model Delivery to Third Parties**

AGI US provides investment models to unaffiliated broker-dealers and investment advisers and in return receives a portion of the advisory fee received by these unaffiliated parties from their clients. Generally, these entities will pay a portion of the fee they receive from their respective clients to AGI US. The advisory fees may vary by strategy, but are generally between .25% and .40% of total assets under management. Fees may be payable in arrears or in advance, typically on a quarterly basis.

### **Compensation from the Sale of Securities**

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

Certain of AGI US's supervised persons and related sales personnel also may be associated with one or more of AGI US's affiliated broker-dealers, and in that capacity may engage in marketing or selling activities with respect to shares or interests in Funds and Unregistered Commingled Funds advised or sub-advised by AGI US, NEJ, RCM. See Item 10 Other Financial Industry Activities and Affiliations for more information. AGI US supervised persons and related sales personnel may be internally compensated for successful marketing or selling activities with respect to shares or interests in Mutual Funds and Unregistered Commingled Funds advised or sub-advised by AGI US, NEJ, RCM.

Clients may purchase certain of the investment products recommended by AGI US directly or through broker-dealers that are not affiliated with AGI US. Doing so may result in fee and execution charges that are lower (or higher) than those charged by AGI US or its affiliates.

#### **Client Service and Sales**

AGI US may be compensated directly with respect to services that it provides to one or more of its affiliated advisers. In other cases, affiliated advisers may fund the shared costs of AGI US, including the compensation paid to sales and clients service personnel.

#### **Other Fees and Expenses**

In addition to the advisory fees described above, clients will be subject to other fees and expenses in connection with AGI US's advisory services.

#### Transaction Charges

Clients, except those who participate in a Wrap Program where the Sponsor executes securities transactions, will pay brokerage commissions, mark-ups, mark-downs, other commission equivalents and/or transaction costs related to transactions effected for their accounts to executing broker-dealers. As described in Item 12 Brokerage Practices, AGI US will effect these transactions subject to its obligation to seek best overall execution. The different types of execution charges include:

- **Commissions:** the amount charged by a broker for purchasing or selling securities or other investments as an agent for the client and is disclosed on client's trade confirmations or otherwise.
- **Commission equivalents:** an amount charged by a dealer for purchasing or selling securities or other investments in certain riskless principal transactions. Riskless principal transactions refers to transactions in which a dealer, after having received an order to buy from a client, purchases the security from another person to offset a contemporaneous sale to the client or, after having received an order to sell from a client, sells the security to another person to offset a contemporaneous purchase from the client.
- **Markups:** the price charged to a client, less the prevailing market price and is included in the price of the security.
- **Mark-downs:** the prevailing market price, less the amount a dealer pays to purchase the security from the client and is included in the price of the security.
- **Spreads:** the difference between the current purchase or bid price (that is, the price someone is willing to pay) and the current or offer price (that is the price at which someone is willing to sell) and is included in the price of the security. The difference or spread narrows or widens in response to the supply and demand levels of the security.

#### Custody and Other Fees

AGI US does not select account custodians on behalf of clients or serve as the custodian of client account assets. The custodian appointed by the client will charge custody and other fees that are in addition to the advisory fees payable to AGI US.

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

### **Performance-Based Fees**

AGI US may enter into performance fee arrangements with qualified clients pursuant to individualized negotiations. Performance-based fee arrangements may create an incentive for an Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

### **Side-by-Side Management**

AGI US may manage accounts with fixed management fees (“fixed fee accounts”) alongside other accounts with performance-based fees (“performance fee accounts”). There are potential conflicts of interest that arise due to the side-by-side management of fixed fee accounts with performance fee accounts as there may be an incentive to favor the performance fee accounts over the fixed fee accounts in the allocation of investment opportunities. AGI US has implemented side-by-side policies and procedures to address this conflict so that all clients are treated fairly and equitably.

## **ITEM 7. TYPES OF CLIENTS**

AGI US provides portfolio management services to a variety of clients including:

- high net worth individuals
- corporations
- public pension and profit-sharing plans
- Taft-Hartley plans
- charitable institutions, foundations, endowments
- investment companies and other commingled funds
- trusts
- governmental entities
- Wrap Fee Programs

Certain Wrap Fee Program investors, shareholders in investment companies and investors in other pooled products will not be deemed advisory clients of AGI US.

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

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

### **Fundamental-Based Strategies**

For its fundamental-based strategies, AGI US’s method of analysis is generally research oriented utilizing the following resources: (1) experience of AGI US’s portfolio managers; (2) AGI US’s research analysts who conduct research on companies; and (3) various third party sources of issuer research, including informational databases. AGI US employs a stock selection approach which may

include but is not limited to (1) analysis of research material; (2) direct contact with company management; (3) qualitative assessment of management ability and business quality versus competitors or peers in the industry; and (4) fundamental analysis. In some instances quantitative methods may be utilized in the fundamental-based strategies. Quantitative methods may include proprietary modeling for options overlay strategies.

