

## Allianz Global Investors U.S. LLC

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### Form ADV Part 2A Brochure April 5, 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 on March 20, 2013:

Effective April 1, 2013 two advisory affiliates of Allianz Global Investors U.S. LLC (“AGI US”), RCM Capital Management LLC (“AGI US”) and Caywood-Scholl Capital Management LLC (“Caywood”), combined their respective investment advisory businesses (collectively, the “Merged Affiliates”) with AGI US through a merger to form a more integrated company while at the same time respecting and supporting the distinct investment capabilities of their respective investment teams. As a result of the merger, clients of RCM and Caywood have become clients of AGI US. AGI US’s Management Board was dissolved in January 2013. The executive and oversight functions previously performed by the Management Board are now performed by the Executive Committee of AGI US’s sole and managing member, Allianz Global Investors U.S. Holdings LLC. The day-to-day portfolio management and investment operations of AGI US continue to be conducted by its officers, employees and other associated persons.

AGI US’s assets under management (“AUM”) have been updated to include the assets previously under management of RCM and Caywood.

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 and San Francisco, California. AGI US is a direct, wholly-owned subsidiary of Allianz Global Investors U.S. Holdings LLC, which in turn is owned 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. On April 1, 2013, AGI US merged with RCM Capital Management LLC ("RCM") and RCM's wholly-owned subsidiary, Caywood-Scholl Capital Management LLC. RCM had been in operation since 1970, either directly or through its predecessors. The day-to-day portfolio management and investment operations of AGI US conducted by its officers, employees and other associated persons, are overseen by the Executive Committee of its sole and managing member, Allianz Global Investors U.S. Holdings 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, balanced strategies, multi-asset allocation, risk overlay, 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. To assist existing or new clients who seek to liquidate portfolios not under AGI US's management, AGI US may liquidate the portfolio for such clients as an accommodation or for a negotiated fee.

In addition to the advisory-related services noted above, AGI US also provides administration and legal and 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 certain

administration, back office operations and trading support to Pallas Investment Partners, L.P. ("Pallas"). (See Item 10 below.) 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 (for example, tobacco), as long as AGI US has agreed with the client on the industry classification. 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 and AGI US have agreed in writing on such amendment.

AGI US may take up to ten business days (or longer depending on the complexity of the product mandate) 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.

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 Program.

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

#### Assets Under Management

As of December 31, 2012, AGI US along with the Merged Affiliates managed \$55.1 billion (USD) in client assets, including \$44.4 billion on a discretionary basis and \$10.7 billion 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, provided that all applicable regulatory requirements are met. 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.

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 amounts of assets lower than the indicated preferred minimum. In such cases, the fees charged for investment advisory services may be higher than those fees indicated herein. AGI US may terminate client accounts with assets that fall below the minimum indicated.

It is AGI US's general policy to charge fees to clients in accordance with the fee schedule in effect at the time the client first entered into an investment management or investment advisory relationship with AGI US. However, in certain circumstances, fees may be subject to negotiation, and fees may be modified for particular clients. The reasons for such modifications may include, without limitation, the type of product provided, the complexity and level of service provided, the number of different accounts and the total assets

under management for that client and related clients, the particular type of client, constraints imposed by substantial potential capital gains, required attendance at client meetings, other services provided by AGI US, other administrative services provided, or other circumstances or factors that AGI US deems relevant. A different fee schedule may apply if an account receives services that are more limited than full discretionary investment management, or if an account has specialized investment objectives, guidelines and restrictions. Certain accounts of persons affiliated with AGI US may be managed without fees or at reduced fees.

When AGI US and/or certain of its affiliates manage multiple accounts for a particular client, or for a related group of clients, fee calculation may be based on the total assets under management or a relationship fee discount may be available. Assets invested in investment companies generally are not considered for these purposes, although consideration of such assets in fee calculations may occur in special circumstances deemed appropriate by AGI US. If only non-advisory services are provided, and if the account is related to other accounts, AGI US may perform the non-advisory services as an accommodation.

To the extent that a client's assets are invested in a cash investment fund of the client's trustee or custodian, the client should be aware that the trustee or custodian may also charge management or transactional fees with respect to such assets.

You may choose to be billed directly for fees, or may authorize AGI US to directly deduct fees from your account. If AGI US can deduct fees directly from your account, your custodian should send a quarterly statement directly to you, showing transactions in the account, including AGI US's fees. AGI US will receive paper or electronic copies of the custodian's statements. AGI US urges you to carefully review these statements, where applicable, and compare the official custodial records to any account statements AGI US may send to you.

#### 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.

#### U.S. Large Cap Equity

0.650% on the first \$20 Million  
0.550% on the next \$50 Million  
0.500% on the next \$100 Million  
0.450% on the next \$250 Million  
Negotiable thereafter  
Minimum Separate Account: \$25 Million

#### Mid Cap Equity

0.750% on the first \$20 Million  
0.700% on the next \$50 Million  
0.650% on the next \$100 Million  
0.520% on the next \$250 Million  
Negotiable thereafter  
Minimum Separate Account: \$25 Million

#### U.S. Small Cap Equity

0.850% on the first \$20 Million  
0.800% on the next \$50 Million  
0.750% on the next \$100 Million  
0.650% on the next \$250 Million  
Negotiable thereafter  
Minimum Separate Account: \$10 Million

#### Global Equity Sector Mandate

1.000% on the first \$170 Million  
0.900% on the next \$250 Million  
Negotiable thereafter  
Minimum Separate Account: \$25 Million

#### Private Client Group accounts

1.000% on the first \$10 Million  
0.700% on the next \$10 Million  
0.500% on the next \$20 Million  
0.350% on the next \$20 Million  
0.300% on the next \$40 Million  
0.250% on the balance of assets  
Minimum Separate Account: \$3 Million

#### U.S. Balanced

0.650% on the first \$10 Million  
0.500% on the next \$10 Million  
0.450% on the next \$20 Million  
0.400% on the next \$20 Million  
0.300% on the next \$40 Million  
0.250% on the balance of assets  
Minimum Separate Account: \$10 Million

#### Redwood

0.750% on all assets  
Minimum Separate Account: \$25 Million

China Equity

0.750% on the first \$50 Million  
0.650% on the next \$50 Million  
0.550% on the next \$100 Million  
0.700% on the balance of assets  
Minimum Separate Account: \$50 Million

Little Dragons

0.900% on all assets  
Minimum Separate Account: \$50 Million

Global EcoTrends

0.750% on the first \$50 Million  
0.650% on the next \$50 Million  
0.550% on the next \$100 Million  
0.700% on the balance of assets  
Minimum Separate Account: \$30 Million

European Equity

0.500% on the first \$35 Million  
0.400% on the next \$50 Million  
0.300% on the next \$100 Million  
0.300% on the balance of assets  
Minimum Separate Account: \$30 Million

Multi-Asset

0.750% on the first \$50 Million  
0.650% on the next \$50 Million  
0.550% on the next \$100 Million  
0.700% on the balance of assets  
Minimum Separate Account: \$30 Million

Emerging Markets Systematic / Emerging Markets Consumer

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 Opportunities

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

High Yield (BB) Corporate Bond

0.500% on the first \$50 Million  
0.450% on the next \$50 Million  
Negotiable thereafter  
Minimum Separate Account: \$5 Million

Short Duration High Yield

0.500% on the first \$50 Million  
0.450% on the next \$50 Million  
Negotiable thereafter  
Minimum Separate Account: \$10 Million

Bank Loans

0.500% on the first \$50 Million  
0.450% on the next \$50 Million  
Negotiable thereafter  
Minimum Separate Account: \$25 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 Mid Cap Growth

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:

#### Large Cap Select Fund

0.600% on the first \$25 Million  
0.500% on the next \$50 Million  
0.450% on the next \$100 Million  
0.400% on the next \$250 Million  
Negotiable thereafter  
Minimum Account Size: \$100,000

#### Large Cap Growth Fund

0.600% on the first \$25 Million  
0.500% on the next \$50 Million  
0.450% on the next \$100 Million  
0.400% on the next \$250 Million  
Negotiable thereafter  
Minimum Account Size: \$100,000

#### Little Dragons Fund

0.850% on all assets  
Minimum Account Size: Negotiable

#### China Fund

0.700 on all assets  
Minimum Account Size: Negotiable

#### 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

0.450% 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 and NEJ investment capabilities to various prospects and intermediaries. AGI US or NEJ 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 and NEJ.

Certain of AGI US's supervised persons and related sales personnel also may be associated with an affiliated broker-dealer, 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 or NEJ. (See Item 10 for more information about other financial industry activities and affiliations.) 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 and NEJ.

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 and investment strategies employed by AGI US. It should be noted that investing in securities involves risk of loss that clients should be prepared to bear.

#### METHODS OF ANALYSIS

##### Equity Research

AGI US maintains a research staff that monitors a broad universe of stocks for comparative purposes (the “Research Department”). It makes use of contacts at several levels within companies, and,

where appropriate, with a company’s competitors, end-users and suppliers. The Research Department’s analysts follow a global universe of companies to determine whether they are good candidates for investment, and communicate recommendations to the appropriate portfolio management team. AGI US may also receive proprietary research from, and provide proprietary research (including Grassroots<sup>sm</sup> Research Reports) to certain investment management affiliates. (See response to Item 10 below.)

Substantial emphasis is placed on the Research Department’s own fundamental research. However, AGI US also uses outside research in two ways. First, the opinions of a broad group of industry and company specialists are considered to supplement the analysis of AGI US’s research staff. As described in Item 12, this research information may be provided by brokers who execute portfolio transactions for AGI US’s clients. Second, “street” opinions and estimates on stocks, groups and economic data are monitored.

In addition to its fundamental traditional research activities, AGI US uses research produced by Grassroots<sup>sm</sup> Research, a division within the Allianz Global Investors group of companies. Grassroots<sup>sm</sup> Research augments AGI US’s own traditional research methods by seeking to verify (or disprove) market information pertaining to various companies or industries and by identifying and analyzing marketplace trends. AGI US believes that Grassroots<sup>sm</sup> Research provides a valuable complement to its traditional research methodology.

AGI US maintains staff in its Grassroots<sup>sm</sup> Research unit. There are also freelance journalists and field force personnel located throughout the world, including Eastern and Western Europe, Asia, Australia, Latin America, as well as the United States who collect data and other information through interviews conducted with various sources, including consumers, suppliers, service providers, trade sources, polls and government agencies. The journalists prepare research reports that the Grassroots<sup>sm</sup> employees then edit and finalize. The freelance journalist and field force personnel typically work as independent contractors and are compensated by broker-dealers who provide research services to AGI US in exchange for commissions generated by AGI US’s clients. (See response to Item 12 below.)

