

# NFJ Investment Group LLC

2100 Ross Avenue, Suite 700  
Dallas, TX 75201

## Form ADV Part 2A Brochure

March 30, 2017

This brochure provides information about the qualifications and business practices of NFJ Investment Group LLC (“NFJ Investment Group”). If you have any questions about the contents of this brochure, please contact us at (800) 768-3219 and/or [nfj-general-office@nfjinv.com](mailto:nfj-general-office@nfjinv.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 NFJ Investment Group is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). NFJ Investment Group 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 30, 2016, there have been no material changes. The following updates have been made:

Under Item 4, NFJ Investment Group's assets under management ("AUM") has been updated.

Under Item 5, fee schedules have been updated.

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business' fiscal year. We may further 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

NFJ Investment Group LLC (“NFJ Investment Group”) is a Dallas, Texas based registered investment adviser, which is a wholly owned subsidiary of Allianz Global Investors U.S. LLC (“AllianzGI US”), a wholly owned subsidiary of Allianz Global Investors U.S. Holdings LLC. NFJ Investment Group commenced discretionary investment management services on February 1, 1989.

NFJ Investment Group provides investment management services across a broad range of primarily equity assets including domestic and non-U.S. securities. NFJ Investment Group provides discretionary and non-discretionary investment management or sub-advisory services to institutional clients and non-institutional clients principally through separate accounts and a variety of commingled funds (including SEC registered open-end investment companies (“Mutual Funds”) and SEC registered closed-end investment companies (“Closed-End Funds”), other commingled funds which are not registered with the SEC (“Non-Registered Commingled Funds”), and non-U.S. funds such as SICAVs or others that are marketed in multiple jurisdictions under the UCITS directive), which may be sponsored or established by affiliates of NFJ Investment Group or by unaffiliated third parties.

The following are the primary elements of the investment management services typically provided by NFJ Investment Group. Such services may vary depending on the nature of the investment advisory relationship as described herein.

- (i) Formulation with the client of appropriate investment objectives and restrictions;
- (ii) Application of stock screening process to determine the relative attractiveness of individual stocks within certain quality constraints;
- (iii) Construction of client portfolios utilizing stocks which are determined to be most attractive by the screening process which concentrates on low valuations and/or dividend yields. A specific sell discipline is in place;
- (iv) If authorized, implementation of the investment strategy by execution of portfolio transactions as needed;
- (v) The continual monitoring of the account for the purpose of reviewing its performance and controlling its adherence to strategy and objectives; and
- (vi) Furnishing reports to the client concerning account activity, strategy and performance.

In addition, NFJ Investment Group may from time to time determine to tailor its advisory services to the individual needs of its clients. Clients may submit reasonable guidelines or restrictions on investments in certain securities or security types to be adhered to by NFJ Investment Group. When selecting securities and determining amounts, NFJ Investment Group observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to NFJ Investment Group in writing.

#### Separate Accounts

For separate account clients, NFJ Investment Group provides investment management services for the assets placed under its supervision. Investment advice is furnished on either a discretionary basis, where the client authorizes NFJ Investment Group to make all investment decisions for the account, or on a non-discretionary basis, where NFJ Investment Group makes recommendations to the client but all investment decisions are made by the client and may or may not be implemented by the client.

### **Managed Account/Wrap-Fee Programs**

NFJ Investment Group also provides discretionary and non-discretionary investment advisory services for managed account/wrap-fee programs, programs in which a client pays a program sponsor or broker a single “wrap-fee” for advisory services, certain brokerage services, monitoring of the investment adviser’s performance and custodial services or some combination of these or other services; (the “Wrap Programs”) sponsored by unaffiliated broker-dealers (the “Program Sponsors”).

As the investment adviser to the Program Sponsor or Direct Client (as defined below), AllianzGI US is responsible for providing investment management services directly to the Wrap Programs and has ultimate decision making and discretionary authority with respect to the securities to be purchased or sold for a Wrap Program client’s or Direct Client’s account.

AllianzGI US offers the investment expertise of its affiliated asset managers (including NFJ Investment Group) and certain unaffiliated asset managers, which act as sub-advisers with respect to certain investment styles, to selected Program Sponsors and a limited number of clients who do not participate in a Wrap Program (“Direct Clients”). Under the Wrap Programs, the Program Sponsor permits its clients to take part in a Wrap Program by choosing an investment adviser from a list of participating investment advisers that are screened by the Program Sponsor. The wrap client accounts are typically subject to a minimum investment and are administered and serviced primarily by the Program Sponsor, which, in most cases is also registered as an investment adviser.

AllianzGI US typically enters into a wrap program investment management agreement with the Program Sponsors (or in the case of a Direct Client, an Agreement with such Direct Client). As a sub-adviser to AllianzGI US, NFJ Investment Group has entered into an investment sub-advisory agreement with AllianzGI US (the “NFJ Sub-advisory Agreement”).

Wrap fee clients invested in products for which AllianzGI US is providing investment management services should also refer to the AllianzGI US Form ADV Part 2 for further information. NFJ Investment Group does not act as a sponsor of any Wrap Program.

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

NFJ Investment Group may also act as a non-discretionary sub-adviser by providing an investment model to unaffiliated third parties (each a “Model Receiver”) which may manage accounts participating in, or sponsor, Wrap Programs.

In this case, NFJ Investment Group would typically enter into an investment sub-advisory agreement with the Model Receiver. The Model Receiver would normally have entered into an investment management or sub-advisory agreement with the Program Sponsor.

Pursuant to the investment sub-advisory agreement entered into by NFJ Investment Group and the Model Receiver, NFJ Investment Group would provide investment recommendations to the Model Receiver for one or more of its investment strategies. The Model Receiver has the ultimate decision making authority and discretionary responsibility for determining which securities are to be purchased and sold for the clients participating in the Wrap Programs.

As noted above, wrap-fee clients should consult the Program Sponsor’s brochure for the specific fees and features applicable to their program as well as the Form ADV of the primary, discretionary investment manager.

### **Registered Investment Companies**

NFJ Investment Group also serves as sub-adviser to certain Mutual Funds and Closed-End Funds sponsored or advised by its affiliates and unaffiliated advisers. In particular, NFJ Investment Group acts as a sub-adviser to certain funds of the Allianz Funds and the Allianz Funds Multi-Strategy Trust, each an open-end registered investment company (advised by an affiliate, Allianz Global Investors Fund Management LLC ("Allianz Funds")), and certain unaffiliated funds (collectively, with Allianz Funds, "Funds"). NFJ Investment Group may also act as a non-discretionary sub-adviser to Mutual Funds by providing investment recommendations to the Mutual Fund's adviser which may or may not implement such investment recommendations in its discretion.

### **Non-Registered Commingled Funds**

NFJ Investment Group may also provide investment management or sub-advisory services to commingled funds, that are established by affiliates or unaffiliated third parties, which are not registered under the Securities Act of 1933 or the Investment Company Act of 1940, as amended (the "Investment Company Act"). A minimum account size may be applicable for participation in a Non-Registered Commingled Fund. Additional information concerning these funds is included in the relevant fund's offering documents. Please see Item 10 for additional information.

### **Assets Under Management**

As of December 31, 2016, NFJ Investment Group managed \$19.7 billion (USD) in client assets, including \$15.5 on a discretionary basis and \$4.1 billion on a non-discretionary basis.

NFJ Investment Group cannot guarantee or assure you that your investment objectives will be achieved. AllianzGI 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 NFJ Investment Group's overall management of any account. The investment decisions NFJ Investment Group 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 NFJ Investment Group's services.

## **ITEM 5. FEES AND COMPENSATION**

### **Separate Accounts**

NFJ Investment Group's investment management fees for separate accounts are generally set forth in the client's investment management agreement (the "Agreement"). Agreements generally provide that either NFJ Investment Group or the client may terminate the Agreement by giving advance written notice to the other party. In certain cases, the client may terminate the Agreement at any time, for any reason without penalty, upon written notice, and in particular, the client may terminate the Agreement within 5 business days after entering into the Agreement without penalty. However, generally, the client has the right to cancel NFJ Investment Group's services upon 30 days' written notice during which period NFJ Investment Group's investment management fees are earned and retained. Except as otherwise agreed, upon termination, clients are responsible for payment of 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, NFJ Investment

Group will refund the client the portion of fees paid from the date of termination to the end of such quarter.

In general, NFJ Investment Group's fees are based on its standard fee schedule that is in effect at the time the Agreement is entered into. Investment management fees may also be negotiated with clients and therefore may vary from the standard fee schedule. For comparable services, other investment advisers may charge higher or lower fees than those charged by NFJ Investment Group. The standard fee schedule may be modified from time to time and existing client relationships may have a different fee schedule; however some of the Agreements entered into by NFJ Investment Group with institutional clients allow NFJ Investment Group to apply a revised fee schedule to such clients' accounts after giving written notice of such fee schedule revisions.

Investment management fees under NFJ Investment Group's current standard fee schedule are calculated as a percentage of assets under management and may be subject to a specified minimum annual fee and/or a specified minimum account size.

Fees are generally charged quarterly in arrears based on the ending market value of the account (including, without limitation, cash and cash equivalents and accrued dividends and interest) as of the last business day of the quarter. As a result, clients may pay investment management fees with respect to cash and cash equivalents both to NFJ Investment Group as well as to the adviser of any cash management vehicle utilized by the client in connection with the client's account. Fees may also be charged quarterly in advance based on the market value of the account at the beginning of the quarter. In the event that an account is opened on a date other than the first day of a calendar quarter, the client will be charged fees for the first quarter on a pro-rata basis from the date of inception of the account to the last day of the quarter. Unless otherwise specifically agreed to with a client, the ending market value of an account for purposes of calculating fees will be determined by NFJ Investment Group applying the same valuation procedures and methods which it uniformly uses in its quarterly appraisals of investment management accounts. For certain accounts, a portion of NFJ Investment Group's fee may be paid to an affiliate for client servicing activities. Clients are typically billed for fees incurred.