### **Systematic Strategies**

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

### **Structured Products Strategies**

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

### **Asset Allocation & Target Date Strategies**

The Asset Allocation portfolio structuring process is based on underlying account investment objectives, and translating those objectives into specific measurable expected risk-return profiles. The general portfolio strategy utilizes (1) a portfolio of defensive assets intended to help to preserve principal, provide current income and hedge inflation ("Defensive Assets"); (2) a portfolio of return-generating assets that emphasize after-inflation capital growth ("Return-Generating Assets"); (3) strategy-specific objectives that define the percent to invest in Defensive and Return-Generating Assets, respectively; and (4) risk-budgeted and risk-managed portfolios that are measured by total portfolio volatility, portfolio income, and portfolio tracking error. Defensive Assets typically belong to the fixed-income asset class. Return-Generating Assets typically belong to the fixed-income, equity, real estate, commodity and alternative asset classes. The resulting strategy is a combination of Defensive and Return-Generating Assets that matches the expected risk-return profile.

The following describes the methods of analysis for each of AGI US's investment strategies:

#### **Investment Process – US Small Cap Growth Strategies**

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

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

### **Investment Process – Growth Equity Strategies**

#### *(Small Cap Growth, and SMID Growth Focus)*

The Growth Equity team focuses on strategic fundamental investing, seeking insights that are differentiated from consensus estimates about a stock's earnings potential. The investment team's approach is characterized by a broad diversification of investment ideas that are researched by a deep, experienced team. They attempt to exploit short-term inefficiencies in the market by employing a bottom-up, long term investment approach. In addition, active risk management is a key factor in their portfolio construction process.

### **Investment Process – Systematic Strategies**

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

The Systematic investment team believes that investing in companies undergoing positive change with sustainable growth characteristics and timely market recognition will result in outstanding investment performance. AGI US's Systematic strategies seek to capitalize on change by quantitatively identifying the best investment opportunities in their investment universe. The firm's systematic investment approach combines a bottom-up stock-selection process with predictable risk characteristics to deliver consistent performance relative to the benchmark over time.

### **Investment Process – Managed Volatility Strategies**

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

The Systematic investment team believes that over time, investors are inadequately rewarding for taking on higher levels of risk. The Global Managed Volatility strategies use a disciplined process designed to capture market anomalies in an effort to construct a more efficient portfolio with favorable risk and return tradeoffs. By building a diversified portfolio with a proprietary investment process and emphasizing low risk stocks with low correlations to one another, the strategies seek lower levels of volatility than their benchmarks with the potential for attractive risk-adjusted performance.

### **Investment Process – Income & Growth Strategies**

#### *Convertibles*

The Income and Growth team believes that investing in the convertible securities of successful, growing companies that manage change advantageously and are poised to exceed expectations will result in outperformance as well as diversification from other asset classes. The Income and Growth team invests in convertible securities that it expects will exhibit an asymmetrical risk/return profile, i.e., participate in approximately 60-80% of the upside performance and 40-50% of the downside performance of the underlying equity.

#### *High Yield Bond*

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



yield issuers demonstrating an ability to improve their fundamental characteristics. The High Yield Bond strategy excludes asset classes such as convertibles, non-dollar bonds, derivatives and investment grade bonds.

#### *Option Overlay*

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

#### *Bank Loans*

The CLO strategy, managed by the Income and Growth team, is comprised of investments in bank loans, which in general are senior secured loans extended to companies with credit ratings below investment grade. The Income and Growth team follows a fundamental bottom-up research process, which facilitates the early identification of issuers demonstrating their ability to improve their fundamental characteristics. The issues selected for the portfolio exceed minimum credit statistics and exhibit the highest visibility of future expected operating performance.

#### **Investment Process – Structured Products Strategies**

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

#### **Investment Process – Asset Allocation & Target Date Strategies**

The investment team determines the risk profile and target allocation over time between Defensive and Return-Generating Assets, through a combination of quantitative analysis and judgment based on experience. For target-date strategies and age-based portfolios, this target allocation is time-varying, typically with a high percentage of Return-Generating Assets in the early years of investing and a low percentage of Return-Generating Assets near the target-date. For target-risk and static-risk strategies, the target allocation between Return-Generating and Defensive Assets is fixed across time.

The investment team identifies and assigns specific asset classes to the Defensive Asset portfolio and Return-Generating Asset portfolio, respectively, depending on the risk profile and target allocation. The asset class composition of these two portfolios will vary across strategies, depending on the investment objective for the specific strategy. A benchmark for the strategy will be selected based on the assigned risk profile, which determines the initial starting weights for the selected asset classes in the two portfolios.

The investment team formulates views on specific asset classes, based on analysis of market data, experience and judgment that may result in asset classes receiving more or less weight in the portfolio compared to the portfolio’s benchmark. The investment team tracks and evaluates the alpha capability exhibited by underlying mutual fund and ETF portfolio managers and portfolio management teams.

#### **Investment Process – Wrap Fee Programs**



AGI US contracts with its investment advisory affiliates NEJ, RCM and Pacific Investment Management Company LLC (“PIMCO”) to provide sub-advisory services in connection with the management of AGI US Wrap Fee Programs (collectively “Sub-Advisers”). The Sub-Advisers investment model recommendations are based on their individual investment processes, which are described briefly below. The models are used in stand-alone equity, balanced and multi-disciplinary strategy styles. The multi-disciplinary strategies may combine separate affiliated and non-affiliated sub-advisers equity strategies and/or a fixed income strategy into one portfolio with an allocation among the strategies based on established target asset allocation parameters. For additional information relating to each affiliated or non-affiliated Sub-Adviser, please refer to their respective Form ADVs posted at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**NEJ – All Cap Value, Concentrated Value, Dividend Value, International Value, Large Cap Value, Mid Cap Value, and Small Cap Value :**

*All-Cap Value*

The All-Cap Value Strategy seeks long-term capital appreciation through investment in the undervalued stocks of companies across all market capitalizations that pay or are expected to pay dividends. The strategy may also invest a portion of its assets in American Depositary Receipts, including emerging market securities.

