

## Allianz Global Investors U.S. LLC

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### Form ADV Part 2A Brochure February 26, 2021

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

## ITEM 2. SUMMARY OF MATERIAL CHANGES

Since the last update of this brochure on April 1, 2020, please find below a summary of material changes:

Under Item 4, information about office locations was updated, information was added to note that AllianzGI US and Virtus Investment Partners, Inc. (“Virtus”), entered into a strategic partnership effective February 1, 2021, our services were updated to reflect changes to sub-advisory relationships and assets under management was updated to reflect assets that have been transferred to Virtus that are no longer managed by AllianzGI US .

Under Item 5, standard fee schedules were updated for certain strategies that have closed or transferred to Virtus.

Under Item 8, product information was updated to reflect strategies that have closed or transferred to Virtus.

Under Item 10, affiliate information was updated to reflect changes as a result of the Virtus partnership.

Under Item 12, information about private client accounts was removed and wrap programs information was updated as a result of the Virtus partnership.

Pursuant to SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may provide other ongoing disclosure information about material changes as necessary.

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

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#### ITEM 4. ADVISORY BUSINESS

##### Our Firm

AllianzGI US, a Delaware limited liability company, is a registered investment adviser with principal offices in New York, New York, Miami, Florida, Westport, Connecticut, San Diego, California and San Francisco, California. AllianzGI US is a direct, wholly owned subsidiary of Allianz Global Investors U.S. Holdings LLC, which in turn is owned indirectly by Allianz SE, a diversified global financial institution. AllianzGI US (formerly known as Allianz Global Investors Capital LLC) began furnishing discretionary and non-discretionary investment management services on May 1, 2010 following the combination of two registered investment advisory affiliates, Nicholas-Applegate Capital Management LLC and Oppenheimer Capital LLC. On April 1, 2013, AllianzGI US merged with RCM Capital Management LLC ("RCM") and RCM's wholly-owned subsidiary, Caywood-Scholl Capital Management LLC. Effective October 1, 2016, Allianz Global Investors Fund Management LLC merged with and into AllianzGI US. Effective December 2016, AllianzGI US succeeded to the business of Rogge Global Partners Inc. Effective as of January 1, 2017, AllianzGI US acquired certain assets of Sound Harbor Partners LLC. Effective July 1, 2017, AllianzGI US's wholly owned subsidiary NFJ Investment Group LLC merged with and into AllianzGI US. AllianzGI US's oldest predecessor entity began operating in 1969.

Effective February 1, 2021, AllianzGI US and Virtus Investment Partners, Inc. ("Virtus"), entered into a strategic partnership. Central to the strategic partnership, affiliates of Virtus including Virtus Fund Advisers LLC ("VFA") became the investment adviser and administrator of certain of registered mutual funds as well as other AllianzGI US managed strategies and for certain accounts subsequent to that date. AllianzGI US teams will continue to manage these strategies in a sub-advisory capacity, including certain products assigned and consented by clients or model platform sponsors to be managed by VFA and its appointed sub-advisers. AllianzGI US's Dallas-based Value Equity team, joined Virtus as an affiliated manager NFJ Investment Group LLC.

##### Our Services

AllianzGI US provides discretionary and non-discretionary investment management services to clients throughout the world. AllianzGI US manages client portfolios (either directly or through model delivery and wrap fee programs) applying various processes across a variety of investment strategies, including but not limited to domestic equity, global equity, international equity, fixed income, income and growth, high yield bond, balanced strategies, multi-

asset allocation, risk overlay, convertibles, private credit, distressed debt, collateralized loans, privately placed debt, private equity, and infrastructure debt and equity. AllianzGI US also acts as a sub-adviser to wrap-fee programs, investment companies and other pooled investment vehicles, as well as to affiliated investment advisors. AllianzGI US may also provide consulting and research services in connection with asset allocation and portfolio structure or risk analytics.

From time to time, AllianzGI US may engage in other business activities, including licensing of intellectual property.

##### Tailoring Services to Client Needs

AllianzGI US employs a broad range of portfolio management tools in seeking to control risk, hedge exposures and seek returns consistent with its clients' guidelines and restrictions. AllianzGI US will seek to accommodate any client restrictions it considers reasonable, such as 1) a restriction on the purchase of a particular security or types of securities, or 2) a restriction on the purchase of a group of securities that are classified by the client to be in a particular industry (for example, tobacco), as long as AllianzGI US has agreed with the client on the industry classification. Other proposed restrictions are analyzed on a case-by-case basis.