NFJ Investment Group 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, NFJ Investment Group 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. NFJ Investment Group may terminate client accounts with assets that fall below the minimum indicated.

NFJ Investment Group's current standard fee schedules for new separate accounts are as follows:

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

**Dividend Value and Large-Cap Value,**

- 0.70% - first \$25,000,000
- 0.55% - next \$50,000,000
- 0.40% - next \$100,000,000
- 0.35% - excess over \$175,000,000
- Minimum account size: \$25 Million

## NFJ Investment Group LLC

### Mid-Cap Value, Mid-Cap Value 100, and All-Cap Value

0.85% - first \$25,000,000  
0.55% - next \$25,000,000  
0.40% - next \$50,000,000  
0.35% - excess over \$100,000,000  
Minimum account size: \$25 Million

### Small-Cap Value

0.90 % - first \$25,000,000  
0.85% - next \$25,000,000  
0.75 % - excess over \$50,000,000  
Minimum account size: \$25 Million

### International Value

0.85% - first \$25,000,000  
0.75% - next \$25,000,000  
0.60% - next \$50,000,000  
0.45% - excess over \$100,000,000  
Minimum account size: \$25 Million

### Global Dividend Value

0.75% - first \$25,000,000  
0.65% - next \$25,000,000  
0.55% - next \$50,000,000  
0.45% - excess over \$100,000,000  
Minimum account size: \$25 Million

### International Small Cap Value

1.00% - first \$50,000,000  
0.85% - next \$50,000,000  
0.70% - excess over \$100,000  
Minimum account size: \$25 Million

### Emerging Markets Value

0.90% - first \$50,000,000  
0.85% - next \$50,000,000  
0.80% - next \$100,000,000  
0.70% - excess over \$100,000  
Minimum account size: \$25 Million

### Managed Account/Wrap-Fee Programs Sub-Advisory Fees

Generally, the Program Sponsor will pay a portion of the wrap-fee received from the Wrap Program client to AllianzGI US for investment management services provided to the Wrap Program Sponsor/wrap client. Direct Clients pay AllianzGI US a fee in accordance with their Agreements with AllianzGI US. When NFJ Investment Group acts as a sub-adviser to AllianzGI US with respect to managed/wrap accounts or Direct Client accounts, NFJ Investment Group will be compensated for the investment management services it provides to AllianzGI US out of the fees it receives. NFJ



Investment Group's and AllianzGI US' compensation from the Wrap Program Sponsors and Direct Clients vary, but it is generally between 0.15% and 0.50% of assets under management in the respective Wrap Program or Direct Client account. Generally, fees are payable quarterly in advance.

Wrap-fee clients typically receive a brochure detailing the wrap-fee program from the Program Sponsor prior to their selection of NFJ Investment Group as sub-adviser. Fees and features of each program offered by the various Program Sponsors vary and therefore, wrap-fee clients should consult the Program Sponsor's brochure for the specific fees and features applicable to their program.

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

Generally, the Model Receiver will pay a portion of the fee it receives from the Program Sponsor to NFJ Investment Group. NFJ Investment Group would normally expect such fees to be generally within the same range as fees described under "Managed Account/Wrap-Fee Programs-Investment Sub-advisory Fees" although such fees may be higher or lower. Fees may be payable quarterly in arrears or in advance.

#### **Registered Investment Companies Sub-Advisory Fees**

The fees NFJ Investment Group receives for sub-advisory services provided to Funds are separately negotiated between NFJ Investment Group and the unaffiliated or affiliated investment adviser and/or Fund. Fees may be performance-based, but typically are based on a percentage of assets under management. Clients invested in a Fund sub-advised by NFJ Investment Group should refer to the Fund's Prospectus for a listing of the applicable advisory and sub-advisory fees.

#### **Non-Registered Commingled Funds – Fees**

The fees NFJ Investment Group receives for investment management or sub-advisory services provided to commingled funds are separately negotiated between NFJ Investment Group and the unaffiliated third party manager and/or the commingled fund. Clients invested in a commingled fund should refer to the fund's offering documents for additional information about the fees and expenses of the fund.

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

NFJ Investment Group's supervised persons and related sales personnel typically market AllianzGI US and NFJ investment capabilities to various prospects and intermediaries either directly through separate accounts and managed/wrap accounts and indirectly through Funds advised or sub-advised by AllianzGI US and NFJ.

Certain of NFJ Investment Group'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 Non-Registered Commingled Funds advised or sub-advised by AllianzGI US or NFJ. (See Item 10 for more information about other financial industry activities and affiliations.) The Funds and Non-Registered Commingled Funds may pay an investment management or administrative fee to NFJ Investment Group in addition to broker-dealer receiving sales commissions or distribution fees from NFJ Investment Group or an affiliate, including 12b-1 fees, loads or contingent deferred sales charges.

Certain NFJ Investment Group supervised persons and related sales personnel may be compensated by NFJ Investment Group for successful marketing or selling activities with respect to shares or interests in Funds, and Non-Registered Commingled Funds advised or sub-advised by AllianzGI US and NFJ Investment Group. Certain NFJ Investment Group supervised persons and related sales personnel do not receive transaction-based compensation.

Clients may purchase certain investment products recommended by NFJ Investment Group directly or through banks, broker-dealers and other investment advisers that are not affiliated with NFJ Investment Group. Doing so may result in fee and execution charges that are lower (or higher) than those charged by NFJ Investment Group or its affiliates.

### **Client Service and Sales**

NFJ Investment Group 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 NFJ Investment Group, including the compensation paid to sales and client service personnel.

### **Transaction Charges**

Clients, except those who participate in a Wrap Program where the Program 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, NFJ Investment Group 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 includes but is not limited to the purchase of equity linked notes, the commitment of capital, or 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**

NFJ Investment Group 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 NFJ Investment Group.

### **Other Fees and Expenses**

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

On behalf of its separate account clients and Fund clients, NFJ Investment Group may invest in Funds, exchange-traded funds ("ETFs"), and other pooled investment vehicles. This may include the investment in funds managed by Pacific Investment Management Company LLC ("PIMCO"). When NFJ Investment Group invests client assets in these investment vehicles, unless otherwise agreed and where permitted by applicable law, the client will bear its proportionate share of fees and expenses as an investor in the investment vehicle in addition to NFJ Investment Group's investment advisory or sub-advisory fees. The investment vehicle's prospectus, offering documents or other disclosure document contains a description of its fees and expenses.

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

Investors in Funds advised or sub-advised by NFJ Investment Group will not be advisory clients of NFJ Investment Group (with respect to their investment in the fund), and NFJ Investment Group will not provide investment advice or recommendations with respect to the merits and suitability of the particular investment and investment decision for the particular investor. Investors in such Funds are encouraged to consult their own financial, tax and legal advisors regarding such decisions.

NFJ Investment Group's clients generally will incur brokerage and other transaction costs. Wrap Program clients should review all materials available from a third party sponsor concerning the program, sponsor and the program's terms, conditions and fees. Additional information about NFJ Investment Group's brokerage practices and brokerage costs can be found under Item 12.

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

### **Performance-Based Fees**

Although NFJ Investment Group generally calculates its fixed advisory fees as a percentage of assets under management, NFJ Investment Group may also enter into a performance fee arrangement with a client pursuant to individualized negotiations with such client. NFJ Investment Group will structure performance fee arrangements in accordance with applicable law and regulatory requirements. 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**

NFJ Investment Group 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. NFJ Investment Group has implemented side-by-side policies and procedures designed to address this conflict and to ensure that all clients are treated fairly and equitably.

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

NFJ Investment Group provides portfolio management services to a variety of clients including:

- individuals
- high net worth individuals
- corporations
- corporate pension and profit-sharing plans
- public pension and profit-sharing plans
- retirement plans
- Taft-Hartley plans
- charitable institutions, religious organizations, foundations, endowments
- investment companies and other commingled vehicles
- trusts
- variable annuity plans, variable insurance trusts
- insurance companies
- supranational organizations
- governmental entities
- investment advisers
- Wrap Fee Programs

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

The following are broad descriptions of NFJ Investment Group’s investment strategies including general methods of analysis for each strategy. NFJ Investment Group reserves the right to limit the availability of any particular strategy at any given time based on factors including asset class capacity, pre-existing relationships, minimum account sizes, fees and distribution channels. In

addition, NFJ Investment Group may develop other investment strategies from time to time and manage portfolios according to a client's specific investment guidelines, thus, strategies may vary by client account. Certain strategies may be available only in certain channels or through a purchase of shares of Funds. The descriptions of the investment strategies and risks below are qualified in their entirety by the information provided by NFJ Investment Group or the investment advisers for a given Fund or Wrap Program to their advisory clients, included in a Fund's prospectus and Statement of Additional Information or other official offering documentation, or included in or provided with any Wrap Program disclosure statement. Prior to investing in any Fund, please review the relevant prospectus or offering memorandum for important information. It should be noted that investing in securities involves risk of loss that clients should be prepared to bear.

For each investment strategy listed, NFJ Investment Group applies a fundamental research process which may include financial analysis of a company's balance sheet, cash flow statement, historical earnings and dividends, as well as other fundamental metrics.

#### **NFJ All-Cap Value**

This strategy seeks long-term growth of capital and income. The portfolio managers use a value investing style focusing on companies with low valuations across a broad range of industry groups. This strategy normally invests a significant portion of its assets in common stocks that the portfolio managers expect will generate income (for example, by paying dividends). This strategy will normally have some exposure to small, medium and large capitalization companies, although the portfolio manager reserves the flexibility to vary this strategy's relative weightings to each capitalization range based on a number of factors.