*Concentrated Value*

The Concentrated Value Strategy seeks long-term capital appreciation through investment in a concentrated portfolio of undervalued stocks of companies across all market capitalizations that pay or are expected to pay dividends. Under normal conditions, the strategy will generally hold between 5 and 15 securities and the portfolio may invest a significant percentage of its assets in cash and cash equivalents.

*Dividend Value*

The Dividend Value Strategy seeks long-term capital appreciation through investment in the undervalued stocks of companies that pay or are expected to pay dividends. The strategy may also invest a portion of its assets in American Depositary Receipts, including emerging market securities.

*International Value*

The International Value Strategy seeks long term capital appreciation through investment in undervalued stocks of mid- and large-capitalization non-U.S. companies. The strategy invests in American Depositary Receipts and may invest up to 50% of its assets in emerging market securities.

*Large Cap Value*

The Large Cap Value Strategy seeks long-term capital appreciation through investment in undervalued stocks of large-capitalization companies that pay or are expected to pay dividends. The strategy may also invest a portion of its assets in American Depositary Receipts, including emerging market securities.

*Mid Cap Value*

The Mid Cap Value Strategy seeks long-term capital appreciation through investment in the undervalued stocks of mid-capitalization companies that pay or are expected to pay dividends. The strategy may also invest a portion of its assets in American Depositary Receipts, including emerging market securities.

*Small Cap Value*

The Small Cap Value Strategy seeks long-term capital appreciation through investment in the undervalued stocks of small-capitalization companies that pay or are expected to pay dividends. The strategy may also invest a portion of its assets in American Depositary Receipts, including emerging market securities.

## NFJ Investment Process

NFJ portfolio managers use a value investing style focusing on companies with low valuations. The portfolio managers use quantitative factors to screen the initial selection universe. To further narrow the universe, the portfolio managers analyze factors such as price momentum (*i.e.*, changes in stock price relative to changes in overall market prices), earnings estimate revisions (*i.e.*, changes in analysts' earnings-per-share estimates) and fundamental changes. The portfolio managers also classify the selection universe by industry and then identify what they believe to be the most undervalued stocks in each industry to determine potential holdings for the strategies representing a broad range of industry groups. The portfolio managers further narrow the universe through a combination of qualitative analysis and fundamental research. The portfolio managers seek to identify attractive securities within each market capitalization range. The research process is continually repeated to identify new buy and sell candidates.

## RCM – Disciplined U.S. Core Equity and Focused Growth

### *Disciplined U.S. Core Equity*

The Disciplined U.S. Core Equity Strategy seeks long-term capital appreciation through investment in companies that possess a catalyst for change. The strategy is composed primarily of U.S. large-cap companies, with some exposure to mid-cap stocks.

### *Focused Growth*

The Focused Growth Strategy seeks long-term capital appreciation through investment in growth stocks of high quality, predominantly large-cap companies.

## RCM Investment Process

RCM is a fundamental, bottom-up, research driven organization focused on identifying the best risk adjusted investments. RCM places substantial emphasis on original research developed through its Fundamental and Grassroots<sup>SM</sup> research efforts. Fundamental research efforts are conducted by RCM's research analysts, who are organized globally by sector and industry responsibility in order to ensure comprehensive coverage and application of expertise in specialized fields. By specializing in one sector only, the analysts work as a global team to identify the best stocks in the world. Grassroots<sup>SM</sup> Research is a network of more than 300 independent reporters and field investigators located in approximately 35 countries, as well as some 50,000 industry contacts located around the world. Grassroots<sup>SM</sup> Research is an innovative complement to our deep team of global industry analysts. Grassroots<sup>SM</sup> provides hands-on insights to reality check assumptions about countries, sectors, companies and products.

The Disciplined U.S. Core Equity Strategy, managed by the Disciplined Equities team within RCM, invests in undervalued companies undergoing positive change. The stock selection process is built on screening and fundamental research. The investment process begins with a screening strategy which identifies out-of-favor and low-evaluation stocks. The team then selects a small group of stocks for further research. The team conducts its own fundamental research, focusing on a variety of growth drivers, such as barriers to entry and pricing power, quality of management, cash flow outlook, and secular industry trends. The team's equity valuation work calculates upside and downside target prices. The model portfolio is constructed from the bottom-up while considering the portfolio's active risk vs. the benchmark.

Stock selection for the Focused Growth Strategy must meet rigorous growth, quality and valuation thresholds. RCM researches the universe of large-cap U.S. stocks regarding growth prospects. It then focuses on companies with financial strength and a strong, capable management team to implement its strategies and capitalize on growth opportunities. RCM evaluates stocks with above market growth rates, positive relative valuations and reasonable risk exposure. Grassroots<sup>SM</sup> research is often conducted for industries and companies considered for inclusion in the portfolio. RCM then selects the best risk adjusted growth investments for the portfolio.

## **PIMCO – Total Return**

### *Total Return*

The Total Return Strategy seeks to maximize total return with index-like volatility.