AllianzGI US generally has the responsibility to monitor investment restrictions in clients' guidelines. Clients should be aware that their restrictions can limit AllianzGI US's ability to act and as a result, their performance may differ from and may be less successful than that of other accounts that are not subject to similar restrictions. AllianzGI US shall not be bound by any amendment to a client's investment restrictions unless and until the client and AllianzGI US have agreed in writing to such amendment.

AllianzGI US may take up to ten business days (or longer depending on the complexity of the product mandate) from the time an account is approved to fully invest an account funded in cash. Similarly, AllianzGI US may take up to ten business days (or longer depending on the complexity of the product mandate) from the time AllianzGI US has received instructions to terminate an account to fully liquidate the account. If a client intends to fund its account by transferring in-kind securities, AllianzGI US will need to receive from the client, prior to the effective date of its management duties, a list of such securities to allow AllianzGI US to determine which securities to retain and which to replace. The client will be responsible for all related trading costs and tax liabilities that result from sales of contributed securities. To assist existing or new clients who seek to liquidate portfolios not

under AllianzGI US's management, AllianzGI US may liquidate the portfolio for such clients as an accommodation or for a negotiated fee.

#### **Separate Accounts**

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

#### **Private Funds**

AllianzGI US provides advisory or sub-advisory services to private investment funds ("Private Funds") that are exempt from registration under the Securities Act of 1933, as amended (the "Securities Act") and the Investment Company Act of 1940, as amended (the "Investment Company Act"). AllianzGI US or its affiliates may act as managing member or general partner of certain Private Funds. Private Funds may be established by AllianzGI US, its affiliates, or third parties. AllianzGI US, its affiliates and/or their personnel may have an ownership or management interest in a Private Fund. A minimum investment size may be applicable for participation in a Private Fund. Additional information concerning these funds, including advisory fees, is included in the relevant funds' offering documents.

#### **Sub-Advisory Relationships**

##### *Registered Investment Companies and Collective Investment Trusts*

As a subadviser, AllianzGI US provides investment management to open- and closed-end registered investment companies and collective investment trusts.

##### *Managed Account/Wrap Programs*

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

Typically, the Wrap Program Sponsor is responsible for determining whether a specific AllianzGI US strategy is suitable or advisable for an investor. For discretionary Wrap Programs, AllianzGI US is responsible for implementing securities transactions for each investor

that are appropriate for the selected investment strategy (and, if relevant, in accordance with reasonable investment restrictions imposed by an investor and accepted by AllianzGI US). For non-discretionary Wrap Programs, AllianzGI US will provide a model portfolio and any subsequent changes to the Sponsor to be analyzed and implemented at the Sponsor's discretion.

Where AllianzGI US provides investment advisory services under non-discretionary model-based Wrap Programs, the model-based program Sponsor or overlay manager is responsible for investment decisions and performing many other services and functions typically handled by AllianzGI US in a traditional discretionary managed account program. Depending on the particular facts and circumstances, AllianzGI US may or may not have an advisory relationship with underlying model-based program clients. To the extent that this Form ADV Part 2A is delivered to Wrap Program clients with whom AllianzGI US has no direct advisory relationship, or under circumstances where it is not legally required to be delivered, it is provided for informational purposes only. Further, because a model-based program Sponsor or overlay manager generally exercises investment discretion and, in many cases, brokerage discretion, delivers performance reporting and other information relating to AllianzGI US's services for which it exercises investment and/or brokerage discretion is generally provided for informational purposes only, and may not be representative of model-based Wrap Program client results or experience. AllianzGI US is not responsible for overseeing the provision of services by a model-based program Sponsor and cannot assure the quality of the Sponsor's services.

#### **Investment Model Delivery or Asset Allocation to Unaffiliated Third Parties**

AllianzGI US may also act as a non-discretionary sub-adviser by providing an investment model or asset allocations to unaffiliated third parties ("Model Receiver"), which may manage accounts participating in, or sponsor, programs or may be provided directly to clients.

In this case, AllianzGI US 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 unaffiliated third party.

Pursuant to the investment sub-advisory agreement entered into by AllianzGI US and the Model Receiver, AllianzGI US would provide investment recommendations or asset allocations 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 Programs or which asset allocations are made for a client.