AGI US also may utilize from time to time the research services of doctors representing medical specialties likely to be affected by medical, technological and economic developments in medicine, health care and related areas. These

doctors may serve as independent contractors and be compensated by broker-dealers who provide research services to AGI US in exchange for commissions generated by AGI US clients. (See response to Item 12 below.)

AGI US may also employ quantitative analysts who contribute to the overall investment efforts of the firm. Such analysts' main focus is to provide risk and performance analyses of portfolios to assist in future investment decisions.

#### Fundamental Growth Equity Strategies

AGI US's primary equity products emphasize a team approach to asset management. The teams take advantage of all the global resources of Allianz Global Investors to select securities. The objective is to develop for each client a diversified, yet concentrated portfolio of high quality growth companies selling at reasonable prices. AGI US may also, from time to time, invest in cyclical and semi-cyclical companies.

New purchase ideas are primarily generated by AGI US's fundamental research department, Grassroots<sup>sm</sup>, and the portfolio management teams (domestic and international). External research is also used to generate ideas.

Before purchase, all companies are evaluated for their growth and quality characteristics. All stocks are evaluated on their valuation characteristics. AGI US seeks to invest in companies that offer long-term sustainable growth in earnings, revenues, or cash flow, have strong management and financial statements, and offer good relative and absolute risk-adjusted return characteristics.

Companies are sold if AGI US believes that their growth or quality has been impaired, or when it believes that the risk-adjusted return characteristics are no longer attractive.

The portfolio management teams construct the portfolios in line with specific client investment objectives, guidelines and restrictions. The portfolio managers make stock selection and industry decisions with significant input from the analyst teams. The resulting portfolios are diversified, yet concentrated, and are composed of issuers that AGI US believes are high quality growth companies offering above average risk-adjusted return prospects.

For those clients who choose to be fully invested at all times, cash positions generally will average between 2% to 5% or less, except when additional cash is necessary for transaction settlement or until reinvestment decisions are made. For other

clients, whose investment objectives, guidelines, and restrictions permit higher cash levels, AGI US may, from time to time, increase the cash levels in the account to the extent that market conditions warrant. Cash levels also may be increased in anticipation of expected client withdrawals. The percentage of each type of investment in a particular account is likely to vary, based on a number of factors, including, but not limited to, market conditions, relative investment opportunities, and each client's particular investment objectives, guidelines, and restrictions.

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

#### Disciplined Equity Strategies

The Disciplined Equities Group manages the Disciplined U.S. Core Equity and Disciplined U.S. Value Equity products using an investment management process that combines quantitative screening with fundamental company research (including Grassroots<sup>sm</sup> Research). It is a four-step bottom-up stock selection investment process which includes: (1) initial idea generation using a screening strategy, (2) valuation and stock selection using in-depth company research, (3) portfolio construction and risk control that builds a diversified portfolio that generates performance mainly from bottom-up stock selection, and (4) monitoring and review that aims to improve the overall investment process.

#### 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.

### CS Credit Strategies

The CS Credit team utilizes a proprietary credit scoring system that scores and tallies approximately sixty different credit metrics within three qualitative and three quantitative categories. This analytical tool helps the portfolio management team to identify a company's strengths and weaknesses, and to reveal potential risk factors. In addition to the company reports and the credit scoring system the analysts perform a relative value assessment where relevant. The CS Credit team also subscribes to major broker/dealer systems that provide specific security credit and pricing information.

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

### Investment Process – US Large Cap Growth Strategies

*(US Large Cap Select, US Large Cap Core and US Focused Growth)*

The investment process for domestic large-cap equity accounts is coordinated through the Large Cap Portfolio Management Team (the "Large Cap PMT"). The Large Cap PMT draws upon the expertise of senior portfolio managers, portfolio managers, assistant portfolio managers, senior portfolio associates, portfolio associates and assistants, economists, product specialists and quantitative specialists. The Large Cap PMT meets daily and has frequent interactions with AGI US's research analysts, Grassroots<sup>sm</sup> analysts, and the equity traders.

The Large Cap PMT makes investment decisions through a disciplined voting procedure. Votes are recorded and securities are re-voted at frequent intervals. While the portfolio manager for each account retains the ultimate authority over individual buy and sell decisions for that account, buy and sell decisions by individual portfolio managers that differ from the Large Cap PMT's conclusions are discussed at the Large Cap PMT portfolio construction meeting. Dispersion is also controlled using quantitative methods.

### Investment Process – US Mid Cap Strategies

The investment process for mid-cap products involves teams of portfolio managers, assistant portfolio managers and portfolio associates, and certain research analysts who manage smaller sector portfolios in some mid-cap accounts.

The Mid Cap Portfolio Management Team meets daily and, as a group, interacts frequently with research analysts, Grassroots<sup>sm</sup> analysts and the equity traders. The mid cap investment processes utilize a bottom-up approach to investing. Individual stock holdings, and to a certain extent industry weightings, will differ among mid capitalization accounts. Variances are reviewed regularly for appropriateness. As part of this process, and subject to the supervision of the portfolio managers, the assistant portfolio managers play an active role in originating investment ideas and in initiating transactions in the portfolio management teams.

### 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 – Disciplined Equity Strategies (Disciplined US Core, Disciplined US Value)*

The Disciplined Equity team believes in investing in under-valued companies undergoing positive change. The team believes investor sentiment fluctuates more widely than underlying fundamentals and that low expectation/valuation provides more downside risk protection and more upside potential. The team believes this results in mispriced opportunities. The team seeks to identify these opportunities through their disciplined investment process, which is built upon stock screening and fundamental research

*Investment Process – Private Client Group (Targeted Growth (Tax Managed), Targeted Core Growth (Tax Managed), Balanced)*

The Private Client Group employs a team approach to investment management. The Private Client Group interacts daily with the Large Cap PMT, research analysts, and Grassroots<sup>SM</sup> Research, and regularly with the Small/Mid Cap PMT. The equity investment approach is to seek to identify companies with above average earnings growth prospects that can be held for a considerable period of time in order to defer payment of capital gains taxes. Tax consequences can be critical to an investor's overall return and, as appropriate, investment performance is evaluated on both a before-tax and after-tax basis.

*Investment Process – Redwood*

The Redwood team uses an in-the-money “buy-write” strategy (covered calls). This involves long equity positions in mid- to large-cap U.S. investments and the sale of a call option against those equity positions. The strike price of the call option is selected through fundamental analysis, which the portfolio manager uses to estimate what the team refers to as the “intrinsic value” or potential downside of each security over an investment's projected holding period. The strike price of the call option(s) is then set equal to or below said “intrinsic value” level (in the money). This structure can provide protection down to the estimated “intrinsic value” level.

*Investment Process – Sector/Thematic Strategies (Technology, Global Agricultural Trends, Global Water, Global EcoTrends, Global Resources, Global Commodity Equity, Wellness)*

*Technology*

The Technology team seeks long-term capital appreciation by investing in both domestic and international companies that use technology in an

innovative way to gain a competitive edge. The Technology team selects stocks by identifying major growth trends within technology; especially discontinuities offering order-of-magnitude of improvements. The team seeks companies possessing superior management, strong balance sheets, differentiated products or services, substantial unit growth, strong commitments to research and development, and a steady stream of new products or services. The team also considers country and sector/industry selection, as well as capitalization range decisions, are primarily the result of identifying superior securities, although benchmark allocations are monitored to ensure maintenance of an appropriately diversified portfolio.

*Global Agricultural Trends*

The Global Agricultural Trends investment team believes global population growth and rising incomes, particularly in Emerging Markets, has led to changes in how much, what, and how the world eats. The team seeks investment opportunities along the entire food supply chain, from companies that offer solutions to increase output per acre, to companies that process and distribute food to end consumers. The strategy invests globally, focusing on companies that stand to benefit from:

- (1) Increasing and changing agricultural raw materials production (upstream)
- (2) Rising food demand and changing preferences, including food processing & distribution (downstream).

The team targets companies that possess superior management, strong balance sheets, differentiated products or services, substantial unit growth, strong commitments to research and development, and a steady stream of new products or services, and that meet rigorous growth, quality, and valuation criteria.

*Global Water*

The Global Water team seeks to invest in companies that fall within the broadly defined and rapidly growing eco-sector of clean water. Water related activities are those that influence the quality, availability or demand of water including: water production; water conditioning; sewage treatment; engineering services. Stocks are selected on a fundamental bottom-up basis with no ethical or sustainability screening applied. The Global Water strategy philosophy recognizes that the environment has a significant and increasing impact on businesses and financial markets. Working in a team-oriented meritocracy, our investment professionals focus on constructing portfolios offering attractive risk-adjusted returns.

#### *Global EcoTrends*

The Global EcoTrends strategy is based on the premise that with an increasing global focus on environmental protection in the 21st century, companies that provide solutions to environmental problems and those that utilize environmental solutions stand to benefit. The Global EcoTrends team seeks to invest in companies falling within the following three eco-sectors which are broadly defined and are seen to be growing rapidly: (1) EcoEnergy, (2) Pollution Control, and (3) Clean Water. The primary focus is to construct a portfolio representing the best investment opportunities within the three EcoTrends themes. Idea generation begins with our EcoTrends specialists who in turn draw on the input of the global research platform, regional portfolio managers, single country managers and global sector managers.

#### *Global Resources*

The Global Resources investment strategy seeks long-term capital appreciation by investing in a broad range of domestic and international companies within the Natural Resources sector, including Integrated Oil, Exploration and Production, Oil Services, Refining, Coal, Metals and Mining, Chemicals, Paper, and Alternative Energy. The team seeks to identify major trends within the Natural Resources sector, companies possessing superior management, strong balance sheets, differentiated products or services, substantial unit growth, strong commitments to research and development, and a steady stream of new products or services focus on quality names helps to reduce risk of binary outcomes and severe stock disappointments

#### *Global Commodity Equity*

The Global Commodity Equity investment team seeks to achieve its investment objective by normally investing in equity securities of companies principally engaged in the research, development, manufacturing, extraction, distribution or sale of materials, energy or goods related to the Agriculture, Energy, Materials or Commodity-Related Industrials sectors. The teams considers (i) the Agriculture sector to include products such as grain, vegetable oils, livestock and agricultural-type products such as coffee; (ii) the Energy sector to include products such as coal, natural gas, oil, alternative energy and electricity; (iii) the Materials sector to include products such as chemicals & fertilizers, constructions materials, industrial metal, precious metal, steel, minerals and paper products; and (iv) the Commodity-Related Industrials sector to include industrial firms that manufacture tools, equipment and goods used in the development and production of

commodities or that maintain infrastructure used in their transportation.