## **PIMCO Investment Process**

PIMCO utilizes a top-down bottom-up investment approach. The top-down investment process begins with PIMCO's annual secular forum where it develops a 3- to 5-year outlook for the global economy and interest rates. Quarterly meetings are then held to discuss how the outlook applies to upcoming 3- to 12-month periods and to forecast specific influencing factors, including interest rate volatility, yield curve movements and credit trends. Taken together, these sessions set basic portfolio parameters, including duration, yield-curve positioning, sector weightings and credit quality. PIMCO's bottom-up process, which includes credit analysis, quantitative research and individual issue selection, is then combined with the top-down approach to add value.

Approximately 60% of the client's assets are generally invested in a combination of individual U.S. Treasury, U.S. agency, municipal, corporate and mortgage securities. The remaining assets will be invested in a combination of the Allianz Global Investors Managed Accounts Trust (a registered investment company, the "Trust"), FISH: Series C and FISH: Series M shares. FISH: Series C invests in a wide variety of U.S. and foreign fixed income securities, including corporate and mortgage-backed securities, high yield securities, and derivative instruments. FISH: Series M invests in a portfolio of fixed income securities comprised of mortgage and other asset backed securities and derivative instruments. Assets invested in one of the FISH Portfolios will be managed in accordance with the FISH Portfolio's prospectus, and client restrictions will not apply to such assets. Clients should read the prospectus for the FISH portfolios for more complete information regarding the principal investments and risks of investing in the portfolios.

The Total Return strategy is managed pursuant to an investment model. A portion of the model may be composed of buckets of securities with common characteristics. Therefore, individual client accounts invested in the same product may hold different securities with substantially similar characteristics.

## Risk of Loss

### *Concentration Risk*

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

### *Convertible Securities Risk*

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

### *Credit Risk*

An account could lose money if the issuer or guarantor of a fixed income security (including a security purchased with securities lending cash collateral) is unable or unwilling, or is perceived (whether by market participants, ratings agencies, pricing services or otherwise) as unable or unwilling, to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in their credit ratings.

### *Counterparty Risk*

Accounts may be exposed to the credit risk of counterparties with which, or the brokers- dealers, custodians and exchanges through which, it deals in connection with the investment of its assets, whether engaged in exchange-traded or off-exchange transactions. For example, accounts may be subject to the risk that a counterparty to a derivatives contract, repurchase agreement, a loan of portfolio securities or an unsettled transaction may be unable or unwilling to honor its obligations to an account.

### *Currency Risk*

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

### *Derivatives Risk*

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

### *Emerging-Markets Risk*

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

### *Equity Securities Risk*

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

#### *Growth Investing Risk*

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

#### *High Yield Risk*

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

#### *Index Risk*

Investments in derivatives that are linked to the performance of an index, will be subject to the risks associated with changes in the applicable index. If the applicable index changes, such an investment could receive lower interest payments (in the case of a debt-related derivative) or experience a reduction in the value of the derivative to below what the investor paid. Certain indexed securities may create leverage to the extent that they increase or decrease in value at a rate that is a multiple of the changes in the applicable index.

#### *Interest Rate Risk*

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

#### *Leveraging Risk*

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



### *Liquidity Risk*

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

### *Management Risk*

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

### *Market Risk*

The market price of securities in a client account may go up or down, sometimes rapidly or unpredictably. Substantial investments in common stocks and/or other equity securities may decline in value due to factors affecting securities markets generally or particular industries or sectors represented in those markets. The values of securities may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates, adverse changes to credit markets or adverse investor sentiment generally. They may also decline due to factors that disproportionately affect a particular industry, group of related industries or sector, such as labor shortages or increased production costs and competitive conditions within an industry or sector. Equity securities generally have greater price volatility than fixed income securities. During a general downturn in securities markets, multiple asset classes may decline in value simultaneously.

### *Non-U.S. Investment Risk*

Investments in non-U.S. securities may experience more rapid and extreme changes in value than investments in securities of U.S. issuers or securities that trade exclusively in U.S. markets. The securities markets of many non-U.S. countries are relatively small, with a limited number of companies representing a small number of industries. Additionally, issuers of non-U.S. securities are often not subject to the same degree of regulation as U.S. issuers. Reporting, accounting and auditing standards of non-U.S. countries differ, in some cases significantly, from U.S. standards. Also, nationalization, expropriation or confiscatory taxation, currency blockage, market disruption,

political changes, security suspensions or diplomatic developments could adversely affect investments in a non-U.S. country. In the event of nationalization, expropriation or other confiscation, an account or fund could lose its entire investment in non-U.S. securities. Significant investments in a particular currency or geographic area may have more exposure to regional economic risks, including weather emergencies and natural disasters, associated with non-U.S. investments. Adverse developments in certain regions can also adversely affect securities of other countries whose economies appear to be unrelated. Investments in non-U.S. securities may be subject to withholding and other taxes imposed by countries outside the U.S., which could reduce the return on an investment.

#### *REIT Risk*

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

#### *Smaller Company Risk*

The general risks associated with investing in equity securities risk and liquidity risks are particularly pronounced for securities of companies with smaller market capitalizations. These companies may have limited product lines, markets or financial resources or they may depend on a few key employees. Securities of smaller companies may trade less frequently and in lesser volume than more widely held securities, and their values may fluctuate more sharply than other securities. They may also trade in the over-the-counter market or on a regional exchange, or may otherwise have limited liquidity. Companies with medium-sized market capitalizations also have substantial exposure to these risks.