AllianzGI US 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 AllianzGI US's overall management of any account. The investment recommendations AllianzGI US provides 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 AllianzGI US's services.

#### **Assets Under Management**

As of December 31, 2019, AllianzGI US managed \$140.9 billion (USD) in client assets, including \$134.1 billion on a discretionary basis and \$6.8 billion on a non-discretionary basis.

Effective February 1, 2021, assets under management related to certain registered investment company trusts, CITs and discretionary and nondiscretionary wrap-program clients were under the management AllianzGI US and became VFA clients on February 1, 2021. These assets under management are reflected in the figures stated above.

While considered assets under management of AllianzGI US as of 12/31/2020, these assets amounted to approximately \$6.4 billion (USD) and will be excluded from AllianzGI US's reported assets under management statistics in subsequent Brochures.

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

#### **Separate Accounts**

AllianzGI US furnishes investment advice to certain clients in separately managed accounts pursuant to a written investment advisory agreement with each client (the "Agreement"). In general, AllianzGI US bases its fees on its standard fee schedule that is in effect at the time the Agreement is entered into, and therefore a client's fee schedule may be different from the standard fee schedule for new separate accounts. Advisory fees may also be negotiated with clients and therefore may vary from the standard fee schedule. Generally, either party may terminate an Agreement upon 30 day's prior written notice. Upon termination, clients pay the pro-rata portion of fees through the termination date. In the event a client has paid

quarterly fees in advance and terminates prior to the end of such quarter, AllianzGI US will refund the client the portion of fees paid that corresponds to the period from the date of termination to the end of such quarter.

AllianzGI US generally calculates its fixed advisory fees as a percentage of assets under management. AllianzGI US also may enter into a performance fee arrangement with a client pursuant to individualized negotiations, in accordance with all applicable laws and regulatory requirements. Other investment advisers may charge higher or lower fees than those charged by AllianzGI US for comparable services.

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

AllianzGI US has preferred minimum account sizes, which are established based on the characteristics of the account and/or investment strategy. Preferred minimum account sizes vary, and are listed, by character or strategy, herein. In its sole discretion, AllianzGI US may accept accounts with asset values lower than the indicated preferred minimum. In such cases, the fees charged for investment advisory services may be higher than those fees indicated herein. AllianzGI US may terminate client accounts with asset values that fall below the minimum indicated.

It is AllianzGI US's general policy to charge fees to clients in accordance with the fee schedule in effect at the time the client first entered into an investment management or investment advisory relationship with AllianzGI US. However, in certain circumstances,

fees may be subject to negotiation, and fees may be modified for particular clients. The reasons for such modifications may include, without limitation, the type of product provided, the complexity and level of service provided, the number of different accounts and the total assets under management for that client and related clients, the particular type of client, constraints imposed by substantial potential capital gains, required attendance at client meetings, other services provided by AllianzGI US, other administrative services provided, or other circumstances or factors that AllianzGI US deems relevant. A different fee schedule may apply if an account receives services that are more limited than full discretionary investment management, or if an account has specialized investment objectives, guidelines and restrictions. Certain accounts of persons affiliated with AllianzGI US may be managed without fees or at reduced fee rates.

When AllianzGI US and/or certain of its affiliates manage multiple accounts for a particular client, or for a related group of clients, fee calculation may be based on the total assets under management or a relationship fee discount or rebate may be available. Assets invested in investment companies generally are not considered for these purposes, although AllianzGI US may elect to consider such assets in fee calculations in special circumstances. AllianzGI US may also perform certain non-advisory services as an accommodation to certain clients.

To the extent that a client's assets are invested in account overseen or held by the client's trustee or custodian, the client should be aware that the trustee or custodian may also charge management or transactional fees with respect to such assets.

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

#### Separate Accounts Fees

Standard separate account fees are as of the date of this brochure and can be found in Appendix 1.

#### Commingled Funds

Mutual Funds, Funds of Funds and Closed-End Funds

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

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

#### Private Funds

AllianzGI US also provides advisory or sub-advisory services to Private Funds and it or its affiliates may act as managing member or general partner of certain Private Funds. Private Funds may be established by AllianzGI US, its affiliates, or third parties. AllianzGI US, its affiliates and/or their personnel may have an ownership or management interest in a Private Fund. A minimum account size may be applicable for participation in a Private Fund. Additional information concerning these Private Funds, including advisory fees, is typically included in the relevant Private Fund's offering documents.