#### **NFJ Dividend Value**

This strategy seeks long-term growth of capital and income. The portfolio managers use a value investing style focusing on companies with low valuations across a broad range of industry groups. This strategy normally invests a significant portion of its assets in common stocks that the portfolio managers expect will generate income (for example, by paying dividends). This strategy will also invest a significant portion of its assets in common stocks of companies with market capitalizations greater than \$2 billion (USD). Investable universe includes ADRs.

#### **NFJ International Value**

This strategy seeks long-term growth of capital and income. The portfolio managers use a value investing style focusing on companies with low valuations across a broad range of industry groups. This strategy seeks to achieve its investment objective by investing in non-U.S. companies (up to 50% of which may constitute emerging markets securities), a significant portion of which the portfolio managers expect will generate income (for example, by paying dividends). Investable universe includes ADRs and foreign ordinaries with an associated ADR.

#### **NFJ Large-Cap Value**

This strategy seeks long-term growth of capital and income. This strategy seeks to achieve its investment objective by normally investing in a universe of the 400 largest publicly traded companies (in terms of market capitalization) in the United States. The portfolio managers use a value investing style focusing on companies with low valuations across a broad range of industry groups. This strategy normally invests a significant portion of its assets in common stocks that the portfolio managers expect will generate income (for example, by paying dividends).

### **NFJ Mid-Cap Value**

This strategy seeks long-term growth of capital and income. This strategy primarily invests in common stocks of companies with medium market capitalizations. This strategy currently defines the medium market capitalization companies as those companies in the bottom 800 of the 1,000 largest North American companies (in terms of market capitalization) that are publicly traded on U.S. securities markets. Investable universe includes ADRs. The portfolio managers use a value investing style focusing on companies with low valuations across a broad range of industry groups. This strategy normally invests a significant portion of its assets in common stocks that the portfolio managers expect will generate income (for example, by paying dividends).

### **NFJ Small-Cap Value**

This strategy seeks long-term growth of capital and income. This strategy invests primarily in common stocks of companies with market capitalizations between approximately \$100 million and \$4.0 billion (USD). The portfolio managers use a value investing style focusing on companies with low valuations across a broad range of industries. This strategy normally invests a significant portion of its assets in common stocks that the portfolio managers expect will generate income (for example, by paying dividends). Accounts invested in the Small Cap Value strategy normally hold approximately 100 stocks. NFJ Investment Group also manages a similar Small Cap Broad strategy. The Small Cap Value investable universe includes ADRs, whereas the Small Cap Broad investable universe includes ADRs and foreign ordinaries. NFJ Investment Group also manages a Small Cap Concentrated strategy, which follows a process similar to the Small Cap Broad strategy. The holding sizes are targeted at 3% equally-weighted. The Small-Cap Concentrated strategy is currently offered only to managed account/wrap-fee program accounts managed by AllianzGI US.

### **NFJ Global Dividend Value**

This strategy seeks long-term growth of capital and income. This strategy seeks to achieve this objective by normally investing in common stocks of US and non-US companies with market capitalizations in excess of \$1 billion (USD). The portfolio managers use a value investing style focusing on companies with low valuations across a broad range of industries. This strategy normally invests a significant portion of its assets in common stocks that the portfolio managers expect will generate income (for example, by paying dividends). Investable universe includes ADRs and foreign ordinaries with an associated ADR.

### **NFJ Mid Cap Value 100**

This strategy seeks long-term growth of capital and income. This strategy primarily invests in common stocks and other equity securities of companies with small to medium market capitalizations (between at least \$3 billion and up to the largest company held in the Russell Midcap Index). The portfolio managers use a value investing style focusing on companies with low valuations across a broad range of industry groups. This strategy normally invests a significant portion of its assets in common stocks that the portfolio managers expect will generate income (for example, by paying dividends). This strategy may invest up to 25% of its assets in non-U.S. securities, without limit in ADRs.

### **NFJ International Small Cap Value**

This strategy seeks long-term growth of capital and income. This strategy invests primarily in common stocks of companies with market capitalizations between approximately \$500 million and \$5.0 billion (USD). The portfolio managers use a value investing style focusing on companies with

low valuations across a broad range of industry groups. This strategy seeks to achieve its investment objective by investing in stocks of non-U.S. companies (up to 20% of which may constitute emerging markets securities), a significant portion of which the portfolio managers expect will generate income (for example, by paying dividends). Investable universe includes ADRs and foreign ordinaries.

In addition to the types of investments listed above, NFJ Investment Group may also recommend to its clients, or may invest its client assets in other types of investments including investment trusts including real estate investment trusts (“REITs”), and master limited partnerships.

Furthermore, NFJ Investment Group may invest in securities that trade on a U.S. exchange and also on a non-U.S. exchange (“Dually-Listed Securities”). Dually-Listed Securities may be purchased and/or sold by NFJ Investment Group on one or both of such exchanges (i.e., the non-U.S. exchange and the U.S. exchange) on which the Dually-Listed Security trades, but, in any case, the Dually-Listed Security will be treated as a security traded on a U.S. exchange for purposes of client investment guidelines and restrictions (including prospectus requirements).

### **NFJ Emerging Markets Value**

This strategy seeks long-term capital appreciation. This strategy primarily invests in equity securities of companies that are domiciled in or tied economically to countries with emerging securities markets – that is, countries with securities markets which are, in the opinion of the portfolio managers, less sophisticated than more developed markets in terms of participation by investors, analyst coverage, liquidity and regulation. This may be achieved by investing in ADRs and other depositary receipts, in addition to direct investments in the securities of non-US issuers. This strategy may also invest in derivative instruments such as participatory notes.

## **INVESTING IN SECURITIES INVOLVES RISK OF LOSS THAT CLIENTS SHOULD BE PREPARED TO BEAR.**

The following important information pertaining to material risks should be considered when investing in these strategies:

### **Equity Securities Risk**

Equity securities represent an ownership interest, or the right to acquire an ownership interest, in an issuer. Equity securities may take the form of shares of common stock of a corporation, membership interests in a limited liability company, limited partnership interests, or other forms of ownership interests. Equity securities also include, among other things, preferred stocks, convertible securities and warrants. 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 be more vulnerable than its bonds and other debt to actual or perceived changes in the company's financial condition or prospects. To the extent a strategy invests in equity-related instruments it will also be subject to these risks.

#### Value Investing Risk

Certain of the strategies may invest in equity securities of companies that NFJ Investment Group's portfolio managers believe are selling at a price lower than their true value (value securities). Companies that issue value securities may have experienced adverse business developments or may be subject to special risks that have caused their securities to be out of favor. If a portfolio manager's assessment of a company's prospects is wrong, or if the market does not recognize the value of the company, the price of its securities may decline or may not approach the value that the portfolio manager anticipates.

#### Smaller Company Risk

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

#### Market Risk

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

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

A strategy that invests in non-U.S. securities may experience more rapid and extreme changes in value than strategies that invest exclusively in securities of U.S. issuers or securities that trade exclusively in U.S. markets. The securities markets of many non-U.S. countries are relatively small, with a limited number of companies representing a small number of industries. Additionally, issuers of non-U.S. securities are often not subject to the same degree of regulation as U.S. issuers. Reporting, accounting and auditing standards of non-U.S. countries differ, in some cases



significantly, from U.S. standards. Also, nationalization, expropriation or confiscatory taxation, currency blockage, market disruption, political changes, security suspensions or diplomatic developments could adversely affect a strategy's investments in a non-U.S. country. In the event of nationalization, expropriation or other confiscation, a strategy could lose its entire investment in non-U.S. securities. To the extent that a strategy invests a significant portion of its assets in a particular currency or geographic area, the strategy will generally have more exposure to regional economic risks, including weather emergencies and natural disasters, associated with non-U.S. investments. For example, because certain of the strategies may invest more than 25% of their assets in particular countries, these strategies may be subject to increased risks due to political, economic, social or regulatory events in those countries. Adverse developments in certain regions can also adversely affect securities of other countries whose economies appear to be unrelated. In addition, a strategy's investments in non-U.S. securities may be subject to withholding and other taxes imposed by countries outside the U.S., which could reduce the return on an investment.

### Management Risk

Each strategy is subject to management risk because it is an actively managed investment portfolio. NFJ Investment Group 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 a 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 NFJ Investment Group in connection with managing the strategies and may also adversely affect the ability of the strategies to achieve their investment objectives.

### Focused Investment Risk

Focusing investments in a small number of issuers, industries, foreign currencies or regions increases risk. This may be due to changes in the value of a single security or the impact of a single economic, political or regulatory occurrence. Some of those issuers also may present substantial credit or other risks. Certain strategies 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, a strategy that focuses its investments in a certain type of issuer is particularly vulnerable to events affecting such type of issuer. Also, a strategy may have greater risk to the extent it invests 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.

### Emerging Markets Risk

Strategies that invest in non-U.S. securities may experience more rapid and extreme changes in value than strategies that invest exclusively in securities of U.S. issuers or securities that trade

exclusively in U.S. markets. See “Non-U.S. Investment Risk.” Non-U.S. investment risk may be particularly high to the extent that a strategy invests in emerging market securities, that is, 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 (discussed under “Non-U.S. Investment Risk” and “Concentration Risk”) are generally more pronounced with respect to investments in emerging market countries. A strategy may also be subject to this risk if it invests in derivatives or other securities or instruments whose value or returns are related to the value or returns of emerging market securities.

Certain emerging market countries may impose restrictions on foreign investment and repatriation of investment income and capital. In addition, foreign investors may be required to register the proceeds of sales, and future economic or political crises could lead to price controls, forced mergers, nationalization or the creation of government monopolies. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investments in these currencies by an account. See “Currency Risk.” Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries. Emerging market securities may trade in more limited volume than comparable securities in developed foreign markets. Emerging market securities may have different clearance and settlement procedures, which may be unable to keep pace with the volume of securities transactions or otherwise make it difficult to engage in such transactions.