#### *Turnover Risk*

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

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment strategy. The risks of each underlying fund are described further in each fund’s prospectus or other offering document. Clients should read all such materials carefully and are encouraged to consult their own financial advisors and legal and tax professionals



both initially and periodically thereafter in connection with selecting and engaging the services of an investment manager for a particular investment strategy. In addition, due to the dynamic nature of investments and markets, strategies may be subject to additional and different risk factors not discussed herein.

### **Other Investment-Related Information**

#### *Firm Level Risk Management*

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

#### *Tax Information (for tax-paying entities)*

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

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

#### *Other Sources of Information*

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

#### *Additional Disclosure – Derivatives*

AGI US invests from time to time in securities that derive their value from some underlying asset. From a technical point of view, these securities could meet the definition of the term "derivative". AGI US accepts investment mandates from its clients that restrict investments in "derivatives" or that otherwise reference the use of "derivatives." While there may be little ambiguity about the

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

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

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

US may choose to maintain foreign currency cash balances in client accounts marked-to-market daily and, if possible, invested overnight to earn interest, to facilitate foreign security settlements.

*Additional Disclosure – “Foreign” Securities*

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

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

In addition, AGI US intends to look through private and registered investment companies for these purposes and to treat derivative securities (e.g., equity linked notes) by reference to the underlying security. Conversely, if the investment advisory mandate limits the percentage of assets that may be invested in “foreign securities,” etc. or prohibits such investments altogether, AGI US may categorize securities as “foreign,” etc. only if the security possesses all of the attributes described above in clauses (i), (ii) and (iii).

**ITEM 9. DISCIPLINARY INFORMATION**

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

**ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

AGI US is registered with the Commodity Futures Trading Commission (“CFTC”) as a commodity pool operator and a commodity trading advisor. In this regard, certain employees of AGI US are

registered as associated persons with the National Futures Association to the extent necessary or appropriate to perform their responsibilities.

AGI US is indirectly related, through common ownership or otherwise, to a number of SEC-registered broker-dealers, including Allianz Global Investors Distributors LLC (“AGID”), a limited-purpose broker-dealer which serves as the distributor and principal underwriter to certain funds affiliated with AGI US and funds for which AGI US provides advisory or sub-advisory services. AGI US makes payments to AGID pursuant to a service level agreement for sales and administrative services. AGID may also serve as the placement agent for certain Unregistered Commingled Funds managed by AGI US. Certain of AGI US’s officers and portfolio managers are registered representatives of AGID to the extent necessary or appropriate to perform their responsibilities.

AGI US is related, through common ownership or otherwise, to other SEC-registered investment advisers, including (but not limited to) PIMCO, Allianz Global Investors Fund Management LLC (“AGIFM”), NEJ, and RCM.

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

AGI US may enter into a relationship with an affiliated investment adviser for (a) research sharing arrangements, (b) personnel sharing relationships, i.e., certain personnel of AGI US serve as directors and officers of affiliated entities owned or sponsored by Allianz Asset Management of America L.P., or (c) providing investment advisory services to clients of affiliated advisers including portfolio management, research and trading services.

AGI US serves as a sub-adviser to Funds that are series of the following trusts: Allianz Funds Multi-Strategy Trust and Allianz Funds. The Funds are advised by AGIFM. AGIFM is a direct subsidiary of AGI US’s owner, Allianz Global Investors U.S. Holdings LLC.

### **Selection of Other Investment Advisers**

AGI US selects the Sub-Advisers to provide model portfolios for Wrap Programs. For discretionary Wrap Programs, AGI US typically selects Sub-Advisers that are affiliated with AGI US. AGI US may also work with a Sponsor to select non-affiliated sub-advisers where the Sponsor seeks to provide the strategies of multiple sub-advisers as part of a multi-disciplinary strategy that also includes affiliated Sub-Advisers. In such cases, AGI US acts as the non-discretionary overlay manager to the Sponsor.

Selection of affiliated Sub-Advisers may pose a conflict of interest in that AGI US and its affiliated Sub-Advisers may retain a greater portion of the wrap fee than if AGI US had used unaffiliated sub-advisers. AGI US manages this conflict through disclosure to clients in this brochure.

As set forth in Item 4 Advisory Business, AGI US delegates discretionary management authority for two Unregistered Commingled Funds, the Allianz Global Investors Capital Total Return Trust and the NFJ International Value Trust, to PIMCO and NFJ, respectively.

### Other Services to Affiliates

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

#### Trade Support

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

#### Risk Management

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

#### Operations

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

#### Legal/Compliance

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

#### Global Client Service, Marketing & Sales

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

Additional corporate services, such as human resources, information technology, business systems and certain legal and compliance services are provided to AGI US by Allianz Global Investors U.S. Holdings LLC and Allianz Asset Management of America L.P.