Certain Private Funds may include performance-based carried interest, incentive allocations, and other fees. The amount of, and the timing, manner and calculation of, the management fees and performance based fees for Private Funds are established by AllianzGI US, as modified by negotiations with investors in the Private Funds, and are set forth in the respective Private Fund's offering documents received by each investor prior to investment in a given Private Fund. AllianzGI US or its affiliates may receive additional compensation in connection with management and other services performed (e.g., monitoring and other fees) for portfolio companies of the Private Funds. This practice may present a conflict of interest and may give the firm's supervised persons and AllianzGI US an incentive to recommend investments based on the compensation received rather than the Private Funds' needs. The management fees for the Private Funds may be offset by a portion of certain fees earned by AllianzGI US and their affiliates and by certain expenses incurred by the Private Funds as provided in the offering documents. AllianzGI US may reduce the management fee payable by any investor (including



any affiliated investor). The Private Funds' management fees are calculated and deducted by the fund administrator.

Advisory fees for Private Funds are assessed by the Private Funds' administrator. The Private Funds may enter into agreements with certain investors which in some cases may result in lower management fees and performance-based fees than disclosed in AllianzGI US's standard fee schedule.

#### Managed Account and Wrap Fee Programs

AllianzGI US also receives fees for providing sub-advisory services to Wrap Program Sponsors. AllianzGI US does not maintain a standard fee schedule for such sub-advisory services to Wrap Programs. Generally, fees are payable quarterly in advance. Fees and features of each program offered by the various Wrap Program Sponsors vary and therefore, wrap-fee clients should consult the Wrap Program Sponsor's brochure for the specific fees and features applicable to their program.

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

#### Investment Model Delivery/Asset Allocation to Third Parties

AllianzGI US provides investment models to unaffiliated broker-dealers or investment advisers and in return may receive a portion of the advisory fee received by these unaffiliated parties from their clients. The advisory fees may vary by strategy and are negotiable but generally between 0.0% and .40% of total assets under management. Fees may be payable in arrears or in advance, typically on a quarterly basis.

#### Compensation from the Sale of Securities

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

Certain of AllianzGI US's supervised persons and related registered 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 Private Funds advised or sub-advised by AllianzGI US. (See Item 10 for more information about other financial industry activities and affiliations.) The Funds and Private Funds may pay an investment management or administrative fee to AllianzGI US in addition to one or more broker-dealers receiving sales commissions or distribution fees payable by AllianzGI US or an affiliate or the Funds or Private Funds or their respective investors, including 12b-1 fees, loads or contingent deferred sales charges.

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

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

#### Client Service and Sales

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

#### Other Fees and Expenses

In addition to the advisory fees described above, clients (and investors in Funds and Private Funds) will be subject to other fees and expenses in connection with AllianzGI US's advisory services. Investors in Funds and Private Funds should carefully review the prospectus, offering documents or other disclosure documents for a description of fees and expenses.

#### Transaction Charges

Clients, except those who participate in a Wrap Fee Program where the Sponsor executes securities transactions, will directly or indirectly 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, AllianzGI US will effect these transactions subject to its obligation to seek best



overall execution. The different types of execution charges include:

- **Commissions:** the amount charged by a broker for purchasing or selling securities or other investments as an agent for the client and is disclosed on client's trade confirmations or otherwise.
- **Commission equivalents:** an amount charged by a dealer for purchasing or selling securities or other investments in certain riskless principal transactions. Riskless principal transactions 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 Fees

Funds and Private Funds will bear expenses associated with custody of the respective funds' assets. For separate account clients, subadvisory clients and Wrap Program clients, AllianzGI US does not select account custodians on behalf of clients or serve as the custodian of client account assets. The custodian appointed by the client may charge custody and other fees that are in addition to the advisory fees payable to AllianzGI US.

#### Other Fees

On behalf of its separate account clients, , and Fund clients, AllianzGI US may invest or recommend investment 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 AllianzGI US invests client assets in these investment vehicles, unless otherwise agreed and where permitted by applicable law, the client may bear its proportionate share of fees and expenses as an investor in the investment vehicle in addition to AllianzGI US's investment advisory or sub-advisory fees. The investment vehicle's prospectus, offering documents or other disclosure documents contain a description of its fees and expenses.