Settlement problems may cause an account to miss attractive investment opportunities, hold a portion of its assets in cash pending investment, or be delayed in disposing of a portfolio security, all of which would negatively affect an account’s performance. In addition, the risks associated with investing in a narrowly-defined geographic area (discussed under “Non-U.S. Investment Risk” and “Focused Investment Risk”) are generally more pronounced with respect to investments in emerging market countries. Accounts may also be subject to Emerging Markets Risk if they invest in derivatives or other securities or instruments whose value or returns are related to the value or returns of emerging market securities.

Investing in some emerging markets through trading structures or protocols that subject them to risks such as those associated with illiquidity, custodial assets, different settlement and clearance procedures and asserting legal title under a developing legal and regulatory regime to a greater degree than in developed markets or even in other emerging markets.

### Currency Risk

Strategies 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, including changes in interest rates, intervention (or the failure to intervene) by U.S. or non-U.S. governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad. As a result, an account’s exposure to foreign currencies, including investments in foreign currency-denominated securities, may reduce the returns of the account.

### Liquidity Risk

Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing a sale of such illiquid securities at an advantageous time or price, or possibly requiring the disposition of other investments at unfavorable times or prices in order to satisfy a strategy's 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, a strategy, 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.

### 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 values of fixed income instruments are generally expected to rise. Conversely, during periods of rising interest rates, the values of fixed income instruments are generally expected to 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. As a general rule, a 1% rise in interest rates means a 1% fall in value for every year of positive duration. Similarly, as a general rule, if an account exhibited a negative duration profile and interest rates declined by 1%, there would be a 1% fall in value for every year of negative duration. 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.

### REIT or Real Estate-Linked Derivative Risk

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

#### Turnover Risk

A change in the securities held by in an account is known as “portfolio turnover.” Higher portfolio turnover involves correspondingly greater expenses to an account, 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 clients), and may adversely impact an account’s after-tax returns. The trading costs and tax effects associated with portfolio turnover may adversely affect an account’s performance.

#### Depository Receipt Risk

Certain strategies may invest in securities of non-U.S. companies in the form of ADRs. ADRs are negotiable certificates issued by a U.S. financial institution that represent a specified number of shares in a foreign stock and trade on a U.S. national securities exchange, such as the New York Stock Exchange. The securities underlying an ADR are usually denominated or quoted in currencies other than the U.S. Dollar. As a result, changes in foreign currency exchange rates may affect the value of a portfolio's investment. Generally, when the U.S. Dollar rises in value against a foreign currency, a security denominated in that currency loses value because the currency is worth fewer U.S. Dollars. In addition, because the underlying securities of ADRs trade on foreign exchanges at times when the U.S. markets are not open for trading, the value of the securities underlying the ADRs may change materially at times when the U.S. markets are not open for trading.

#### 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.

Under recently adopted rules and regulations, transactions in some types of swaps (including interest rate swaps and credit default swaps on North American and European indices) are required to be centrally cleared. In a cleared derivatives transaction, a counterparty is a clearing house, rather than a bank or broker. Since only members of a clearing house can participate directly in the clearing house, accounts will hold cleared derivatives through accounts at clearing members. In cleared derivatives transactions, the payments will be made (including margin payments) to and receive payments from a clearing house through their accounts at clearing members. Clearing members guarantee performance of their clients' obligations to the clearing house.

Centrally cleared derivative arrangements may be less favorable than bilateral arrangements. For example, greater amounts of margin may be required for cleared derivatives transactions than for bilateral derivatives transactions may be required to provide. Also, in contrast to bilateral derivatives transactions, following a period of notice, a clearing member generally can require termination of existing cleared derivatives transactions at any time or increases in margin requirements above the margin that the clearing member required at the beginning of a transaction. Clearing houses also have broad rights to increase margin requirements for existing transactions or to terminate transactions at any time.

These and other new rules and regulations could, among other things, further restrict an account's ability to engage in, or increase the cost to the account of, derivatives transactions, for example, by making some types of derivatives no longer available to an account, increasing margin or capital requirements, or otherwise limiting liquidity or increasing transaction costs. These regulations are new and evolving, so their potential impact on accounts and the financial system are not yet known.

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. Derivatives are subject to a number of risks described elsewhere in this section, such as liquidity risk, market risk, credit and counterparty risk and management risk. As a seller of a credit default swap, an account effectively adds economic leverage to its portfolio because, in addition to its total net assets, the account is subject to investment exposure on the notional amount of the swap. See "Leveraging Risk." Additionally, holding a position in a credit default swap could result in losses if the account does not correctly evaluate the creditworthiness of the company on which the credit default swap is based.

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.

#### 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.

#### Additional Disclosure – Derivatives

Derivatives are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate or index. A variety of derivatives may be available to an account, depending on the specific type of account and the applicable offering documents and/or investment guidelines. In implementing certain of its significant investment strategies, NFJ Investment Group typically uses derivatives as a substitute for taking a position in the underlying asset and/or as part of a strategy designed to reduce exposure to other risks. NFJ Investment Group may also use derivatives for leverage, in which case their use would involve leveraging risk. An 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. Derivatives are subject to a number of risks described elsewhere in this section, such as liquidity risk, market risk, credit risk and management risk, as well as the risks associated with the underlying asset, reference rate or index. Swaps, forwards, futures, options and other "synthetic" or derivative instruments that are cleared by a central clearing organization, which generally are supported by guarantees of the clearing organization's members, daily marking-to-market and settlement and segregation and minimum capital requirements applicable to intermediaries, are still subject to different risks, including the creditworthiness of the central clearing organization and its members. Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value of the derivative may not correlate perfectly with, or may be more sensitive to market events than, its underlying asset, rate or index. In that event, hedging transactions entered into for an account might not accomplish their objective and could result in losses to an account or increased losses



incurred on a portfolio asset. An account investing in a derivative instrument could lose more than the principal amount invested. Derivatives are also subject to the risk that the other party to the transaction will not fulfill its contractual obligations. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that NFJ Investment Group will engage in these transactions to reduce exposure to other risks or otherwise when doing so would be beneficial for a particular account. Due to continuing regulatory initiatives both in the United States and abroad, derivatives are also subject to enhanced government and regulatory risk.

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, NFJ Investment Group 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, NFJ Investment Group believes these instruments are functionally equivalent to holding the local shares and provide significant cost advantages to purchasing ADRs in those markets.

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

#### Additional Disclosure – "Foreign" Securities:

From time to time, NFJ Investment Group 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, NFJ Investment Group intends to construe geographic terms such as “foreign,” “non-U.S.,” “European” and “emerging markets” in the manner that affords to NFJ Investment Group 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., NFJ Investment Group 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, NFJ Investment Group 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, NFJ Investment Group 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**

To the best of NFJ Investment Group’s knowledge, there are no legal or disciplinary events that are material to a client’s or prospective client’s evaluation of, or the integrity of, NFJ Investment Group.

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

NFJ Investment Group is a wholly owned subsidiary of AllianzGI US and direct subsidiary of Allianz Global Investors U.S. Holdings LLC, each a Delaware limited liability company, the parent company of SEC-registered investment advisers that include NFJ Investment Group, AllianzGI US and Allianz Global Investors Fund Management LLC. Allianz Global Investors U.S. Holdings LLC is a wholly owned subsidiary of Allianz Asset Management of America L.P., a Delaware limited liability company. Allianz Asset Management of America L.P. is indirectly owned by Allianz SE, a diversified global financial institution. Through this ownership structure and through other entities owned by NFJ Investment Group’s direct and indirect owners, NFJ Investment Group has various financial industry affiliations, some of which are described below. As a result of NFJ Investment Group’s investment management activities and the investment management and other business activities of the firms’ affiliates and their officers and employees in the financial markets, NFJ Investment



Group may, from time to time, be precluded under applicable law from buying a particular security for client accounts or selling all or a portion of a security position held in client accounts. While NFJ Investment Group believes that the inability to buy or sell a particular security is unlikely to occur, it could have a detrimental effect on client accounts.

NFJ Investment Group is directly or indirectly related to a number of SEC-registered broker-dealers, including Allianz Global Investors Distributors LLC. Allianz Global Investors Distributors LLC is a limited-purpose broker-dealer which serves as the distributor and principal underwriter to certain funds affiliated with NFJ Investment Group and funds for which NFJ Investment Group provides advisory or subadvisory services.

NFJ Investment Group is related, through common ownership or otherwise, to a number of non-U.S. investment advisers, including (but not limited to) Allianz Global Investors GmbH, Allianz Global Investors Asia Pacific Ltd, Allianz Global Investors Ireland Ltd., Allianz Global Investors Japan Co. Ltd., risklab GmbH, Allianz Global Investors Korea Limited, Allianz Global Investors Singapore Ltd, and Allianz Global Investors Taiwan Ltd. NFJ Investment Group may act as sub-adviser to accounts advised by certain of the related non-U.S. advisers. Clients' fees are allocated between the NFJ Investment Group and the non-U.S. affiliate with reference to relevant U.S. and non-U.S. tax laws and considerations based upon the types of services provided in the relevant jurisdiction.

NFJ Investment Group is also related, through common ownership or otherwise, to PIMCO Investments LLC, an SEC-registered broker-dealer, Pacific Investment Management Company LLC ("PIMCO"), and Allianz Investment Management LLC, each an SEC-registered investment adviser.