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

### **Code of Ethics**

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

### **Participation or Interest in Client Transactions**

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

As provided herein, AGI US serves as investment manager to Unregistered Commingled Funds. AGI US makes the opportunity to invest in such funds available to its separate account clients who are eligible to invest in them, in addition to soliciting other persons who AGI US has reason to believe would qualify as investors in such funds. AGI US typically does not use its investment discretion to place separate account client assets in affiliated Unregistered Commingled Funds. Clients are required to complete subscription agreements and qualify for such investments. Please refer also to



Item 5 Fees and Compensation for information pertaining to investment in or recommendation to invest in shares or other interests in certain funds to which AGI US or its related persons provide investment advice or other services, and from which AGI US and its affiliates receive advisory, administrative and/or distribution fees.

#### **Participation or Interest in Personal Trading – Client Recommendations**

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

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

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

#### **Participation or Interest in Personal Trading – Client Trading**

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

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

## ITEM 12. BROKERAGE PRACTICES

### Investment or Brokerage Discretion

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

### Regional Trade Desks

AGI US currently operates separate regional trading desks in San Diego and New York. In some instances, certain policies, procedures and activities of AGI US as described in this Item are administered and conducted on a regional basis.

### Selection of Broker-Dealers

#### *Separate Accounts and Commingled Funds*

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

In its selection of such broker-dealers, AGI US does not adhere to any rigid formulas in selecting brokers and dealers, but weighs a combination of the factors described above. For equity brokers, AGI US allocates brokerage transactions based on a qualitative evaluation of the full service provided by the broker-dealer including such factors as: research, execution capability, capital commitment capability, initiation of trades, and securities syndication. The overriding objective in the selection of these broker-dealers is their ability to secure the best possible execution of orders.

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



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

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

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

#### *Wrap Fee Programs*

AGI US typically implements orders for accounts in the Wrap Programs at the same time it executes orders for its other separate account clients. AGI US implements the Wrap Program orders using a dedicated Wrap Program trading desk through the Sponsors. In most cases, because the Sponsor does not charge an additional commission for brokerage transactions, it will usually be more cost effective to the client for AGI US to execute transactions through the Sponsor instead of through other broker-dealers. However, if AGI US determines that the Sponsor may not provide best execution, AGI US may select another broker-dealer to effect transactions which may cause the client to incur additional overall costs.

AGI US may manage a particular investment strategy across multiple Wrap Programs offered by different Sponsors. As noted above, trades in connection with Wrap Programs are generally executed by the Sponsor. Where AGI US elects to purchase or sell securities across wrap fee accounts, several Sponsors will execute the trades. AGI US has implemented a trade rotation process whereby the order of priority in which a Wrap Program trade is rotated based on a random computer-generated sequence. A separate trading desk dedicated to AGI US will implement brokerage orders for other separately managed accounts.

AGI US may use a broker-dealer or counterparty other than the Sponsor when buying or selling fixed income securities or other instruments that trade on a principal basis. AGI US would generally utilize the trading desk of its affiliate, PIMCO in such instances. PIMCO seeks to obtain best execution and to aggregate orders along with orders for its own client accounts when it is beneficial to clients and consistent with applicable law. Fixed income securities may be purchased in the primary market, and Sponsors may restrict the purchase of a fixed income security in the primary market if the Sponsor, or one of its affiliated entities, is an underwriter or member of the

underwriting syndicate for that security. Clients should consult the brochure of the relevant Wrap Program Sponsor for information regarding potential limitations of primary market purchases.

AGI US may provide non-discretionary investment recommendations to other advisers, including affiliated advisers, who may or may not utilize such recommendations in connection with its management. These advisers may initiate trading based on AGI US's recommendations at the same time AGI US is also trading for its discretionary client accounts. This could result in AGI US discretionary clients receiving prices that are less favorable than might otherwise have been obtained absent an adviser's trading activity. Because AGI US does not control an adviser's execution of transactions for the adviser's client accounts, AGI US cannot control the market impact of such transactions to the same extent that it would for its discretionary client accounts.

AGI US also works with each Sub-Adviser to determine the sequencing of trades between AGI US's clients and the Sub-Adviser's clients. Some Sub-Advisers employ a rotational strategy to determine who goes first in the trading process.

#### *Derivative Counterparties*

As noted in Item 8, Methods of Analysis, Investment Strategies and Risk of Loss, derivative strategies that AGI US employs on behalf of its clients involve a variety of special risks. AGI US has established controls to mitigate counterparty credit risk.

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

AGI US will seek to transact primarily with established, nationally recognized broker-dealers with whom it has a pre-existing trading relationship. AGI US may transact with smaller less known brokers where necessary or appropriate, or brokers operating exclusively in non-U.S. jurisdictions meeting the minimum credit rating standard described below.

#### *Commission Benefits*

AGI US may also place securities transactions on behalf of its clients through brokers or dealers that provide AGI US with brokerage and research services. Such services provide appropriate assistance to AGI US in carrying out its responsibilities. The brokerage and research services can either be proprietary (created and provided by the broker) or third party (created by a third party but provided to AGI US by the broker). Brokerage and research services include, but are not limited to, advice as to the value of securities, the advisability of investing in, purchasing or selling securities, electronic market quotations, performance measurement services, providing information regarding the availability of securities and potential buyers or sellers of securities, and furnishing analysis and reports concerning issuers, industries, securities, economic factors and trends, and portfolio strategy. Brokerage and research services may also include financial newsletters, analytical software, company financial data, economic data, market data, clearance, settlement and custody, post trade matching, connectivity services between AGI US and broker-dealers and trading software. In recognition of the value of such brokerage and research services that are provided to AGI US by a particular broker, AGI US may, consistent with its duty to seek best execution, effect securities transactions which may cause a client to pay such broker an amount of commission in excess of the amount of commission another broker would have charged. With respect to these arrangements, AGI US intends to comply with the "safe harbor" provided by Section 28(e) of the U.S.