#### *Wellness*

The investment team seeks to identify long-term trends emerging from changes in the healthcare system, such as early diagnosis, disease management and personalized medicine. The team creates a portfolio investing in wellness-related companies, addressing themes such as preventative healthcare, wellness therapies and healthy lifestyle. The team also utilizes the AGI US bottom-up, on-the-ground research to spot healthcare trends earlier than the broader marketplace.

#### *Investment Process – Asia/Europe Strategies*

##### *China Equity*

The China Equity team aims to provide investors with long term capital appreciation through investment in the shares of companies listed in China and companies located elsewhere which have significant interest in China. The team's philosophy and process aims to add value in three key areas, namely stock selection, portfolio construction, and implementation. Research coverage is shared between the country specialists and the regional sector analysts. Country specialists tend to cover those companies that relate to local factors more than any regional (or global) factor. Sector specialists cover the larger capitalized names that could be recommended for regional or global portfolios. The team's goal is to build integrated portfolios on a bottom-up basis, comprising the best companies in the region. Working in a team-oriented meritocracy, our investment professionals focus on constructing portfolios offering attractive risk-adjusted returns.

##### *Little Dragons*

The Little Dragons investment team aims to achieve long term capital growth principally through investment in small to medium sized companies listed in Asian stock markets ex Japan with an emphasis on the smaller and emerging markets of the region. To achieve this objective the strategy consists of diversified portfolios of (i) companies that are expected to re-rate as a result of the market not fully recognizing the growth potential of the business, and (ii) companies that will benefit from share price appreciation resulting from an earnings surprise. Through dedicated country specialists we have the ability to study under-researched and underowned small and mid-cap stocks to exploit market inefficiencies of higher volatility stocks.



#### *Europe Equity Growth*

The Equity Europe Growth approach is to invest in an integrated portfolio, comprising the best growth stocks in Europe selected on a bottom-up basis. The focus of this product is on structural growth not yet reflected in the company's stock price. The team seeks to identify stocks with structurally above average earnings and cash flow growth which the market has not yet fully anticipated. These companies are characterized by secular growth drivers, technological leadership and a superior business model.

#### *Investment Process – Multi-Asset*

##### *Dynamic Emerging Multi-Asset/Dynamic Multi-Asset Plus*

The investment team applies a disciplined and tactical investment process across a range of asset classes that the portfolio managers believe exhibit strong growth characteristics. The team targets a mix of asset classes and select individual investments that they believe offer efficient exposure to each such asset class. The first step of the investment process is to determine the asset classes best positioned to take advantage of growth trends in emerging markets, such as emerging market equities, emerging market, fixed income and commodities. In the second step of the process, the portfolio managers analyze market cycles, economic cycles, and valuations, of each asset class and their components to develop a tactical asset view across asset classes, which may ultimately lead to dynamic shifts in exposure to individual holdings and asset classes. The portfolio managers employ a risk management strategy which may cause them to adjust this allocation in an effort to mitigate certain downside risks such as severe downward price movements or other market stresses. Having arrived at a final asset allocation across asset classes, the portfolio managers conduct an active selection process for acquired funds and/ or direct investments to gain the intended exposure to the relevant asset classes.

##### *Multi Asset-Real Return*

The investment team seeks long-term capital appreciation emphasizing inflation-adjusted returns. In seeking to achieve this objective, the team focuses on asset classes that are highly correlated to inflation. The portfolio managers believe that the following selected asset classes can provide attractive returns in inflationary environments: (1) Commodities investments can track inflation because commodity prices drive input costs, which in turn influence Consumer Price Index (CPI) changes. (2) Real Estate Investment Trusts (REITs) can provide a link to inflation if property owners are able to raise rents

to offset rising input costs. (3) Global resource equities are linked to inflation because resource related businesses typically provide productivity-enhancing inputs and generally are able to benefit from rising raw material prices and by including any cost increases associated with inflation to the final costs charged to customers. (4) Treasury Inflation Protected Securities (TIPS) are debt securities with notional amounts that are directly linked to the development of CPI measures. As such, TIPS can be used directly to hedge against inflation.

#### *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 Opportunities, Emerging Markets Systematic, Emerging Markets Consumer, 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 – CS Credit Strategies (High Yield (BB) Corporate Bond, Short Duration High Yield, Bank Loans)*

The CS Credit team applies a rigorous research process before selecting bonds for clients’ portfolios. Emphasis is placed on macroeconomic, industry, and detailed credit research to help identify suitable creditworthy investments with attractive valuations. The team’s buy discipline compares credit assessment with total return opportunities and generally selects those securities and syndicated bank loans with the best “relative value.” The CS Credit team will typically sell a security when: 1) an industry’s financial or economic outlook deteriorates, 2) a company’s financial results significantly underperform the team’s cash flow projections, 3) there is an unexplainable or fundamental reason for an extreme drop in the company’s common stock price, or 4) a bond or syndicated bank loan becomes unattractive due to price appreciation relative to other issues including among other things, better opportunities.

#### *High Yield (BB) Corporate Bond*

The CS Credit team believes that superior risk-adjusted returns for non-investment grade (BB rated) portfolios can be achieved over time by protecting against the downside, while taking advantage of market inefficiencies to identify undervalued securities.

#### *Short Duration High Yield*

The Short Duration High Yield product includes those portfolios with investment guidelines mandating weighted average portfolio durations of 3 years or less. Portfolio holdings will be comprised of highly liquid bonds or bank loans. Portfolio construction emphasizes BB and single B issuers whose debt has a high likelihood of being called or maturing within 2 years. Issuer concentration is typically higher than in the High Yield (BB) Corporate Bond product and typically ranges between 1% to 3%, but may be as high as 10%. Portfolios may include convertible bonds, zero coupons and Yankees. All short duration high yield portfolio are measured against client specific benchmarks.

#### *Bank Loans*

The CS Credit team believes superior risk-adjusted performance in the bank loan market is best achieved by protecting against the downside (preserving principal). By weighting client

portfolios with upper-tier bank loans, the firm is best able to control default risk, thereby ensuring that the premium yields available in the bank loan market accrue to our clients' benefit. On a selective basis, we will augment our holdings of high-quality bank loans with more volatile credits that our analysts believe are significantly mispriced. The team utilizes a team approach in managing portfolios and employs a disciplined investment process focused on risk management.

#### 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.

In addition to the stock selection processes described above, AGI US's portfolio management teams receive macroeconomic input from the firm's Global Policy Council ("GPC"). The GPC is comprised of senior investment professionals and analysts located around the globe at the offices of certain Allianz Advisory Affiliates (See Item 10 for a description of Allianz Advisory Affiliates). The GPC reviews macro-economic scenarios for all the major regions of the world and presents analyses of the dynamic processes that drive stocks, bonds

and other markets. Based on these analyses, the GPC forecasts the short, intermediate and long-term outlooks for all the major markets and their respective submarkets. The GPC develops investment strategies to determine allocations across broad asset classes and global markets and reflect sector, theme and style priorities.

#### Investment Process – Wrap Fee Programs

AGI US contracts with its investment advisory affiliates, NFJ 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).

NFJ – 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 Depository 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

Depository 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 Depository 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 Depository 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 Depository 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 Depository Receipts, including emerging market securities.

#### *NFI Investment Process*

NFI 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 apply negative screens 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 insider trading. 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.

#### *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.

Investing in securities involves risk of loss that clients should be prepared to bear.

#### General.

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

#### China-Related Risk

The Chinese economy is generally considered an emerging and volatile market. A small number of companies represent a large portion of the Chinese market as a whole, and prices for securities of these companies may be very sensitive to adverse political, economic, or regulatory developments in China and other Asian countries, and may experience significant losses in such conditions. The value of Chinese currencies may also vary significantly relative to the U.S. dollar, affecting a client account's investments, to the extent the Client account invests in China-related investments. Historically, China's central government has exercised substantial control over the Chinese economy through administrative regulation, state ownership, the allocation, expropriation or nationalization of resources, by controlling payment of foreign currency-denominated obligations, by setting monetary policy and by providing preferential treatment to particular industries or companies. The emergence of domestic economic demand is still at an early stage, making China's economic health largely dependent upon exports. China's growing trade surplus with the U.S. has increased the risk of trade disputes, which could potentially have adverse effects on China's management strategy of its currency, as well as on some export-dependent sectors. Despite economic reforms that have resulted in less direct central and local government control over Chinese businesses, actions of the Chinese central and local government authorities continue to have a substantial effect on economic conditions in China. These activities, which may include central planning, partial state ownership of or government actions designed to substantially influence certain Chinese industries, market sectors or particular Chinese companies, may adversely affect the public and private sector companies in which a Client account invests. Government actions may also affect the economic

prospects for, and the market prices and liquidity of, the securities of Chinese companies and the payments of dividends and interest by Chinese companies. In addition, currency fluctuations, monetary policies, competition, social instability or political unrest may adversely affect economic growth in China. The Chinese economy and Chinese companies may also be adversely affected by regional security threats, as well as adverse developments in Chinese trade policies, or in trade policies toward China by countries that are trading partners with China. The greater China region includes mainland China, Hong Kong, Macau and Taiwan, and a Client account's investments in the region are particularly susceptible to risks in that region. Events in any one country within the region may impact the other countries in the region or the Asia region as a whole. As a result, events in the region will generally have a greater effect on a Client account to the extent that it focuses its investments in the greater China region than if the Client account were more geographically diversified, which could result in greater volatility and losses. Markets in the greater China region can experience significant volatility due to social, regulatory and political uncertainties.

#### 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.

#### *Commodity Risk*

Investments in commodity-linked derivative instruments may be subject to greater volatility than investments in traditional securities. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments.

#### *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 depends on, or is derived from, the value of an underlying asset, reference rate or index. We discuss below some of the types of derivatives that client accounts may use. Client accounts may (but are not required to) use derivatives as part of a strategy designed to reduce exposure to other risks, such as risks associated with changes in interest rates or currency risk. Client accounts may also use derivatives for leverage, which increases opportunities for gain but also involves greater risk of loss due to leveraging risk, and to gain exposure to issuers, indices, sectors, currencies and/or geographic regions. A client account’s use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments, and the use of certain derivatives may subject an account to the potential for unlimited loss. To the extent an account writes call options on individual securities that it does not hold in its portfolio (“naked” call options), it is subject to the risk that a liquid market for the underlying security may not exist at the time an option is exercised or when the account otherwise seeks to close out an option position; naked call options have speculative characteristics and the potential for unlimited loss. Derivatives also involve the risk of mispricing or improper valuation, the risk of ambiguous documentation, and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. In addition, an account’s use of derivatives may increase or accelerate the amount of taxes payable by the account holder. By investing in a derivative instrument, an account could lose more than the

principal amount invested. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that we will engage in these transactions to reduce exposure to other risks when that would be beneficial or that, if used, these strategies will be successful.