Allianz S.E. and all of its direct and indirect subsidiaries (other than AllianzGI 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. NFJ Investment Group 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. NFJ Investment Group may delegate investment management-related responsibilities (such as client servicing activities) to its affiliates and may pay a portion of its investment management fee to such affiliates. NFJ Investment Group also may share employees with or provide other services to the Allianz Affiliates. Similarly, NFJ Investment Group 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, research and sales and marketing, services are provided or received and employees are shared between NFJ Investment Group and various Allianz Affiliates. NFJ Investment Group coordinates its activities with certain other Allianz Affiliates in its investment management businesses. These businesses include Allianz Global Investors GmbH ("AllianzGI Europe"), Allianz Global Investors Japan Co. Ltd., Allianz Global Investors Singapore Limited and Allianz Global Investors Asia Pacific Limited ("Allianz AP"). Each of these affiliates is directly or indirectly a wholly-owned subsidiary of Allianz SE. Certain corporate services such as information technology, business systems, human resources, legal and finance are provided to NFJ Investment Group by Allianz Asset Management of America L.P. and/or AllianzGI US. In certain instances, NFJ Investment Group may utilize the trading desk(s) of affiliated advisers to facilitate transactions for its clients. NFJ Investment Group may utilize the trading desk(s) of AllianzGI Europe and AllianzGI AP to facilitate transactions for its clients. This activity is described in greater detail in Item 12 below.

## NFJ Investment Group LLC

NFJ Investment Group may, from time to time, manage assets for Allianz SE and other direct and indirect equity holders in Allianz Asset Management of America L.P. NFJ Investment Group may also provide investment management services to affiliated insurance companies, including insurance companies owned or controlled by Allianz SE. These amounts may from time to time be material to NFJ Investment Group's investment advisory business.

Certain clients may have established custodial or sub-custodial arrangements with non-U.S. banks or other financial institutions that are affiliated or related to NFJ Investment Group or its affiliates. However, there are no such relationships that would provide advisory personnel with possession of or access to client assets such as would make NFJ Investment Group a custodian of its client assets.

NFJ Investment Group is also related to the following entities:

### Allianz Funds

NFJ Investment Group 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 AllianzGI US's owner, Allianz Global Investors U.S. Holdings LLC.

### Allianz Funds Multi-Strategy Trust

NFJ Investment Group 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 Funds Multi-Strategy Trust.

### AllianzGI NFJ Dividend, Interest & Premium Strategy Fund

NFJ Investment Group is a portfolio manager of the AllianzGI NFJ Dividend, Interest & Premium Strategy Fund, a closed-end management company. AGIFM serves as investment adviser to the AllianzGI NFJ Dividend, Interest & Premium Strategy Fund.

### NFJ International Value Trust

AllianzGI US is the investment manager of the NFJ International Value Trust, a Delaware securities investment trust. AllianzGI US provides or arranges for the provision of certain financial and administrative services and oversees fund accounting for the NFJ International Value Trust. NFJ serves as the sub-adviser.

Certain clients may have established custodial or sub-custodial arrangements with non-U.S. banks or other financial institutions that are affiliated or related to NFJ Investment Group or its affiliates. However, there are no such relationships that would provide advisory personnel with possession of or access to client assets such as would make NFJ Investment Group a custodian of its client assets.

NFJ Investment Group may delegate investment management-related responsibilities (such as client servicing activities) to its affiliates and may pay a portion of its investment management fee to such affiliates.

## Additional Compensation

### Amounts Received by NFJ Investment Group

As noted above, NFJ Investment Group acts as a sub-adviser to its affiliate, AllianzGI US, in connection with AllianzGI US' management of managed accounts/wrap fee clients. NFJ Investment

Group receives a fee from AllianzGI US (rather than the Program Sponsors or managed accounts/wrap program accounts). Similarly, when NFJ Investment Group provides investment management services to a registered investment company or other entity pursuant to a sub-advisory agreement, NFJ Investment Group receives its investment management fees from the primary adviser for the entity in many instances.

#### Amounts Paid by NFJ Investment Group

NFJ Investment Group and its affiliates have compensated, and may continue to compensate affiliated and unrelated third parties for client referrals in accordance with Rule 206(4)-3 under the Advisers Act. The compensation paid to any such third party will typically consist of a cash payment stated as a percentage of the NFJ Investment Group investment advisory fee or the referred amount of assets under management, but may also include cash payments determined by other methods. In addition, for certain accounts, a portion of NFJ Investment Group's fee may be paid to an affiliate for client servicing activities.

#### Services to and from Affiliates

The Allianz Affiliates share proprietary research and information developed by each of those entities. NFJ Investment Group and the Allianz 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.

In addition, NFJ Investment Group acquires investment information and research services from broker-dealers. (See response to Item 12 below.) One or more of the Allianz Affiliates also may acquire similar research information from broker-dealers. NFJ Investment Group and the Allianz 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, NFJ Investment Group may, from time to time, execute brokerage transactions through, or have investment advisory relationships with, any of the Allianz Affiliates. NFJ Investment Group will not execute brokerage transactions through any of the Allianz Affiliates without the consent of the clients involved in such transactions. In addition, NFJ Investment Group and the Allianz Affiliates do not act as principal in connection with transactions for NFJ Investment Group clients. The Allianz Affiliates also may provide custodial services to certain of NFJ Investment Group's clients.

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

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

### **Code of Ethics**

NFJ Investment Group has adopted a Code of Ethics (“Code”) pursuant to Rule 204A-1 under the Advisers Act. NFJ Investment Group’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 (as defined in the Code) and their immediate family members, 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.

NFJ Investment Group 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, NFJ Investment Group 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, NFJ Investment Group 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.)

NFJ Investment Group clients may purchase shares of one or more series of the Allianz Funds for which NFJ Investment Group 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, NFJ Investment Group, pursuant to a sub-advisory agreement between AGIFM and NFJ Investment Group, 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 is AGID.

As applicable for certain clients for which NFJ Investment Group charges an asset-based management fee, if NFJ Investment Group has either recommended the purchase or has the discretion to use client assets to purchase shares of one or more mutual funds (including the Allianz Funds and PIMCO Funds) or other pooled vehicles that charge a separate advisory fee, NFJ Investment Group will generally reduce the assets managed or advised by NFJ Investment Group by the value of the investments in such funds or pooled vehicles prior to the calculation of the individual investment management fees. Other methodologies may be applied as otherwise agreed with the client. In some circumstances, no such reduction or credit is provided, such as in cases where a separate account's assets are invested in a fund or pooled vehicle that does not charge an advisory fee (and the only advisory fees charged to the client are charged at the account level). It should be noted that the management fee charged by a registered mutual fund (including the Allianz Funds and PIMCO Funds and funds recommended by NFJ Investment Group) or an unregistered pooled vehicle may exceed the standard fee normally charged by NFJ Investment Group 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 Allianz Funds or PIMCO Funds.

As described above, NFJ Investment Group also recommends and offers membership interests to clients in certain Non-Registered Commingled Funds. NFJ Investment Group typically does not use its investment discretion to place separate account client assets in affiliated Non-Registered Commingled Funds. Clients are required to complete subscription agreements and qualify for such investments. Please refer also to Item 5 Fees and Compensation for information pertaining to investment in or recommendation to invest in shares or other interests in certain funds to which NFJ Investment Group or its related persons provide investment advice or other services, and from which NFJ Investment Group and its affiliates receive advisory, administrative and/or distribution fees.

NFJ Investment Group provides investment management services to certain investment companies, as described above. NFJ Investment Group 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 NFJ Investment Group from these investment companies may, in some cases, be greater than the fees otherwise paid by clients, NFJ Investment Group may have an incentive to advise clients to invest in such investment companies. As a result, NFJ Investment Group may have a conflict of interest with respect to such recommendations.

NFJ Investment Group provides 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. NFJ Investment Group 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. NFJ Investment Group 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 NFJ Investment Group manages more than one account, potential conflicts of interest may arise related to the amount of time individuals devote to managing particular accounts. NFJ Investment Group 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. NFJ Investment Group has adopted procedures designed to ensure 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.

Conflicts of interest may also arise in connection with an investment opportunity that may 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 potential conflicts between client accounts through our procedures for aggregating and allocating portfolio transactions and investment opportunities, as discussed in Item 12 below.

Potential conflicts of interest may also arise in connection with an employee's or an employee of an Allianz Affiliate's knowledge and about the timing of transactions, investment opportunities, broker selection, portfolio holdings and investments. Some such employees who have access to the size and timing of transactions may have information concerning the market impact of transactions. Such employees may be in a position to use this information to their possible advantage or to the possible detriment of our other client accounts. We manage these potential conflicts with employee transactions by requiring that any transaction be made in compliance with our Code of Ethics.

While some of our accounts, including those that pay performance-related fees, may short securities held long by our accounts or obtain similar exposures through the use of derivatives, the particular portfolio managers responsible for the accounts generally do not manage accounts that would enter into short positions in securities held long by other accounts they manage. 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.

NFJ Investment Group 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 NFJ Investment Group 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 NFJ Investment Group 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 NFJ Investment Group's clients.

NFJ Investment Group 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, NFJ Investment Group 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. NFJ Investment Group 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 NFJ Investment Group, the Allianz Affiliates, or any of their employees have positions.

To meet applicable regulatory requirements, there may be periods during which NFJ Investment Group 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 NFJ Investment Group 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 NFJ Investment Group or the Allianz Affiliates and clients of NFJ Investment Group. The Investment Advisers Act of 1940, the Investment Company Act of 1940 and ERISA impose certain requirements designed to decrease the possible effects of conflicts 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. NFJ Investment Group 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**

NFJ Investment Group and its Covered Persons may invest in securities for their personal accounts that are also recommended to NFJ Investment Group clients. Potential conflicts may arise in this situation because NFJ Investment Group 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 NFJ Investment Group 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 NFJ Investment Group Code of Ethics Office. To the extent NFJ Investment Group determines that there is no conflict of interest, Covered Persons of NFJ Investment Group from time to time may engage in outside business activities.