Securities Exchange Act of 1934, as amended, which permits the use of commissions to obtain “brokerage and research” services.

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

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

Where AGI US receives a brokerage or research service that may also have a non-research use, AGI US will make a reasonable allocation of the cost of any such mixed-use brokerage or research service according to its use on a regional basis. The portion of the brokerage or research service that provides assistance to AGI US in the investment decision-making process may be paid for with Commission Credits while the portion that provides neither brokerage nor research assistance will be paid for by AGI US with cash.

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

Certain clients may instruct AGI US to not use their commissions to generate Commission Credits to pay for third party research; however, as a matter of policy AGI US seeks to limit these requests because it believes such arrangements may result in additional costs to the client and may adversely affect the performance of the client’s account. AGI US believes that the potential benefits derived from any directed brokerage, expense reimbursement or commission recapture program may be offset by 1) clients unable to participate in certain block purchases or sales of securities, 2) the investment management team receiving less research, 3) the broker’s unwillingness to commit capital and 4) AGI US’s potential inability to achieve best execution.

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

#### *Commission Sharing Arrangements*

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

#### *Step Outs – Research*

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

#### *Step Outs – Directed Brokerage*

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

The use of “step-out” trades can, in some circumstances, help ensure clients that seek to direct brokerage are not disadvantaged by the inability to participate in aggregated executions. However, “step-out” trades are an accommodation by the executing broker-dealer, and “step-out” trades will not be available in all circumstances to satisfy requests for directed brokerage. If an account is 100% directed, AGI US will typically not step-out transactions for that account.

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

With respect to Wrap Programs, the Sponsor includes commissions and other trading costs in the Wrap Program fee and accordingly trading through the Sponsor is typically more cost effective to the a Wrap Program client. If AGI US determines that the Sponsor is not able to provide best execution, AGI US may step out trades to an alternate broker-dealer which may result in additional trading costs.

### **Trade Allocations**

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

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

#### *Trade Allocations - Initial Public or Secondary Offerings*

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

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

Portfolio managers normally allocate New Issues either at a minimum of \$50,000 or a 0.20% position in the respective account. Portfolio managers may also allocate certain international equity offerings to U.S. product portfolios if deemed appropriate for the given product/portfolio (e.g., ADRs or U.S. listed equities, including NASDAQ, with non-U.S. exposure).

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

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

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

## **ITEM 13. REVIEW OF ACCOUNTS**

### **Review of Accounts**

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

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

### **Reports to Clients**

AGI US provides advisory clients who have separately managed accounts with written reports on a quarterly basis or more frequently upon agreement between AGI US and the client. These reports



generally include, among other things, all purchases and sales of securities made during the reporting period (market price, total cost/proceeds, original unit cost and realized gain/loss on sales) and include a summary of investments in the portfolio (unit cost, total cost, market price, total market value, yield and percentage of portfolio). In addition, through telephone calls and in-person meetings, client service representatives strive to keep clients regularly informed of the investment policy and strategy AGI US is pursuing to achieve clients' investment objectives.

Clients invested in Mutual Funds and/or Unregistered Comingled Funds receive reports from the funds' transfer agent, administrator or custodian bank. Clients in Wrap Fee Programs receive reports from the Wrap Fee Program Sponsor.

#### **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

##### **Compensation from Non-Clients**

AGI US or its affiliates may pay fees to broker-dealers or other third parties in exchange for continuing due diligence, analysis, office access, training, operations and systems support, and marketing assistance. These fees may be deducted from the management fees remitted to AGI US or billed separately. In lieu of making such payments, AGI US or its affiliate may agree to pay a lump sum payment and/or payments related to specific events such as sponsorship of conferences, seminars, informational meetings, or payment for attendance by persons associated with conferences, seminars or informational meetings. In some cases, these payments may be based on assets under management or new assets. In addition, AGI US may pay for shareholder sub-administrative services. These fees are typically assessed on a per account basis for those accounts maintained by the broker-dealer or other third party and/or may be assessed to offset the transfer agency costs of maintaining those accounts that would otherwise be incurred. The broker-dealers or third parties may, in the ordinary course of business, recommend that a client select AGI US as an asset manager in their respective Wrap Programs.

##### **Referral Arrangements**

AGI US may, from time to time, pay compensation for client referrals. To the extent required by law, AGI US requires that the person referring a client to them (the "Referral Agent") enter into a written agreement in accordance with the requirements of Rule 206(4)-3 of the Advisers Act. Under this written agreement, the Referral Agent would be obligated to provide a prospective client with a separate disclosure document before AGI US opens an account for the prospective client. The separate disclosure document provides the prospective client with information regarding the nature of AGI US's relationship with the Referral Agent and any referral fees AGI US pays to the Referral Agent. Referral fees are paid entirely by AGI US and not by AGI US's clients.