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

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

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

- **Management Risk.** Derivative products are highly specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions.
- **Counterparty Credit Risk.** The use of a derivative instrument involves the risk that a loss may be sustained as a result of the failure of another party to the contract (usually referred to as a "counterparty") to make required payments or otherwise comply with the contract's terms.
- **Liquidity Risk.** Liquidity risk exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case

with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.

- **Leveraging Risk.** Because many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, reference rate or index can result in a loss substantially greater than the amount invested in the derivative itself. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment. When an account uses derivatives for leverage, investments will tend to be more volatile, resulting in larger gains or losses in response to market changes. Leveraging risk may be especially applicable to accounts that may write uncovered (or "naked") options.
- **Basis Risk.** Basis risk is the risk that the value of a derivative instrument does not react in parallel with the value of the underlying security.
- **Lack of Availability.** Because the markets for certain derivative instruments (including markets located in non-U.S. countries) are relatively new and still developing, suitable derivatives transactions may not be available in all circumstances for risk management or other purposes. Upon the expiration of a particular contract, we may wish to retain an account's position in the derivative instrument by entering into a similar contract, but may be unable to do so if the counterparty to the original contract is unwilling to enter into the new contract and no other suitable counterparty can be found. There is no assurance that we will engage in derivatives transactions at any time or from time to time. An account's ability to use derivatives may also be limited by certain regulatory and tax considerations.
- **Market and Other Risks.** Like most other investments, derivative instruments are subject to the risk that the market value of the instrument will change in a way detrimental to the account's interest. If we incorrectly forecast the values of securities, currencies or interest rates or other economic factors in using



derivatives, the account might have been in a better position if we had not entered into the transaction at all. While some strategies involving derivative instruments can reduce the risk of loss, they can also reduce the opportunity for gain or result in losses by offsetting favorable price movements in other investments. The account may also have to buy or sell a security at a disadvantageous time or price.

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

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

#### *Emerging-Markets Risk*

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.

#### *Fixed Income Risk*

Client accounts that invest in fixed income instruments are subject to interest rate risk. Changes in the market values of fixed income instruments are largely a function of changes in the current level of interest rates. The value of a client account's investments in fixed income instruments will typically change as the level of interest rates fluctuate. During periods of declining interest rates, the value of fixed income instruments generally rise. Conversely, during periods of rising interest rates, the value of fixed income instruments generally decline. “Duration” is one measure of the expected life of a fixed income instrument that is used to determine the sensitivity of a security's price to changes in interest rates. Securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. Accordingly, client accounts with longer average portfolio durations will generally be more sensitive to changes in interest rates than client accounts with shorter average portfolio durations. Inflation-indexed securities, including Treasury Inflation Protected Securities (TIPs), decline in value when interest rates rise. In certain interest rate environments, such as when real interest rates are rising faster than nominal interest rates, inflation-indexed securities may experience greater losses than other fixed income instruments with similar durations. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Also, some portfolios (e.g., portfolios with mortgage-backed and other prepayable securities) have changing durations and may have increasing durations precisely when

that is least advantageous (*i.e.*, when interest rates are rising). Certain client accounts may invest in securities that are particularly sensitive to fluctuations in prevailing interest rates and have relatively high levels of interest rate risk. These include various mortgage-related securities (*e.g.*, the interest-only or “IO” class of a stripped mortgage-backed security) and “zero coupon” securities (fixed income instruments, including certain U.S. Government securities, that do not make periodic interest payments and are purchased at a discount from their value at maturity). Client accounts that may invest in securities issued by U.S. Government agencies or government enterprises. Although some of these securities may be guaranteed as to the payment of principal or interest by the relevant enterprise or agency,

#### *Focused Investment Risk*

Focusing an account’s investments in a small number of issuers, industries, foreign currencies or regions increases risk. If an account invests a significant portion of its assets in a relatively small number of issuers, it may have more risk because changes in the value of a single security or the impact of a single economic, political or regulatory occurrence may have a greater adverse impact on the account’s value. Some of those issuers also may present substantial credit or other risks. In addition, the account may be subject to increased risk to the extent it focuses its investments in securities denominated in a particular foreign currency or in a narrowly-defined geographic area outside the United States. Similarly, if the account focuses its investments in a certain type of issuer, it will be particularly vulnerable to events affecting that type of issuer. Also, the account may have greater risk to the extent it invests a substantial portion of its assets in a group of related industries (or “sectors”). The industries comprising any particular sector and investments in a particular foreign currency or in a narrowly-defined geographic area outside the United States may share common characteristics, are often subject to similar business risks and regulatory burdens, and react similarly to economic, market, political or other developments. An account may from time to time invest a substantial portion of its assets in certain sectors, and during these periods will be subject to a greater extent to the risks associated with these sectors.

#### *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.

#### *Industry Concentration*

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

- **Eco-Sectors Related Risk.** To the extent an account focuses its investments in companies that have exposure, directly or indirectly, to one or more of the EcoEnergy, Pollution Control and Clean Water sectors that comprise the Eco-Sectors, events or factors affecting companies in the Eco-Sectors will have a greater effect on, and may more adversely affect, the account than they

would with respect to an account that is more diversified among a number of unrelated sectors and industries. Companies in the Eco-Sectors may be particularly susceptible to factors such as environmental protection regulatory actions, other international political and economic developments, changes in government subsidy levels, environmental conservation practices, changes in taxation and other government regulations, and increased costs associated with compliance with environmental or other regulations. There are substantial differences between the environmental and other regulatory practices and policies in various jurisdictions, and any given regulatory agency may make major shifts in policy from time to time. Other economic and market developments that may significantly affect companies in the Eco-Sectors include, without limitation, inflation, rising interest rates, fluctuations in commodity prices, raw material costs and other operating costs, and competition from new entrants into the Eco-Sectors. The Eco-Sectors, on the whole, are newly developing and strongly influenced by technological changes. The Eco-Sectors can be significantly affected by the level and volatility of technological change in industries focusing on energy, pollution and environmental control. In particular, technological advances can render an existing product, which may account for a substantial portion of a company's revenue, obsolete. Product development efforts in the Eco-Sectors may not result in viable commercial products, and companies in the Eco-Sectors typically bear high research and development costs, which can limit their ability to maintain operations during periods of organizational growth or instability. Many companies in the Eco-Sectors are in the early stages of operation and may have limited operating histories and smaller market capitalizations on average than companies in other sectors. As a result of these and other factors, the value of investments in companies in the Eco-Sectors tends to be considerably more volatile than that of companies in more established sectors and industries. Each of the sectors that comprise the Eco-Sectors is susceptible to particular risks. Companies in the EcoEnergy sector may be adversely affected by substantial

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

- **Natural Resources.** Client accounts that concentrate their investments in companies in the natural resources industries (including, but not limited to, the industry sub-sectors involving cyclical commodities, energy, paper and forest products, precious metals and utilities) will be subject to the risks particularly affecting natural resources companies. The natural resources

industries can be significantly affected by events relating to international political and economic developments, energy conservation, the success of exploration projects, commodity prices, and tax and other government regulations. The cyclical industries can be significantly affected by general economic trends, including employment, economic growth, interest rates, changes in consumer sentiment and spending, commodity prices, legislation, government regulation and spending, import controls and worldwide competition. For example, commodity price declines and unit volume reductions resulting from an over-supply of materials used in cyclical industries can adversely affect those industries. Furthermore, a company in the cyclical industries can be subject to liability for environmental damage, depletion of resources, and mandated expenditures for safety and pollution control. The energy industry can be significantly affected by fluctuations in energy prices and supply and demand of energy fuels caused by events relating to international politics, energy conservation, the success of exploration projects, and tax and other government regulations. The paper and forest products industry can be significantly affected by the health of the economy, worldwide production capacity and interest rates, which can affect product pricing, costs and operating margins. These variables can also affect the level of industry and consumer capital spending for paper and forest products. The utilities industry can be significantly affected by government regulation, financing difficulties, supply and demand of services or fuel, and natural resource conservation. The precious metals industry can be significantly affected by unpredictable monetary and political policies such as currency devaluations or revaluations, economic and social conditions within a country, trade imbalances, or trade or currency restrictions between countries. These factors may cause substantial price fluctuations for precious metals over short periods of time. The prices of precious metals, however, are less subject to local and company-specific factors than securities of individual companies. As a result, precious metals may be more or less volatile in price than

securities of companies engaged in precious-metals related businesses.

- **Technology Sector.** Client accounts that concentrate their investments in the technology sector will be subject to risks particular to that sector such as the risks of short product cycles of equipment, products and services, accelerated rates of product change and development, competition from new and existing companies, significant losses and/or limited earnings, security price volatility, limited operating histories and management experience, patent and other intellectual property considerations. Technology companies are also affected by the risk that new equipment, products and services will not be commercially successful, or will become rapidly obsolete.
- **Water-Related Risk.** To the extent an account focuses its investments in companies that are substantially engaged in water-related activities, events or factors affecting the sector consisting of companies engaged in such activities (the “water-related resource sector”) will have a greater effect on, and may more adversely affect, the account than they would with respect to an account that is more diversified among a number of unrelated sectors and industries. Companies in the water-related resource sector may be significantly affected by events relating to international political and economic developments, water conservation, the success of exploration projects, commodity prices and tax and other government regulations. There are substantial differences between the water-related, environmental and other regulatory practices and policies in various jurisdictions, and any given regulatory agency may make major shifts in policy from time to time. Other economic and market developments that may significantly affect companies in the water-related resource sector include, without limitation, inflation, rising interest rates, fluctuations in commodity prices, raw material costs and other operating costs, and competition from new entrants into the sector. Companies in the water-related resource sector are susceptible to changes in investment in water purification technology globally, and a slackening in the pace of new

infrastructure projects in developing or developed countries may constrain such companies' ability to grow in global markets. Other reductions in demand for clean water, such as significant decreases in world population or increased availability of potable water in arid regions, may reduce demand for certain products and services provided by companies in the water-related resource sector. While the water-related resource sector includes established and mature companies, portions of the sector are newly developing and strongly influenced by technological changes. The sector can be significantly affected by the level and volatility of technological change in industries focusing on the quality or availability of or demand for potable and non-potable water. In particular, technological advances can render an existing product, which may account for a substantial portion of a company's revenue, obsolete. Product development efforts by companies in the sector that are focused on developing newer technologies may not result in viable commercial products, and such companies in the sector typically bear high research and development costs, which can limit their ability to maintain operations during periods of organizational growth or instability. Many companies in the sector are in the early stages of operation and may have limited operating histories and smaller market capitalizations on average than companies in other sectors. As a result of these and other factors, the value of investments in companies in the water-related resource sector tends to be considerably more volatile than that of companies in more established sectors and industries. To the extent an account invests in companies that may share common characteristics, are often subject to similar business risks and regulatory burdens, and whose securities may react similarly to various events and other factors, the account may be subject to focused investment risk. See "Focused Investment Risk" above. See also "Non-U.S. Investment Risk" and "Emerging Markets Risk."