NFJ Investment Group, 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, NFJ Investment Group 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. NFJ Investment Group 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**

NFJ Investment Group 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 NFJ Investment Group clients. Accordingly, NFJ Investment Group 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 NFJ Investment Group 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 NFJ Investment Group 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.

NFJ Investment Group'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 (or a security equivalent) 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 (or a security equivalent) on behalf of the client. The applicable time period will vary, depending on the Covered Person's job responsibilities.

NFJ Investment Group performs investment management and investment advisory services for various clients, many of whom may have differing investment objectives, guidelines, and restrictions. As a result, NFJ Investment Group 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, NFJ Investment Group 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. NFJ Investment Group has adopted procedures that it believes are reasonably designed to obtain the most favorable price and execution for the transactions by each account.

NFJ Investment Group may, from time to time, buy or sell securities for its own investment account, and NFJ Investment Group'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. NFJ Investment Group 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 NFJ



Investment Group's clients, and many of NFJ Investment Group's Covered Persons do in fact own, purchase, and sell securities that are recommended to or held by NFJ Investment Group'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 NFJ Investment Group client accounts. The Allianz Affiliates, with the exception of Pallas and its employees, are not subject to the NFJ Investment Group Code of Ethics, and therefore may be purchasing or selling a security at the same time that NFJ Investment Group is purchasing or selling that security on behalf of one or more clients. NFJ Investment Group and the Allianz Affiliates coordinate the preclearance of securities to prevent conflicts of interest.

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 NFJ Investment Group'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 NFJ Investment Group for client accounts. Because the Code of Ethics places restrictions on when Covered Persons can trade certain securities, the price received by NFJ Investment Group's clients in a securities transaction will most likely be different than the price received by NFJ Investment Group's Covered Persons.

Covered Persons of NFJ Investment Group 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 NFJ Investment Group acts as investment manager. Such investment vehicles also may be recommended to or held by NFJ Investment Group clients. Furthermore, NFJ Investment Group'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 NFJ Investment Group clients.

#### **Other Conflicts of Interest Matters**

NFJ Investment Group or one of its related persons may, for its own account, buy or sell securities or other instruments that NFJ Investment Group has purchased or sold for its clients. Additionally, NFJ Investment Group may purchase or sell for clients securities in which it or related persons have a financial interest. Please refer to the description of NFJ Investment Group's Code of Ethics above. NFJ Investment Group's related persons may issue recommendations on securities held by NFJ Investment Group's client portfolios that may be contrary to the investment activities of NFJ Investment Group. In the ordinary course of business, NFJ Investment Group or related persons may establish "seeded" funds for the purpose of developing new investment strategies and products. These "seeded" funds may be in the form of registered investment companies, private funds such as partnerships or limited liability companies or separate accounts established by NFJ Investment Group or an affiliate and may initially be funded ("seeded") by NFJ Investment Group, Employees of NFJ Investment Group or an affiliate of NFJ Investment Group. These "seeded" funds may invest in the same securities as client accounts. NFJ Investment Group or a related person may, from time to time, make a proprietary investment in pooled investment vehicles that may also include client assets managed by NFJ Investment Group or another unaffiliated entity. NFJ Investment Group will receive proportional returns associated with its investment. In addition, NFJ may receive direct or indirect fees.

## ITEM 12. BROKERAGE PRACTICES

### Brokerage Discretion

Generally, NFJ Investment Group receives full discretion from its clients to choose broker-dealers through whom transactions may be executed. Some clients may, however, direct NFJ Investment Group to only use a designated broker-dealer(s), while other clients suggest that NFJ Investment Group use a designated broker-dealer(s) subject to NFJ Investment Group's ability to obtain best execution when executing a transaction with such designated broker-dealer(s).

In selecting a broker or dealer for each specific transaction, NFJ Investment Group 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, NFJ Investment Group evaluates a wide range of criteria, including any or all of the following: the broker's commission rate, the price and size of the order (including the broker-dealer's ability to effect the transaction where a large block is involved), 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 NFJ Investment Group with market-related information, confidentiality, capital strength and financial stability, reputation, prior performance and responsiveness in serving NFJ Investment Group and its clients, depth of service (including research and coverage) 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 NFJ Investment Group.

In the selection of broker or dealers, NFJ Investment Group does not adhere to any rigid formulas but weighs a combination of the factors described above based on the information available at the time of the trade under the current circumstances. The overriding objective in the selection of broker-dealers is their ability to secure the best possible execution of orders taking into account all of the foregoing factors. "Best execution" is not synonymous with the lowest brokerage commission. Consequently, in a particular transaction a client may pay a brokerage commission in excess of that which another broker-dealer might have charged for executing the same transaction.

### Soft Dollars

Subject to the requirement of seeking best execution, NFJ Investment Group 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 NFJ Investment Group. In so doing, NFJ Investment Group 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, NFJ Investment Group may generate credits ("Commission Credits") which may be used by NFJ Investment Group to pay for brokerage and research services provided or paid for by such brokers or dealers ("Research Products and Services"). In selecting such broker or dealer, NFJ Investment Group 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 NFJ Investment Group's overall responsibility to the accounts for which it exercises investment discretion. NFJ Investment Group 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 NFJ Investment Group, because NFJ Investment Group can potentially reduce its costs by not having to produce or pay for the services using its own resources. NFJ Investment Group 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 NFJ Investment Group may want, and NFJ Investment Group 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.

Alternatively, NFJ Investment Group 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 broker-dealer providing the research and brokerage services. 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.

NFJ Investment Group 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 NFJ Investment Group as part of its investment process to enhance portfolio return and to reduce trading costs, and are helpful to NFJ Investment Group in serving its clients. Among other things, NFJ Investment Group 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 NFJ Investment Group 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 NFJ Investment Group initiate and execute orders; 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 NFJ Investment Group. In addition, services may include the use of or be delivered by computer systems whose hardware and/or software components may be provided to NFJ Investment Group 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, NFJ Investment Group 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 NFJ Investment Group receives from brokers or dealers are used by NFJ Investment Group's research analysts and portfolio managers to formulate recommendations for the purchase or sale of securities. These recommendations, as well as NFJ Investment Group's analysis and the research used to formulate recommendations, may be made available to the Allianz Affiliates and all of NFJ Investment Group's clients (including foreign clients of NFJ Investment Group and the Allianz Affiliates) and is used by NFJ Investment Group 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 NFJ Investment Group 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 NFJ Investment Group to direct all or a significant portion of their trades to one of a small number of broker-dealers. 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, NFJ Investment Group 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.

NFJ Investment Group 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, NFJ Investment Group 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, NFJ Investment Group does endeavor to direct sufficient orders to such brokers or dealers to ensure the continued receipt of research services that NFJ Investment Group believes are useful. A substantial portion of brokerage commissions are paid to brokers and dealers who supply research and brokerage services to NFJ Investment Group.

NFJ Investment Group 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**

NFJ Investment Group 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 NFJ Investment Group'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.

### **Soft Dollars - Conflicts of Interest**

To the extent that NFJ Investment Group uses Commission Credits (including Commission Sharing Arrangements) to obtain Research Products and Services, NFJ Investment Group will be receiving a benefit by reason of the direction of commissions. Any such benefit may offset or reduce certain expenses for which NFJ Investment Group would otherwise be responsible for payment. NFJ Investment Group believes, however, that the acquisition of Research Products and Services provides its clients with benefits by supplementing the research and brokerage services otherwise available to NFJ Investment Group and its clients. The investment research that is provided to NFJ Investment Group by broker-dealers in connection with securities transactions is in addition to and not in lieu of the services required to be performed by NFJ Investment Group itself, and the investment management fee payable by its clients is not reduced as a result of the receipt of such supplemental information. NFJ Investment Group believes that such information is only supplemental to NFJ Investment Group's own research efforts, because the information must still be analyzed, weighed and reviewed by NFJ Investment Group.

Where NFJ Investment Group receives a Research Product or Service that may also have a non-research use, a potential conflict of interest may arise, since such Research Product or Service may directly benefit NFJ Investment Group even though it arises in connection with the Commission Credits of NFJ Investment Group's clients. In such situations, NFJ Investment Group will, on an annual basis, make a reasonable allocation of the cost of any such mixed-use Research Product or Service according to its use. The portion of the Research Product or Service that provides assistance to NFJ Investment Group in the investment decision-making process will be paid for with Commission Credits while the portion that provides administrative or other non-research assistance will be paid for by NFJ Investment Group.

The research received for a particular client's brokerage commissions may be used for the benefit of all clients whether or not such clients' commissions are used to obtain research services. For example, clients which (i) do not permit their brokerage commissions to be used to generate Commission Credits, (ii) are non-discretionary clients of NFJ Investment Group for which NFJ Investment Group does not have authority to effect transactions or (iii) have instructed NFJ Investment Group to direct all or a portion of their brokerage transactions to a designated broker-dealer may benefit from Research Products and Services even though such clients' commissions were not used to obtain Research Products and Services. Research Products and Services may also be used by NFJ Investment Group for the benefit of all or a segment of its advisory clients and not

specifically for the benefit of the client account or accounts whose transactions generated the allocated commissions that were used for payment of such products or services.

#### **Soft Dollars - Clients Who Prohibit Soft Dollars**

It is important to note that the commission rates paid by client accounts which prohibit the generation of Commission Credits (“Execution Only Accounts”) are not reduced below the rates paid by client accounts which generate Commission Credits. Typically, Execution Only Accounts are included in “bunched” trades effected on behalf of all client accounts buying the same security on the same day. Accordingly, notwithstanding the fact that Commission Credits are not generated from the trades effected for Execution Only Accounts, clients prohibiting Commission Credits will be paying the same commission rate paid by other clients included in the bunched trade which, as explained above, may be a higher commission rate than another broker-dealer would have charged.