AGI US's employees and employees of affiliates of AGI US may serve as Referral Agents and may be compensated for referral activities. However in those cases, neither AGI US nor its affiliated Referral Agent will provide the separate disclosure document noted above. AGI US's affiliate, AGID, employs a team of internal and external wholesalers who market AGI US's Wrap Program products. These marketing professionals receive fees for assets brought into an AGI US Wrap Program product. In addition, there are circumstances where AGI US may refer a client to an affiliated Sub-Adviser or other affiliated investment manager depending on the size and particulars of the account. In these cases, AGI US may receive a fee from the relevant Sub-Adviser or affiliated investment manager for the client referral.

#### **ITEM 15. CUSTODY**

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

#### **ITEM 16. INVESTMENT DISCRETION**

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

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

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

#### **ITEM 17. VOTING CLIENT SECURITIES**

AGI US typically votes proxies as part of its discretionary authority to manage accounts, unless the client has explicitly reserved the authority for itself. To ensure that the proxies are voted in the best interests of its clients, AGI US has adopted proxy voting procedures and guidelines for voting proxies on specific types of issues. When voting proxies, AGI US seeks to make voting decisions solely in the best interests of its clients and to enhance the economic value of the underlying portfolio securities held in its clients' accounts. AGI US will not be responsible for voting of proxies that AGI US has not been notified of on a timely basis by the client's custodian.

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

In certain circumstances, a client may request in writing that AGI US vote proxies for its account in accordance with a set of guidelines which differs from the Proxy Guidelines. For example, a client may wish to have proxies voted for its account in accordance with the Taft-Hartley proxy voting



guidelines. In that case, AGI US will vote the shares held by such client accounts in accordance with their direction, which may be different from the vote cast for shares held on behalf of other client accounts that vote in accordance with the Proxy Guidelines.

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

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

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

In accordance with the Proxy Guidelines, AGI US may review additional criteria associated with voting proxies and evaluate the expected benefit to its clients when making an overall determination on how or whether to vote a proxy. Upon receipt of a client's written request, AGI US may also vote proxies for that client's account in a particular manner that may differ from the Proxy Guidelines. In addition, AGI US may refrain from voting a proxy on behalf of its clients' accounts due to de-minimis holdings, immaterial impact on the portfolio, items relating to non-U.S. issuers (such as those described below), non-discretionary holdings not covered by AGI US, timing issues related to the opening/closing of accounts, securities lending issues (see below), contractual arrangements with clients and/or their authorized delegate, the timing of receipt of information, or where circumstances beyond its control prevent it from voting. For example, AGI US may refrain from voting a proxy of a non-U.S. issuer due to logistical considerations that may impair AGI US's ability to vote the proxy. These issues may include, but are not limited to: (i) proxy statements and ballots being written in a language other than English, (ii) untimely notice of a shareholder meeting, (iii) requirements to vote proxies in person, (iv) restrictions on non-U.S. person's ability to exercise votes, (v) restrictions on the sale of securities for a period of time in proximity to the shareholder meeting, or (vi) requirements to provide local agents with power of attorney to facilitate the voting instructions. Such proxies are voted on a best-efforts basis.

AGI US may instead vote in accordance with the proxy guidelines of its affiliate advisers when voting in connection with Wrap Programs. The affiliated adviser's guidelines may differ and in fact be in conflict with AGI US's voting guidelines.

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

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

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

#### **Class Actions and Similar Matters**

With respect to shareholder class action litigation and similar matters, AGI US separate account clients are encouraged to contact their custodians and ensure that they receive notices and are aware of the participation and filing requirements related to class action and similar proceedings. AGI US generally will not make any filings in connection with any shareholder class action lawsuits and similar matters involving securities held or that were held in separate accounts for clients, and will not be required to notify custodians or clients of shareholder class action lawsuits and similar matters. Allianz GI US will not be responsible for any failure to make such filings or, if it determines to make such filings in its sole discretion, to make such filings in a timely manner.

With respect to bankruptcies involving issuers of securities held in separate accounts, AGI US as investment adviser may in its discretion participate in bankruptcy proceedings, make investment-related elections and join creditors committees on behalf of some or all of its clients. Although AGI US may participate in such proceedings and join such committees on behalf of its separate account clients' in its discretion, it is not obligated to do so.

#### **ITEM 18. FINANCIAL INFORMATION**

AGI US does not require or solicit prepayment of its fees. AGI US is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients, nor has AGI US been the subject of a bankruptcy petition at any time during the past ten years.

## ITEM 19. PRIVACY POLICY

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

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

As a matter of policy, AGI US does not disclose any personal or account information provided by its clients or gathered by AGI US to non-affiliated third parties, except as necessary in connection with providing services to its clients (including, but not limited to, proxy voting service providers, custodians, managed account/wrap fee program sponsors or broker-dealers), or as required or permitted by law. As is common in the industry, non-affiliated companies may from time to time be used to provide certain services, such as preparing and mailing prospectuses, reports, account statements and other information, conducting research on client satisfaction and gathering shareholder proxies.

AGI US may retain non-affiliated companies to perform certain administrative and operational functions, such as daily maintenance, new account setup, reconciliation, trade settlement, recordkeeping, and reporting.

AGI US may also retain non-affiliated companies to market its products and enter into joint marketing agreements with other companies. These companies may have access to clients' personal and account information, but are solely permitted to use the information to provide the specific service or as otherwise permitted by law. AGI US may also provide its clients' personal and account information to a client's brokerage or financial advisory firm and/or to a client's financial adviser or consultant.

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

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

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

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