- **Wellness-Related Sector.** Client accounts that concentrate their investments in the wellness-related sector will be subject to risks particular to that sector, including those of the following related industries.

The healthcare industry can be significantly affected by government regulation and reimbursement levels, changes in government subsidies, government approval of products and services that could have a significant effect on price and availability and rising costs of medical products and services. Changes in government and private payment systems, such as increased use of managed-care arrangements also affect the volatility of the industry. A healthcare company's valuation is often based largely on potential and actual performance of a limited number of products. The biotechnology industry can be significantly affected by rapid obsolescence of products, intense competition, patent expirations, risks associated with new regulations and changes to existing regulations. Other risks include dramatic fluctuation of economic prospects and share prices of biotechnology companies due to changes in the regulatory or competitive environments and lengthy application processes and testing procedures for products. The medical equipment, systems and delivery industry is significantly affected by patent considerations, rapid technological change and obsolescence, extensive government regulation and government reimbursement for medical expenses, rising costs of medical products and services, pricing pressure and an emphasis on outpatient services. The healthy-lifestyle industry can be significantly affected by the potential and actual performance of a limited number of products and services.

#### *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.

#### *IPO Risk*

Client accounts may purchase securities in initial public offerings ("IPOs"). These securities are



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

#### *Issuer Risk*

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

#### *Leveraging Risk*

Leverage, 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.

#### *Other Risks*

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

account's assets are allocated from time to time for investment in a fund or vehicle, which will vary.

#### *REIT or Real Estate-Linked Derivatives Risk*

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

#### *Short Selling Risk*

Short sales may be used by a certain client accounts for investment and risk management purposes, including when AGI US may anticipate that the market price of securities will decline or will underperform relative to other securities held in a client account, or as part of an overall portfolio strategy to minimize the effects of market volatility (i.e., a "market neutral" strategy). Short sales are transactions in which the client account sells a security or other instrument (such as an option forward, futures or other derivative contract) that it does not own. Short exposure with respect to securities or market segments may also be achieved through the use of derivatives, such as futures on indices or swaps on individual securities. When a client accounts engages in a short sale on a security, it must borrow the security sold short and deliver it to the counterparty. The client account will ordinarily have to pay a fee or premium to borrow particular securities and be obligated to repay the lender of



the security any dividends or interest that accrue on the security during the period of the loan. The amount of any gain from a short sale will be decreased, and the amount of any loss increased, by the amount of the premium, dividends, interest or expenses the client account pays in connection with the short sale. Short sales expose a client account to the risk that it will be required to cover its short position at a time when the securities have appreciated in value, thus resulting in a loss to the client account. A client account may, to the extent permitted by law, engage in short sales where it does not own or have the right to acquire the security (or basket of securities) sold short at no additional cost. A client account's loss on a short sale could theoretically be unlimited in a case where the client account is unable, for whatever reason, to close out its short position. The use by a client account of short sales in combination with long positions in its portfolio in an attempt to improve performance may not be successful and may result in greater losses or lower positive returns than if the client account held only long positions. It is possible that a client account's long equity positions will decline in value at the same time that the value of the securities underlying its short positions increase, thereby increasing potential losses to the client account. If the client account is required to return a borrowed security at a time when other short sellers are also required to return the same security, a "short squeeze" can occur, and the client account may be forced to purchase the security at a disadvantageous price. In addition, a client account's short selling strategies may limit its ability to fully benefit from increases in the equity markets. Short selling also involves a form of financial leverage that may exaggerate any losses realized by a client account that utilizes short sales. See "Leveraging Risk." Also, there is the risk that the counterparty to a short sale may fail to honor its contractual terms, causing a loss to a client account. To the extent a client account seeks to obtain some or all of its short exposure by using derivative instruments instead of engaging directly in short sales on individual securities, it will be subject to many of the foregoing risks, as well as to those described under "Derivatives Risk" above.

#### *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 is only a summary of certain risks of investing in the securities and instruments that AGI US uses. Specialized mandates may have particular risks not described above, and you should have a full understanding of the risks applicable to your account before engaging AGI US's services. Clients 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 risks over time.

#### *Other Investment-Related Information*

##### *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 part of Allianz Global Investors. Allianz Global Investors is the marketing name for a global asset management business that operates through affiliated entities throughout the world. Those affiliated entities include Allianz Global Investors Distributors LLC (“AGID”), an SEC-registered broker-dealer and the following SEC-registered investment advisers: Allianz Global Investors Fund Management LLC, NFJ and RCM Asia Pacific Limited.

AGID is 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 also related, through common ownership or otherwise, to PIMCO Investments LLC, an SEC-registered broker-dealer; and Pacific Investment Management Company LLC ("PIMCO") and Pallas Investment Partners, L.P., each an SEC-registered investment adviser.

AGI US is related, through common ownership or otherwise, to a number of non-U.S. investment advisers, including (but not limited to) RCM (UK) Ltd., Allianz Global Investors Europe GmbH, Allianz Global Investors France S.A., Allianz Global Investors Hong Kong Ltd., Allianz Global Investors Ireland Ltd., Allianz Global Investors Italia SGR S.p.A., Allianz Global Investors Japan Co. Ltd., Allianz Global Investors Luxembourg S.A., Allianz Global Investors Europe GmbH, Allianz Global Investors Korea Limited, Allianz Global Investors Luxembourg S.A., Allianz Global Investors Singapore Limited, and Allianz Global Investors Taiwan Ltd, RCM Asia Pacific Limited, RCM Capital Management PTY Ltd.

Allianz and all of its direct and indirect subsidiaries (other than AGI US), including those listed above, are referred to herein as the "Allianz Affiliates." The Allianz Affiliates may be registered as investment advisers and/or broker-dealers with the SEC or other foreign regulatory authorities. AGI US may act as investment adviser to one or more Allianz Affiliates on either a discretionary or non-discretionary basis, and may serve as a sub-adviser for accounts or clients for which one or more Allianz Affiliates serve as investment manager or investment adviser. AGI US also may share employees with or provide other services to the Allianz Affiliates. Similarly, AGI US may receive services, including but not limited to investment advisory services, from certain Allianz Affiliates. For example, in the areas of legal and compliance, risk management, human resources, finance, information technology, trade support and sales and marketing, services are provided or received and employees are shared between AGI US and various Allianz Affiliates. AGI US coordinates its activities with certain other Allianz investment

management businesses. These businesses include Allianz Global Investors Europe GmbH, Pallas Investment Partners, L.P., RCM (UK) Ltd., Allianz Global Investors Japan Co. Ltd., RCM Asia Pacific Limited, and RCM Capital Management PTY Ltd. (collectively, the "Allianz Advisory Affiliates"). Aside from Pallas, each of the Allianz Advisory Affiliates is directly or indirectly a wholly-owned subsidiary of Allianz SE.

AGI US is also related to the following entities:

#### Allianz Funds ("Allianz Funds")

AGI US is the portfolio manager of certain series of Allianz Funds, an open-end management investment company. Allianz Global Investors Fund Management LLC ("AGIFM") (See response to Item 11 below.) serves as investment adviser and administrator to the Allianz Funds. AGIFM is a direct subsidiary of AGI US's owner, Allianz Global Investors U.S. Holdings LLC.

#### Allianz Funds Multi-Strategy Trust ("Allianz Trust")

AGI US is the portfolio manager of certain series of the Allianz Funds Multi-Strategy Trust, an open-end management company. AGIFM serves as investment adviser and administrator to the Allianz Trust.

#### Allianz Global Investors Commingled Funds LLC

AGI US is the investment manager and managing member of AllianzGI Commingled Funds LLC ("AGI Commingled Funds"), a Delaware limited liability company. AGI US provides or arranges for the provision of certain financial and administrative services and oversees fund accounting for AGI Commingled Funds. AGI Commingled Funds currently consists of the following series: Large Cap Select Fund, Large Cap Growth Fund, Little Dragons Fund and China Fund. These series are privately offered and are exempt from registration under the Securities Act of 1933 and the Investment Company Act of 1940.

#### Pallas Investment Partners, L.P. ("Pallas") and Related Entities

Pallas is an investment adviser registered with the SEC. Pallas is owned by Walter Price and Huachen Chen. Mr. Price and Mr. Chen are dually employed by Pallas and by AGI US.

Pallas serves as investment manager to unregistered investment companies (the "Pallas Hedge Funds") -- Pallas Global Technology Hedge Fund, L.P., Pallas Investments II, L.P., and CP21, L.P., each a Delaware limited partnership. The general partner of Pallas Investments II, L.P. Pallas Global Technology Hedge Fund, L.P. and CP21, L.P. is Pallas Investments, LLC, a Delaware limited liability company (the "General Partner"). Mr.



Price and Mr. Chen own a majority of the interests in the General Partner.

Each of the Pallas Hedge Funds pays a management fee and an incentive fee (based on a percentage of profits) to either Pallas or the General Partner. The management fee is 1.25% for Pallas Investments II, L.P. and 1.5 % for Pallas Global Technology Hedge Fund, L.P. and CP21 L.P.

Mr. Price and Mr. Chen act as portfolio managers for certain AGI US client accounts including, among others, the AllianzGI Technology Fund.

AGI US and Pallas share common employees, facilities, and systems. Pallas may act as investment adviser to one or more of AGI US's affiliates, and may serve as sub-adviser for accounts or clients for which AGI US or one of its affiliates serves as investment manager or investment adviser. AGI US also may provide other services, including but not limited to investment advisory services or administrative services, to Pallas.

AGI US, Pallas, and the Allianz Advisory Affiliates all engage in proprietary research and all acquire investment information and research services from broker-dealers. AGI US and the Allianz Advisory Affiliates share such research and investment information.