In addition, any client directed prohibition against generating Commission Credits from transactions effected for such client’s account will apply to third party Research Products and Services only. Research Products and Services that are proprietary to a broker-dealer and bundled with other brokerage services (“Bundled Services”) are usually obtained by effecting transactions directly through the particular broker-dealer providing the Bundled Services and not as a result of paying a specified fee (or effecting a minimum volume of trades) as is typical in third party soft dollar arrangements. Therefore, in the case of Bundled Services, there is no practical way to prevent the Execution Only Accounts in a bunched trade from generating Commission Credits which help NFJ Investment Group gain access to Bundled Services without removing such Execution Only Accounts from the applicable bunched trades. As noted under “Trade Allocations; Aggregation of Orders” below, NFJ Investment Group will normally seek to bunch trades since it believes that bunched trades generally benefit its clients as a whole over time.

#### **Cross Transactions**

When NFJ Investment Group engages in client transactions involving securities that may be permissible investments for other accounts it manages, NFJ Investment Group may effect purchases or sales of these securities between clients (each a “Cross Transaction”). NFJ Investment Group will effect Cross Transactions in accordance with the following standards: all Cross Transactions must be (1) approved in advance by NFJ Investment Group’s Compliance Department, (2) legally permissible, (3) consistent with the respective investment objectives, policies, account guidelines, and regulatory or other applicable restrictions of each client account, (4) in the best interests of both the selling and buying client accounts, and (5) effected at the independent current market price of the security, or otherwise in accordance with applicable regulatory guidance. NFJ Investment Group has established compliance procedures designed to ensure that Cross Transactions are conducted in accordance with the above standards and applicable regulations.

#### **Client Directed Brokerage**

NFJ Investment Group 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 NFJ Investment Group 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 NFJ Investment Group to direct trades to a particular broker-dealer, NFJ Investment Group ordinarily will seek to fulfill that request, subject to seeking best execution of each transaction. However, NFJ Investment Group 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 NFJ Investment Group 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 NFJ Investment Group 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 if applicable.

NFJ Investment Group 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. NFJ Investment Group uses two methods to satisfy client requests for directed brokerage. First, NFJ Investment Group 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 NFJ Investment Group for other trades in the same security during that period. Alternatively, NFJ Investment Group may step out trades to the client directed broker-dealer which may result in additional trading costs.

NFJ Investment Group 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) NFJ Investment Group's potential inability to achieve best execution.

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.

NFJ Investment Group does not enter into agreements with, or make commitments to, broker-dealers that would bind NFJ Investment Group to compensate broker-dealers directly or indirectly for client referrals.

### **Trade Allocations; Aggregation of Orders**

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 NFJ Investment Group, some of which accounts may have similar investment objectives. NFJ Investment Group 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). This practice helps to minimize the possibility that clients of NFJ Investment Group would compete in the marketplace by executing transactions in the same security during the same day, and aims to ensure that all clients are treated in a fair and equitable manner over time. To help achieve this objective, NFJ Investment Group 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.

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 NFJ Investment Group’s compliance officer or his or her designee, certain deviations from the original allocation instructions may occur after a trade has been executed. Although NFJ Investment Group 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 NFJ Investment Group generally believes that aggregation of transactions may be consistent with its duty to seek best execution, NFJ Investment Group is not obligated to aggregate orders into larger transactions.

#### **Allocation of Secondary Offerings**

NFJ Investment Group does not currently purchase securities in IPOs for its clients. However, NFJ Investment Group may invest in securities in secondary offerings. NFJ Investment Group typically allocates shares in secondary offerings on a pro-rata basis across the participating accounts in proportion to the size of the order placed for each participating account. However, in certain circumstances, where there is a limited number of shares available in a secondary offering, NFJ Investment Group may not acquire sufficient shares to prudently allocate a secondary offering across all accounts. In such case, NFJ Investment Group may attempt to obtain additional shares in the open market on the same day to fill its order. If NFJ Investment Group is able to do so, it will aggregate the secondary offering order and the open market trade for purposes of allocating shares on a pro rata basis across the participating accounts and each participating account will be charged the average price of the security and pay for its pro rata share of expenses. Alternatively, in the event NFJ Investment Group has not obtained sufficient shares to prudently allocate a secondary offering across all accounts, NFJ Investment Group may allocate such shares in a manner reasonably designed to ensure that accounts are treated in a fair and equitable manner over time such as the random assignment of such shares to one or more accounts. In addition, certain client accounts, such as the accounts of AllianzGI US’s wrap-fee clients and Direct Clients, may be restricted from participating in a secondary offering based on client mandates (i.e., a client which restricts investments in new issues or a client who directs all of the account’s securities transactions to a designated broker-dealer). This may also factor into the allocation process.

#### **Non-Discretionary Clients/Managed Accounts/Wrap-Fee Programs**

As described in Item 4, NFJ Investment Group provides non-discretionary advisory services to AllianzGI US through the delivery of proprietary investment models based on investment style and the composition of the investment portfolios of its discretionary accounts. When NFJ Investment Group changes an investment model, this changes the composition of their discretionary accounts.



NFJ Investment Group will deliver changes in investment models on or around the same time it makes changes to the composition of the investment portfolios of its discretionary accounts. AllianzGI US has contracted with a third party to administer a trade rotation process whereby the order of priority in which a Wrap Program trades is rotated based on a random computer-generated sequence. This could result in NFJ Investment Group and non-discretionary accounts trying to fill orders on identical securities in the market place at the same time.

Generally, trades in a particular Wrap Program are executed with the Sponsor or the Sponsor's designated broker because the Program Sponsor includes commissions and other trading costs in the Wrap Program fee, which is typically more cost effective to the Wrap Program client. For the Wrap Programs sub-advised by NFJ Investment Group, NFJ Investment Group, subject to its duty to seek best execution, may step out trades to an alternate broker-dealer which may result in additional trading costs.

For any change in the investment model, several Sponsors or their designated broker-dealers will have to execute the trades across client accounts. To ensure that over time particular client accounts or Wrap Programs are not disadvantaged, AllianzGI has contracted with a third party to administer a trade rotation process whereby the order of priority in which a Wrap Program trades is rotated based on a random computer-generated sequence. This could result in NFJ Investment Group or AllianzGI and non-discretionary accounts trying to fill orders on identical securities in the market place at the same time. Market impact, liquidity constraints or other factors could result in some clients receiving less favorable trading results than other clients.

Trades for non-discretionary model accounts including Wrap Programs may be executed after the orders in the same security for discretionary accounts have been completed. This may result in material performance dispersion between discretionary accounts and non-discretionary model accounts.

#### **Use of Affiliate Adviser Trading Desk**

As noted in Item 10, NFJ Investment Group may utilize the trading desks of its affiliates AllianzGI Europe and AllianzGI AP. In instances where NFJ Investment Group determines it may be in the best interest of its clients to do so, NFJ Investment Group may send trade orders to AllianzGI Europe or AllianzGI AP's trading desk(s) to facilitate such transactions. For example, to facilitate orders for securities which trade in the foreign markets, if NFJ Investment Group believes AllianzGI Europe or AllianzGI AP traders responsible for trading overnight in such markets may achieve better price and/or execution, NFJ Investment Group may send such orders to for execution assistance. In such instances, the AllianzGI Europe or AllianzGI AP traders would work the orders with local non-U.S. brokers for execution.

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

#### **Review of Accounts**

NFJ Investment Group's review of client accounts is an integral component of NFJ Investment Group'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 NFJ Investment Group. NFJ Investment Group 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 NFJ Investment Group 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**

NFJ Investment Group provides advisory clients who have separately managed accounts with written reports on a quarterly basis or more frequently upon agreement between NFJ Investment Group 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 NFJ Investment Group is pursuing to achieve clients' investment objectives. In addition, NFJ Investment Group provides compliance and other reports requested by the Board of Directors of the Funds it sub-advises.

**CLIENTS INVESTED IN MUTUAL FUNDS, CLOSED-END FUNDS AND/OR NON-REGISTERED COMMINGLED FUNDS RECEIVE REPORTS FROM THE FUNDS' TRANSFER AGENT, ADMINISTRATOR OR CUSTODIAN BANK. CLIENTS IN WRAP FEE/MANAGED ACCOUNT PROGRAMS RECEIVE REPORTS FROM THE PROGRAM SPONSOR.**

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

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

NFJ Investment Group 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 NFJ Investment Group or billed separately. In lieu of making such payments, NFJ Investment Group 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, NFJ Investment Group 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 NFJ Investment Group as an asset manager in their respective wrap or managed account programs.

### **Referral Arrangements**

NFJ Investment Group may, from time to time, pay compensation for client referrals. To the extent required by law, NFJ Investment Group requires that the person referring a client (the “Referral

Agent”) enter into a written agreement in accordance with the requirements of Rule 206(4)-3 of the Advisers Act. Under such a written agreement, the Referral Agent would be obligated to provide a prospective client with a separate disclosure document before NFJ Investment Group opens an account for the prospective client. The separate disclosure document would provide the prospective client with information regarding the nature of NFJ Investment Group’s relationship with the Referral Agent and any referral fees NFJ Investment Group pays to the Referral Agent. Referral fees and placement agent fees are paid entirely by NFJ Investment Group and not by NFJ Investment Group’s clients.

NFJ Investment Group’s employees and employees of affiliates of NFJ Investment Group may serve as Referral Agents and may be compensated for referral activities. However in those cases, neither NFJ Investment Group nor its affiliated Referral Agent will provide the separate disclosure document noted above. NFJ Investment Group’s affiliate, AGID, employs a team of internal and external wholesalers who market NFJ Investment Group’s Wrap Program products. These marketing professionals receive fees for assets brought into an NFJ Investment Group Wrap Program product. In addition, there are circumstances where NFJ Investment Group 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, NFJ Investment Group may receive a fee from the relevant sub-adviser or affiliated investment manager for the client referral.