In addition, trades entered into by Pallas on behalf of Pallas' clients are executed through AGI US's equity trading desk, and trades by Pallas on behalf of Pallas' clients (including the Pallas Hedge Funds) are aggregated with trades by AGI US on behalf of AGI US's clients. All trades on behalf of Pallas' clients that are executed through AGI US's equity trading desk will be executed pursuant to procedures designed to ensure that all clients of both AGI US and Pallas (including the Pallas Hedge Funds) are treated fairly and equitably over time. (See response to Item 12 below.)

The General Partner and/or Pallas receive a participation in the profits of the Pallas Hedge Funds. Mr. Price and Mr. Chen also invested personally in one or more of the Pallas Hedge Funds. As a result, Mr. Price and Mr. Chen have a conflict of interest with respect to the management of the Pallas Hedge Funds and the other accounts that they manage, and they may have an incentive to favor the Pallas Hedge Funds over other accounts that they manage. AGI US has adopted procedures reasonably designed to ensure that Mr. Price and Mr. Chen meet their fiduciary obligations to all clients for whom they act as portfolio managers and treats all such clients fairly and equitably over time.

The Allianz Advisory Affiliates share proprietary research and information developed by each of those entities. AGI US and the Allianz Advisory Affiliates may attempt to make a good faith allocation of the costs incurred in creating such research, and to apportion such costs among the offices receiving access to such research. Alternatively, some or all of the cost of such research may be borne exclusively by the affiliate creating the research.

AGI US also may provide research services to unaffiliated investment advisers.

In addition, AGI US acquires investment information and research services from broker-dealers, including information used in reports prepared by AGI US's Grassroots<sup>sm</sup> Research group. (See response to Item 12 below.) One or more of the Allianz Advisory Affiliates also may acquire similar research information from broker-dealers. AGI US and the Allianz Advisory Affiliates expect to share such research, and will use any such shared research for the benefit of their clients.

To the extent permissible under all appropriate laws, including federal securities and banking laws, AGI US may, from time to time, execute brokerage transactions through, or have investment advisory relationships with, any of the Allianz Affiliates. AGI US will not execute brokerage transactions through any of the Allianz Affiliates without the consent of the clients involved in such transactions. In addition, AGI US and the Allianz Affiliates do not act as principal in connection with transactions for AGI US clients. The Allianz Affiliates also may provide custodial services to certain of AGI US's clients.

AGI US has also entered into referral agreements with certain of its affiliates, including Allianz Global Investors Distributors LLC and NFJ, pursuant to which AGI US has agreed to compensate such affiliates with respect to client solicitation activities on behalf of AGI US in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940. As compensation for introducing new client accounts to AGI US, such affiliates may receive a portion of the management fee generated by the accounts.

In rendering investment advisory services to its clients, including U.S. registered investment companies, AGI US may use the resources of some of the Allianz Advisory Affiliates ("Participating AGI Affiliates") to provide portfolio management, research and trading services to AGI US clients. Under collaboration agreements, each of the Participating AGI Affiliates and any of their

employees who provide services to clients of AGI US are considered "associated persons" of AGI US as that term is defined in the Investment Advisers Act of 1940, as amended ("Advisers Act"). The Participating AGI Affiliates have agreed to submit to the jurisdiction of the SEC and to the jurisdiction of the U.S. courts for actions arising under the U.S. securities laws in connection with the investment advisory services they provide for any AGI US clients.

#### 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 NEJ International Value Trust, to PIMCO and NEJ, respectively.

#### 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 partners, officers, directors, employees, interns and temporary employees (collectively, "Covered Persons") are required to follow the Code, which sets out rules regarding personal securities transactions that are designed to address or mitigate potential conflicts of interest and to minimize any potential appearance of impropriety. The Code covers personal securities transactions of all Covered Persons and their immediate family members (as defined in the Code), which includes most persons sharing the same household as the Covered Person and other

individuals for whom the Covered Person provides significant economic support.

Although the Code permits Covered Persons to trade in securities for their own accounts, Covered Persons are subject to preclearance procedures, reporting requirements, and other provisions that restrict personal trading as Covered Persons 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 Covered Person may benefit from market activity within a client account.

Personal securities transactions by Covered Persons are monitored for compliance with the Code and any Covered Person who violates the Code may be subject to remedial actions, including, but not limited to: a letter of caution, warning or censure, recertification of the Code, disgorgement of profits, suspension of trading privileges, termination of officer title, and/or suspension or termination of employment. Covered Persons 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

If permitted by a particular client's investment objectives, guidelines, and restrictions, and applicable law and regulations, AGI US may recommend that a client purchase, or use its discretion to effect a client purchase of securities offered in either a public or private underwriting where an Allianz Affiliate is acting in the capacity of a manager, underwriter, or placement agent.

Consistent with its duty to seek best execution, AGI US may from time to time effect securities transactions for its client accounts through an Allianz Affiliate acting as broker or agent. (See also response to Item 12.)

AGI US clients may purchase shares of one or more series of the Allianz Funds or Allianz Trust for which AGI US serves as sub-adviser. (See response to Item 10 above.) Each of the funds pays a management fee to its administrator and investment adviser, AGIFM. In turn, AGI US, pursuant to a sub-advisory agreement between AGIFM and AGI US, receives fees for each fund it sub-advises. These fees are paid exclusively by AGIFM and not directly by the shareholders of the funds. Fees under the agreements are payable at annual rates expressed as a percentage of the average daily net asset value of each fund. The

distributor for the Allianz Funds and Allianz Multi-Strategy Trust is AGID.

Under AGI US's procedures, if a client holds shares of one or more of the Allianz Funds or series of the Allianz Trust in an account managed or advised by AGI US, the assets managed by AGI US are reduced by the value of their investment in shares of the Allianz Funds or Allianz Trust prior to calculation of their individual investment management fee. It should be noted that the management fee paid by the Allianz Funds or Allianz Trust may exceed the standard fee normally charged by AGI US to its individual clients. Potential participants should review closely each fund's prospectus. Specific written authorization designed to comply with the Employee Retirement Income Security Act Prohibited Transaction Exemption 77-4 is required from a separate non-affiliated fiduciary of employee benefit plans participating in any series of the Allianz Funds or Allianz Trust.

As described above, AGI US also recommends and offers to clients membership interests in certain Unregistered Commingled Funds, including membership interests in Allianz Global Investors Commingled Funds LLC. 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.

AGI US provides investment management services to certain investment companies, as described above. AGI US may have authority to invest some or all of a client's assets in one or more of such investment companies, to the extent consistent with applicable law. Because the fees received by AGI US from these investment companies may, in some cases, be greater than the fees otherwise paid by clients, AGI US may have an incentive to advise clients to invest in such investment companies. As a result, AGI US may have a conflict of interest with respect to such recommendations.

AGI US provide services to a number of different clients and accounts. We may give advice and take action with respect to any client or accounts that may differ from action taken on behalf of other clients or accounts. AGI US is not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling, any security

that our employees may buy or sell for their own account or for the accounts of any other client. AGI US manages conflicts with our employees investing for their accounts by requiring that any transaction be made in compliance with our Code of Ethics, as discussed above.

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

Potential conflicts of interest may also arise in connection with an employee's knowledge and the timing of transactions, investment opportunities, broker selection, portfolio holdings and investments. Some employees who have access to the size and timing of transactions may have information concerning the market impact of transactions. Employees may be in a position to use this information to their possible advantage or to the possible detriment of our other client accounts. An investment opportunity may also be suitable for multiple accounts we manage, but not in sufficient quantities for all accounts to participate fully. Similarly, there may be limited opportunity to sell an investment held by multiple accounts. We manage these potential conflicts with employee transactions by requiring that any transaction be made in compliance with our Code of Ethics, and potential conflicts between client accounts through our procedures for aggregating and allocating portfolio transactions and investment opportunities discussed in Item 12 below.

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



AGI US may also have a conflict of interest with respect to advisory client's investment in certain third party private investment funds. (See Item 10 above.)

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

AGI US believes that the nature and range of clients to whom the Allianz Affiliates render investment banking, commercial banking, brokerage and other services is such that it would be inadvisable to exclude these companies from a client's portfolio solely on the basis of their relationship with the Allianz Affiliates. Accordingly, except to the extent prohibited by law, AGI US will not, as a matter of policy, refrain from initiating purchases or sales of any security as to which the Allianz Affiliates provide investment banking, commercial banking, brokerage or other services, or as to which the Allianz Affiliates possess material, non-public information. As a result, subject to each client's investment objectives, guidelines and restrictions, it is likely that client holdings will, from time to time, include the securities of issuers for whom the Allianz Affiliates provide investment banking, commercial banking, brokerage and other services. AGI US also may purchase or sell for one or more client portfolios the securities of companies in which an Allianz Affiliate makes a market, or in which AGI US, the Allianz Affiliates, or any of their employees have positions.

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

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

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

AGI US and its Covered 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 Covered 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, Covered Persons deemed to be "Access Persons" under the Code are required to report brokerage and trading accounts to AGI US upon hire, upon a change from Non-Access Person to Access Person, at the time a new account is opened and annually. In addition, personal securities transactions are subject to limitations regarding the type and timing of transactions, including certain trading prohibitions, and pre-approval and monitoring by the AGI US Code of Ethics Office. To the extent AGI US determines that there is no conflict of interest, certain Covered Persons of AGI US from time to time may engage in outside business activities.

AGI US, its Covered Persons 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 Covered Persons 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 a Covered Person 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

AGI US permits its Covered Persons to engage in personal securities transactions, and to purchase and sell securities that may be held by or may be suitable for investment by client accounts. Personal securities transactions may raise potential conflicts of interest with the interests of AGI US clients. Accordingly, AGI US has adopted a Code of Ethics which is designed to mitigate conflicts of interest and the potential appearance of impropriety in a Covered Person's personal actions. The Code of Ethics requires, among other things, advance approval of certain purchases or sales of securities by its Covered Persons. The Code of Ethics does not require advance approval for investment in certain highly liquid securities issued by the U.S. Government or certain foreign governments, bankers' acceptances, bank certificates of deposit, commercial paper, shares of registered open-end investment companies, and certain other types of investment vehicles.

To ensure compliance with the pre-trading authorization requirement, each AGI US Covered Person deemed an "Access Person" is required to instruct each broker-dealer with whom he or she maintains an account to send directly to AGI US a duplicate copy of all transaction confirmations generated by that broker-dealer for that Covered Person's account. These confirmations or other relevant records are then cross-checked against the pre-trading authorization forms submitted by that Covered Person.

AGI US's Code of Ethics restricts the purchase and sale by its Covered Persons (and certain entities in which such Covered Person may have a beneficial interest) for their own accounts of securities which have been or are being considered for purchase for client accounts. Except under certain limited circumstances, Covered Persons are not to engage in a transaction in the same security while an order for a client's account is pending or within a certain period of time before and after execution of the transaction in that security on behalf of the client. The applicable time period will vary, depending on the Covered Person's job responsibilities.

AGI US performs investment management and investment advisory services for various clients, many of whom may have differing investment objectives, guidelines, and restrictions. As a result, AGI US may give advice and take action in the performance of its duties for a particular client

that may differ from the advice given, or the timing or nature of action taken, with respect to other clients. Frequently, a particular security may be bought or sold for only one or a small number of clients, or in different amounts and at different times for more than one but less than all clients. In some cases, AGI US may cause one or more accounts to buy or sell a security from or to a broker-dealer, and soon thereafter may engage in the opposite transaction for one or more other accounts from that or another broker-dealer. This practice may result in certain accounts receiving less favorable prices. AGI US has adopted procedures that it believes are reasonably designed to obtain the most favorable price and execution for the transactions by each account.

AGI US may, from time to time, buy or sell securities for its own investment account, and AGI US's Covered Persons may do so, either individually or as a group (such as through an investment partnership). Likewise, the Allianz Affiliates may buy and sell securities for their own accounts, may underwrite securities, and may act as a market maker with respect to certain securities. AGI US does not prohibit any of its Covered Persons from purchasing or selling for their own accounts securities that may be recommended to or held by AGI US's clients, and many of AGI US's Covered Persons do in fact own, purchase, and sell securities that are recommended to or held by AGI US's clients, subject to the requirements in the Code of Ethics. Similarly, the Allianz Affiliates may purchase, hold, or sell securities that are recommended for purchase or sale in AGI US client accounts. The Allianz Affiliates, with the exception of Pallas and its employees, are not subject to the AGI US Code of Ethics, and therefore may be purchasing or selling a security at the same time that AGI US is purchasing or selling that security on behalf of one or more clients.

The Allianz Affiliates also have adopted procedures designed to mitigate conflicts of interest and the potential appearance of impropriety in employee personal trading. The nature and timing of actions taken by one or more of AGI US's Covered Persons or by one or more of the Allianz Affiliates, either for their own accounts or for the accounts of clients, may differ from the nature and timing of actions taken by AGI US for client accounts. Because the Code of Ethics places restrictions on when Covered Persons can trade certain securities, the price received by AGI US's clients in a securities transaction will most likely be different than the price received by AGI US's Covered Persons.

Covered Persons of AGI US participate in the Allianz Asset Management of America L.P. 401(k)

Savings Retirement Plan (the “Plan”). The Plan may invest in certain vehicles for which AGI US acts as investment manager. Such investment vehicles also may be recommended to or held by AGI US clients. Furthermore, AGI US’s officers, senior managers and other highly compensated employees may be eligible to defer receipt of cash compensation and bonuses they may become entitled to pursuant to certain deferred compensation plans, and participation in such plans elect to have deferred amounts invested in securities that may be recommended to or held by AGI US clients.

#### ITEM 12. BROKERAGE PRACTICES

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

From time to time, AGI US accepts accounts for which it does not have full discretionary authority. For example, AGI US may recommend purchases and sales of securities for such accounts, subject to the client’s approval, or AGI US may provide only reporting and performance measurement services. In such cases, a suitable fee arrangement is agreed upon. (See response to Items 4 and 5 above.) If only non-advisory services are provided, and if the account is related to other accounts, AGI US may perform the services as an accommodation.

If AGI US makes a recommendation that is accepted by a non-discretionary client, that client

may choose to execute the transaction itself, without AGI US’s assistance. In that event, the non-discretionary client may seek to purchase or sell securities at the same time as discretionary clients, to the potential disadvantage of both. Alternatively, the client may request AGI US as an accommodation to place orders for the purchase or sale of the securities recommended and AGI US may either be given the right to determine the executing broker-dealer or the client may direct that such transactions be effected through specified broker-dealers. As a result, the timing of the non-discretionary client’s transaction and price received may differ from that of other AGI US clients because their transactions are typically executed after the transactions for fully discretionary accounts.

In addition, from time to time, AGI US may accept private client accounts for which a broker-dealer serves as custodian. In such cases, the client may agree with the broker-dealer that some or all transactions for that account must be executed through that broker-dealer. In such circumstances, even though AGI US has discretionary authority over the account, AGI US’s authority to select the broker-dealer through whom transactions will be executed may be limited. As a result, AGI US may not be in a position to ensure best execution of transactions for that client.

In selecting a broker or dealer for each specific transaction, AGI US uses its best judgment to choose the broker or dealer most capable of providing the services necessary to obtain the best execution of that transaction. In seeking the best execution of each transaction, AGI US evaluates a wide range of criteria, including any or all of the following: the broker’s commission rate, promptness, reliability and quality of executions, trading expertise, positioning and distribution capabilities, back office efficiency, ability to handle difficult trades, knowledge of other buyers and sellers, ability to provide AGI US with market-related information, confidentiality, capital strength and financial stability, prior performance and responsiveness in serving AGI US and its clients, and other factors affecting the overall benefit received by the client(s) in the transaction. When circumstances relating to a proposed transaction indicate that a particular broker or dealer is in a position to obtain the best execution, the order is placed with that broker or dealer. This may or may not be a broker or dealer that has provided investment information and research services to AGI US.

Subject to the requirement of seeking best execution, AGI US may, in circumstances in which

two or more brokers or dealers are in a position to offer comparable price and execution, give preference to a broker or dealer that has provided brokerage or research services to AGI US. In so doing, AGI US may effect securities transactions which cause a client to pay an amount of commission in excess of the amount of commission another broker would have charged. In effecting trades through such brokers or dealers, AGI US may generate credits ("Commission Credits") which may be used by AGI US to pay for brokerage and research services provided or paid for by such brokers or dealers. In selecting such broker or dealer, AGI US will make a good faith determination that the amount of commission is reasonable in relation to the value of the brokerage services and research and investment information received, viewed in terms of either the specific transaction or AGI US's overall responsibility to the accounts for which it exercises investment discretion. AGI US regularly evaluates all commissions paid in order to ensure that the commission represents reasonable compensation for the brokerage and research services provided by such brokers.

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

Under a safe harbor from the Securities Exchange Act of 1934, an investment adviser may cause clients to pay more than the lowest available commission rate in order to acquire certain research and brokerage services with the Commission Credits generated by its client account transactions. Any product and service we receive with Commission Credits must fall within the safe harbor. In some cases, our affiliates have

entered into commission sharing arrangements whereby they have arrangements with a broker and the broker has arrangements with another party to provide them research, which (as noted above) is typically shared with us, effectively allowing us, subject to our best execution responsibilities, to obtain research from other parties.

AGI US uses research and brokerage services that it receives from broker-dealers to evaluate securities and to formulate investment recommendations for both discretionary and non-discretionary clients. Such services are used by AGI US as part of its investment process to enhance portfolio return and to reduce trading costs, and are helpful to AGI US in serving its clients. Among other things, AGI US may receive research reports, oral advice, or data from the brokers or dealers regarding particular companies, industries, or general market or economic conditions. Such services also may include, among other things, information concerning pertinent federal and state legislative and regulatory developments and other developments that could affect the value of companies in which AGI US has invested or may consider investing; attendance at meetings with corporate management personnel, industry experts, economists, government personnel, academicians, and other financial analysts and journalists; consultation with scientific and technical experts concerning the viability and market potential of an issuer's products and services; comparative issuer performance and evaluation and technical measurement services; subscription to publications that provide investment-related information; accounting and tax law interpretations; economic advice; quotation equipment and services; execution or research measurement services; and software to assist AGI US initiate and execute orders; market-related and survey data concerning the products and services of an issuer and its competitors or concerning a particular industry that are used in reports prepared by AGI US's Grassroots<sup>sm</sup> Research group to enhance AGI US's ability to analyze an issuer's financial condition and prospects; information from doctors concerning medical, technological and economic developments in medicine, health care, and related areas; and other services provided by recognized experts on investment matters of particular interest to AGI US. In addition, services may include the use of or be delivered by computer systems whose hardware and/or software components may be provided to AGI US as part of the services.

In any case in which information and other services can be used for both brokerage or



research and non-research or non-brokerage purposes, AGI US makes an appropriate good faith allocation of those uses and pays directly for that portion of the services to be used for non-research or non-brokerage purposes. This allocation can create a potential conflict of interest.

The brokerage and research services that AGI US receives from brokers or dealers are used by AGI US's research analysts and portfolio managers to formulate recommendations for the purchase or sale of securities. These recommendations, as well as AGI US's analysis and the research used to formulate recommendations, may be made available to the Allianz Advisory Affiliates and all of AGI US's clients (including foreign clients of AGI US and the Allianz Advisory Affiliates) and is used by AGI US in servicing all of its clients, and it is recognized that a particular account may be charged a commission paid to a broker or dealer who supplied research or brokerage services not utilized by such account. In addition, non-discretionary clients for whom AGI US does not place brokerage orders ordinarily will benefit from such investment information, even though such information was generated through commissions paid by other clients. This may also be true for clients who require AGI US to direct all or a significant portion of their trades to one of a small number of broker-dealers. Private clients for whom a broker-dealer acts as custodian also will benefit from such research information, even though AGI US may not receive research services in connection with transactions executed for such private clients through that broker-dealer. In addition, some groups of accounts that do not generate Commission Credits (i.e., fixed income) may obtain certain brokerage and research services acquired with Commission Credits generated by a different group of accounts (e.g., equity and balanced). However, AGI US believes that each account will be benefited overall by such practice because each is receiving the benefit of research services and recommendations not otherwise available to it.

AGI US has not made and will not make commitments to place orders with any particular broker or dealer or group of brokers or dealers, other than pursuant to client direction. Annually, AGI US projects the amount of commission dollars it expects to generate in the course of a year, and pursuant to an internal allocation procedure that entails the vote of all portfolio managers and analysts as to the quality of research and investment information received from various brokers or dealers, establishes a budget of commission dollars to be directed to brokers providing the most useful investment information. No absolute dollar amounts are required to be

met, and in no case will an order be placed if the broker or dealer is not able to provide best execution of a particular transaction. However, AGI US does endeavor to direct sufficient orders to such brokers or dealers to ensure the continued receipt of research services that AGI US believes are useful. A substantial portion of brokerage commissions are paid to brokers and dealers who supply research and brokerage services to AGI US.

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.