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

NFJ Investment Group 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’s investment assets. NFJ Investment Group urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

NFJ Investment Group generally receives investment discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. Such authority is typically documented in an advisory or sub-advisory agreement. In all cases, such discretion is exercised in a manner consistent with seeking best execution and the stated investment objectives for the client’s account. NFJ Investment Group also generally will receive discretionary authority to determine the brokers used and the commissions paid. In all such relationships, NFJ Investment Group will make investment decisions and direct the execution of all transactions without prior consultation with the client. Investment guidelines and restrictions must be provided NFJ Investment Group in writing.

When selecting securities and determining amounts, NFJ Investment Group observes the investment policies, limitations and restrictions of the clients for which it advises. For Funds, NFJ Investment Group’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.

Certain clients, however, may retain NFJ Investment Group on a non-discretionary basis. When NFJ Investment Group is retained on a non-discretionary basis, it makes recommendations for the client's account but all investment decisions are made by the client and account transactions are executed only in accordance with the applicable investment management agreement.

#### ITEM 17. VOTING CLIENT SECURITIES

NFJ Investment Group may be granted by its clients the authority to vote proxies of the securities held in client accounts. NFJ Investment Group typically votes proxies as part of its discretionary authority to manage accounts, unless the client has explicitly reserved the authority for itself. When voting proxies, NFJ Investment Group 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.

NFJ Investment Group 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 NFJ's general voting positions on specific corporate governance issues. NFJ Investment Group has retained an independent third party service provider (the "Proxy Provider") to assist in the proxy voting process by implementing the votes in accordance with the Proxy Guidelines as well as assisting in the administrative process. The Proxy Provider offer a variety of proxy-related services to assist in NFJ Investment Group's handling of proxy voting responsibilities. The Proxy Guidelines also provide for oversight of the proxy voting process by a Proxy Committee. The Proxy Guidelines summarize NFJ Investment Group'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 NFJ Investment Group 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 NFJ'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, the Proxy Provider policies are consulted and/or the Proxy Committee will review the issue. In the event that either an analyst or portfolio manager wishes to override the Proxy Guidelines, the analyst or portfolio manager 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 certain circumstances, a client may request in writing that NFJ Investment Group 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, NFJ Investment Group 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.

NFJ Investment Group will generally refrain from voting proxies on 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

NFJ Investment Group 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), NFJ Investment Group may, from time to time, instruct the Proxy Providers to cast a vote for a proxy proposal in a share blocked country. NFJ Investment Group will not be responsible for voting of proxies that NFJ Investment Group has not been notified of on a timely basis by the client's custodian.

In accordance with the Proxy Guidelines, NFJ Investment Group 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, NFJ Investment Group may also vote proxies for that client's account in a particular manner that may differ from the Proxy Guidelines. In addition, NFJ Investment Group 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 NFJ Investment Group, 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, NFJ Investment Group may refrain from voting a proxy of a non-U.S. issuer due to logistical considerations that may impair NFJ Investment Group'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.

NFJ Investment Group 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 NFJ Investment Group's voting guidelines. NFJ Investment Group typically votes proxies as part of its discretionary authority to manage Wrap Program accounts, unless a client has indicated to the Sponsor that it has explicitly reserved the authority to vote proxies for itself. NFJ Investment Group will generally vote all proxies sent to it by the Sponsor on an aggregate basis. When NFJ Investment Group votes proxies on an aggregate basis, the proxy voting records are generally available only on an aggregate level and are not maintained on an individual account basis.

If a client has decided to participate in a securities lending program, NFJ Investment Group 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, NFJ Investment Group will use reasonable efforts to notify the client of proxy measures that NFJ Investment Group deems material.

The ability to timely identify material events and recommend recall of shares for proxy voting purposes is not within the control of NFJ Investment Group 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 or visit our website.

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

NFJ Investment Group generally does not advise or take any action on behalf of its clients in any legal proceedings, including class actions and bankruptcies. 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 NFJ Investment Group's management of the account and expertise as an investment adviser. NFJ Investment Group therefore encourages its clients to rely on their legal counsel for advice on whether or not to participate in class actions. NFJ Investment Group does not file proof of claim forms for its separate account clients. However, upon request and as a courtesy, NFJ Investment Group 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. NFJ Investment Group 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, NFJ Investment Group 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 NFJ Investment Group 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**

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

#### **ITEM 19. PRIVACY POLICY**

Please read this Policy carefully. It gives you important information about how Allianz Global Investors U.S. and its U.S. affiliates ("AllianzGI US," "we" or "us") handle non-public personal information ("Personal Information") that we may receive about you. It applies to all of our past, present and future clients and shareholders of AllianzGI US and the funds and accounts it manages, advises, sub-advises, administers or distributes, and will continue to apply when you are no longer a client or shareholder. As used throughout this Policy, "AllianzGI US" means Allianz Global Investors U.S. LLC, Allianz Global Investors Fund Management LLC, Allianz Global Investors Distributors LLC, NFJ Investment Group LLC and the family of registered and unregistered funds managed by one or more of these firms. AllianzGI US is part of a global investment management group, and the privacy policies of other Allianz Global Investors entities outside of the United States may have provisions in their policies that differ from this Privacy Policy. Please refer to the website of the specific non-US Allianz Global Investors entity for its policy on privacy.



## **We Care about Your Privacy**

We consider your privacy to be a fundamental aspect of our relationship with you, and we strive to maintain the confidentiality, integrity and security of your Personal Information. To ensure your privacy, we have developed policies that are designed to protect your Personal Information while allowing your needs to be served.

## **Information We May Collect**

In the course of providing you with products and services, we may obtain Personal Information about you, which may come from sources such as account application and other forms, from other written, electronic, or verbal communications, from account transactions, from a brokerage or financial advisory firm, financial advisor or consultant, and/or from information you provide on our website.

You are not required to supply any of the Personal Information that we may request. However, failure to do so may result in us being unable to open and maintain your account, or to provide services to you.

## **How Your Information Is Shared**

We do not disclose your Personal Information to anyone for marketing purposes. We disclose your Personal Information only to those service providers, affiliated and non-affiliated, who need the information for everyday business purposes, such as to respond to your inquiries, to perform services, and/or to service and maintain your account. This applies to all of the categories of Personal Information we collect about you. The affiliated and non-affiliated service providers who receive your Personal Information also may use it to process your transactions, provide you with materials (including preparing and mailing prospectuses and shareholder reports and gathering shareholder proxies), and provide you with account statements and other materials relating to your account. These service providers provide services at our direction, and under their agreements with us, are required to keep your Personal Information confidential and to use it only for providing the contractually required services. Our service providers may not use your Personal Information to market products and services to you except in conformance with applicable laws and regulations. We also may provide your Personal Information to your respective brokerage or financial advisory firm, custodian, and/or to your financial advisor or consultant.

In addition, we 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 or pursuant to other legal process, or to protect our rights or property, including to enforce our Privacy Policy or other agreements with you. Personal Information collected by us may also be transferred as part of a corporate sale, restructuring, bankruptcy, or other transfer of assets.

## **Security of Your Information**

We maintain your Personal Information for as long as necessary for legitimate business purposes or otherwise as required by law. In maintaining this information, we have implemented appropriate procedures that are designed to restrict access to your Personal Information only to those who need to know that information in order to provide products and/or services to you. In addition, we have



implemented physical, electronic and procedural safeguards to help protect your Personal Information.

### Privacy and the Internet

The Personal Information that you provide through our website, as applicable, is handled in the same way as the Personal Information that you provide by any other means, as described above. This section of the Policy gives you additional information about the way in which Personal Information that is obtained online is handled.

- **Online Enrollment, Account Access and Transactions:** When you visit our website, you can visit pages that are open to the general public, or, where available, log into protected pages to enroll online, access information about your account, or conduct certain transactions. Access to the secure pages of our website is permitted only after you have created a User ID and Password. The User ID and Password must be supplied each time you want to access your account information online. This information serves to verify your identity. When you enter Personal Information into our website (including your Social Security Number or Taxpayer Identification Number and your password) to enroll or access your account online, you will log into secure pages. By using our website, you consent to this Privacy Policy and to the use of your Personal Information in accordance with the practices described in this Policy. If you provide Personal Information to effect transactions on our website, a record of the transactions you have performed while on the site is retained by us. For additional terms and conditions governing your use of our website, please refer to the Investor Mutual Fund Access – Disclaimer which is incorporated herein by reference and is available on our website.
- **Cookies and Similar Technologies:** Cookies are small text files stored in your computer's hard drive when you visit certain web pages. Cookies and similar technologies help us to provide customized services and information. We use these technologies on our website to improve our website and services, including to evaluate the effectiveness of our site, and to enhance the site user experience. Because an industry-standard Do-Not-Track protocol is not yet established, our website will continue to operate as described in this Privacy Policy and will not be affected by any Do-Not-Track signals from any browser.

### Changes to Our Privacy Policy

We may modify this Privacy Policy from time-to-time to reflect changes in related practices and procedures, or applicable laws and regulations. If we make changes, we will notify you on our website and the revised Policy will become effective immediately upon posting to our website. We also will provide account owners with a copy of our Privacy Policy annually. We encourage you to visit our website periodically to remain up to date on our Privacy Policy. You acknowledge that by using our website after we have posted changes to this Privacy Policy, you are agreeing to the terms of the Privacy Policy as modified.

### Obtaining Additional Information

If you have any questions about this Privacy Policy or our privacy related practices in the United States, you may contact us via our dedicated email at [PrivacyUS@allianzgi.com](mailto:PrivacyUS@allianzgi.com).