In many cases, portfolio transactions may be executed in an aggregated transaction as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by AGI US, some of which accounts may have similar investment objectives. In addition, AGI US will aggregate trades for certain proprietary accounts with trades for AGI US clients, and AGI US may coordinate the execution of transactions for its clients with execution for transactions for the clients of the Allianz Advisory Affiliates, as more fully described below.

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

As a result, many of AGI US's equity transactions are coordinated for its clients on a regional basis with certain Allianz Advisory Affiliates and through an Allianz Advisory Affiliate Executing Office ("Executing Office"). This practice helps to minimize the possibility that clients of AGI US and those of Allianz Advisory Affiliates (with whom research is shared) would compete in the marketplace by executing transactions in the same security during the same day.

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

| Executing Offices | Trading Region          |
|-------------------|-------------------------|
| Hong Kong         | Asia (including Japan)  |
| Frankfurt         | Europe (including U.K.) |
| San Francisco     | North and South America |

When AGI US or an Allianz Advisory Affiliate executes an order for a security that trades in a Trading Region noted above, the order is routed to the applicable Executing Office. The Executing Office generally will aggregate that order for execution along with any other order(s) it may have received for the same security from another Allianz Advisory Affiliate or any other AGI affiliate on behalf of which an Allianz Advisory Affiliate provides trading services.

AGI US also operates regional trading desks in San Diego and New York (together with San Francisco,

the "U.S. Regional Trading Desks"), but currently only the San Francisco trading desk coordinates its orders with the Hong Kong and Frankfurt trading desks.

One of AGI US's objectives in aggregating trades for clients of AGI US with each other and with clients of the Allianz Advisory Affiliates is to attempt to ensure that all clients are treated in a fair and equitable manner over time. To help achieve this objective, AGI US has adopted written procedures for the aggregation of orders of advisory clients (the "Aggregation Procedures"). The Aggregation Procedures are designed to comply with all applicable legal and regulatory requirements. The Aggregation Procedures provide the procedures under which orders for one client account may be aggregated with other client accounts, including accounts that may be partially or entirely proprietary. In general, the Aggregation Procedures require all aggregated orders to be allocated to client accounts prior to the execution of such order. In certain circumstances, and if approved in advance by AGI US's compliance officer or his or her designee, certain deviations from the original allocation instructions may occur after a trade has been executed. Although AGI US uses its best efforts to ensure that all clients are treated fairly and equitably over time, there can be no assurance (and the Aggregation Procedures do not require) that any particular investment will be proportionally allocated among clients, or that the allocation process will achieve the same results for each client. Aggregated orders generally will be averaged as to price, with transaction costs shared pro rata based on each client's participation in the transaction.

Although executing portfolio transactions in an aggregated transaction potentially could be either advantageous or disadvantageous to any one or more particular account, aggregated transactions will be effected only when AGI US believes that to do so will be in the best interest of the affected accounts, and AGI US is not obligated to aggregate orders into larger transactions.

Currently, while transactions executed through each of the U.S. Regional Trading Desks may be aggregated with other transactions executed through that same trading desk in accordance with AGI US's Aggregation Procedures, AGI US does not aggregate the transactions executed through one U.S. Regional Trading Desk with transactions executed through one of its other U.S. Regional Trading Desks. Rather, each U.S. Regional Trading Desk operates independently and AGI US's Aggregation Procedures are applied separately to each trading desk. Because each of the U.S. Regional Trading Desks operates independently,

AGI US may under some circumstances, subject to the requirement to seek best execution, execute separate transactions in the same security with different brokers, which may result in different net prices, commissions or spreads.

In addition to the Aggregation Procedures, AGI US also has adopted procedures intended to ensure that the allocation of shares received in an initial public offering ("IPO") is done in a manner that is fair and equitable to all clients over time. These procedures establish an allocation methodology for each product group managed by AGI US (e.g., Large Cap, Mid-Cap, Technology, etc.) and a target allocation for each client within each product group. Shares received in IPOs are first allocated to each product group consistent with AGI US's procedures, and then to each client within that group based on specific target allocations.

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

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

AGI US will also place orders with brokerage firms pursuant to direction received from investment management or investment advisory clients ("directed brokerage"). Directed brokerage is typically arranged by a client as a method whereby the brokerage commissions serve as compensation to the broker for goods and services provided directly to the client in an agreement negotiated between the client and the broker. Alternatively, the client may seek to negotiate a particular commission rate with that broker, or

may use the direction of brokerage to accomplish unrelated objectives (e.g., the direction of brokerage to minority-owned brokerage firms, or to brokerage firms located in the same geographic area as the client). Clients that direct brokerage may ask AGI US to ensure that they continue to receive best execution of each transaction, or they may negotiate commission rates themselves. In addition, with respect to clients that are ERISA plans, by law, any direction by the plan sponsor must be in the best interests of, and for the exclusive benefit of, the plan participants, in order to procure goods and services on behalf of the plan for which the plan otherwise would be obligated to pay.

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

AGI US ordinarily limits the amount of brokerage that any client may direct to a percentage of the total brokerage generated by that client, except as described above. AGI US uses two 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 that clients that seek to direct brokerage are not disadvantaged by the inability to participate in aggregated executions. However, “step-out” trades are an accommodation by the executing broker-dealer, and “step-out” trades will not be available in all circumstances to satisfy requests for directed brokerage.

AGI US does not enter into agreements with, or make commitments to, broker-dealers that would bind AGI US to compensate broker-dealers directly or indirectly for client referrals. However, subject to applicable laws, regulations and any particular client restriction, when one or more broker-dealer is considered by AGI US to be capable of providing best execution with respect to a particular portfolio transaction, AGI US may select a broker-dealer in recognition of the broker-dealer’s past referral of the particular client for whom the transaction is being executed, or of other clients, or in recognition of possible future referrals from the broker-dealer. This may create a conflict of interest. In doing so, unless otherwise specifically disclosed to the client, AGI US will not pay higher commissions, concessions, or mark-ups than would otherwise be obtainable from broker-dealers that do not provide client referrals to AGI US.

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.

#### 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 two independent third party service providers (the “Proxy Providers”), to support two different groups of portfolio management teams,



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. Although both Proxy Providers have been instructed to follow the Proxy Guidelines, it is possible that in certain circumstances the Proxy Providers may interpret the Proxy Guidelines in different ways, and as a result AGI US may cast votes on behalf of one client account that are different than votes cast for the same shares held by another client account.

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 Providers 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 Guidelines summarize AGI US's position on various issues, including issues of corporate governance and corporate actions, and give general indication as to how we will vote shares on such issues. Occasionally, there may be instances when AGI US may not vote proxies in strict adherence to the Proxy Guidelines. To the extent that the Proxy Guidelines do not cover potential voting issues or a case arises of a potential material conflict between AGI US's interest and those of a client with respect to proxy voting, the Proxy Committee will convene to discuss the

issues. In evaluating issues, the Proxy Committee may consider information from many sources, including the portfolio management team, the analyst responsible for monitoring the stock of the company at issue, management of a company presenting a proposal, shareholder groups and independent proxy research services. In situations in which the Proxy Guidelines do not give clear guidance on an issue, an analyst or portfolio manager and/or the Proxy Committee will review the issue. In the event that either the analyst or portfolio manager wishes to override the Proxy Guidelines, the proposal will be presented to the Proxy Committee for a final decision. Any deviations from the Proxy Guidelines will be documented and maintained in accordance with Rule 204-2 under the Advisers Act.

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

AGI US generally does not advise or take any action on behalf of its clients in any legal proceedings, including class actions. A client's decision whether to participate in a securities class action lawsuit may involve facts and legal judgments that are beyond the scope of AGI US's management of the account and expertise as an investment adviser. AGI US therefore encourages its clients to rely on their legal counsel for advice on whether or not to participate in class actions. AGI US does not file proof of claim forms for its separate account clients. However, upon request and as a courtesy, AGI US may provide relevant records and information in its possession that may be necessary or useful to the client or its custodian to file claim forms or other legal documents. In such cases it is the client's responsibility to (i) ensure that the custodian is capable of filing, and has the proper authorization to file, proofs of claim on the client's behalf and (ii) determine whether to file a request for exclusion from a particular class action settlement and take the necessary steps to do so. AGI US is not responsible for a client's or custodian's failure to file claim forms or to request exclusion.

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 NOTICE

##### Privacy Notice

##### To Our Customers:

We value our customers and appreciate the trust you have placed in us. We understand that as our customers, you provide us with certain non-public personal information in the course of doing business with us and entrust us to protect its privacy. "Non-public personal information" is generally identifiable financial information about you. For example, it includes information regarding your social security number, account balance, bank account information and account transaction history. This notice describes how we handle your personal information and the important steps we take to protect your privacy. We have sent this notice to comply with the privacy regulations of the Securities and Exchange Commission.

##### Information We Collect About You:

To provide you with the highest quality of service, we collect and maintain certain non-public personal information about you. This information includes information we receive from you to open an account and provide you with investment advice, including information you provide on applications or other forms (such information may include your name, address, telephone number, taxpayer identification number and certain financial information); information about your transactions; and information we generate to service your account (such as trade tickets and account statements).

##### Our Privacy Policies and Practices:

We do not disclose non-public personal information to non-affiliated third parties, except for our everyday business purposes, such as processing transactions for your account, or as allowed by applicable law or regulation. As is common in the industry, non-affiliated companies

may from time to time be used to provide certain services, such as settlement and accounting, performance measurement, transfer agency, custody, brokerage or administration. These companies may have access to your non-public personal information, but are permitted to use the information solely to provide the specific service or as otherwise permitted by law. We may also provide your non-public personal information to your brokerage or financial advisory firm or consultant.

We do reserve the right to disclose or report personal information to non-affiliated third parties in limited circumstances where we believe in good faith that disclosure is required under law, to cooperate with regulators or law enforcement authorities, to protect our rights or property, or upon reasonable request by any mutual fund in which you have chosen to invest. In addition, we may disclose information about you or your accounts to a non-affiliated third party at your request or if you consent in writing to the disclosure.

We may share your information with our affiliates in connection with their everyday business purposes, such as servicing your account, but our affiliates may not use this information to market products or services to you except in conformance with applicable laws or regulations. The information we share includes information about our experiences and transactions with you and may include, for example, your participation in our investment funds, your ownership of certain types of accounts (such as IRAs), or other data about your transactions or accounts. Our affiliates, in turn, are not permitted to share client information with non-affiliated entities, except as required or permitted by law.

Access to your non-public personal information is restricted to those persons who need access to that information to provide products or services to you. We maintain strict physical, electronic and procedural safeguards to protect unauthorized use of this information. We take seriously our commitment to protect your privacy and adhere to the policies and practices outlined above for both current and former customers.