In addition, AllianzGI US may invest client assets or recommend that clients invest in shares or other interests in certain funds to which AllianzGI US or its related persons provide investment advice or other services, and from which AllianzGI US and its affiliates (including PIMCO) receive advisory, administrative and/or distribution fees. To the extent that AllianzGI US invests client assets in an affiliated fund (including PIMCO Funds), AllianzGI US may, depending on the arrangement with a separate account client or Wrap Program Sponsor, 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 AllianzGI US's related persons, avoid or limit the payment of duplicative fees to AllianzGI US 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, AllianzGI US and its affiliates may receive additional economic benefit when a client account is invested in such fund, and a conflict of interest may exist.

In certain instances in which AllianzGI US receives a minimum account fee because of a minimum account size and AllianzGI US invests client assets in an affiliated fund (including PIMCO Funds), AllianzGI US may credit the account for the fees paid by the Fund to AllianzGI US's related persons in order to avoid the payment of a duplicative fee to AllianzGI US or its related persons. This may result in a client directly paying less than another client with a similar minimum account fee that is not invested in an affiliated fund.

#### Private Fund Expenses

Expenses are charged to Private Funds in accordance with the organizational, offering and/or governing documents, side letters or other agreements of such Private Funds or their portfolio companies (collectively, the "Governing Documents"). Such expenses may include, without limitation, organizational expenses, offering expenses, marketing

expenses, audit and accounting expenses, taxes, administration expenses, custody expenses, legal expenses, valuation expenses, regulatory expenses, filing fees, insurance expenses, compliance expenses, investment and portfolio management expenses, research and due diligence expenses, consulting expenses, operating partner expenses, senior adviser expenses, travel and meeting expenses, broken deal expenses (including a proposed co-investor's portion thereof) and liquidation expenses. In addition, expenses attributed to Private Fund portfolio companies may include, without limitation, directors' fees, transaction fees, break-up fees, legal fees, advisory fees, investment banking fees, arrangement fees, consulting fees, monitoring fees and accelerated monitoring fees or other similar compensation.

The foregoing lists are not exhaustive and notwithstanding the foregoing, AllianzGI US's arrangements may vary among Private Funds and, accordingly, the expenses allocated to one Private Fund may differ from another Private Fund. While certain expenses are paid directly by Private Funds or their portfolio companies, AllianzGI US may pay expenses directly and seek reimbursement from the Private Fund or portfolio company in accordance with the Governing Documents.

In the event expenses are attributable to (i) multiple Private Funds and/or portfolio companies or (ii) AllianzGI US and/or its affiliates and one or more Private Funds and/or portfolio companies, AllianzGI US will allocate such expenses in accordance with any contractual requirements set forth in the applicable Governing Documents. To the extent not addressed in such Governing Documents, AllianzGI will in its sole discretion determine the expense allocation, in each case in good faith and using its best judgment.

It is AllianzGI US's policy to seek to allocate expenses in a manner which most equitably matches the benefits received by each allocable party. Generally, expenses attributable to more than one Private Fund are allocated pro rata based on assets under management. However, in certain circumstances the allocation methodology may be a "facts and circumstances" judgment made by AllianzGI US, taking into account such factors that it determines in its discretion to be relevant.

AllianzGI may allow third-party co-investors to participate in particular investments alongside one or more Private Funds (see Item 12). Where co-investors have participated in an investment, expenses related to such investments will be allocated to such co-investors and Private Funds and/or portfolio companies in accordance with the applicable

Governing Documents and AllianzGI US's expense policy.

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

### Performance-Based Fees

In addition, or as an alternative to the standard fee arrangements described above, AllianzGI US may enter into performance fee arrangements with qualified clients pursuant to individualized negotiations. Performance-based fee arrangements may create an incentive for AllianzGI US 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

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

## ITEM 7. TYPES OF CLIENTS

AllianzGI US 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, private investment funds and other commingled vehicles
- trusts
- variable annuity plans, variable insurance trusts
- insurance companies
- supranational organizations
- governmental entities
- investment advisers
- Wrap Fee Programs

Investors in Private Funds are generally required to be “accredited investors” as defined under Regulation D of the Securities Act and may be required to be “qualified purchasers” as defined under the Investment Company Act. Investors in certain Private Funds may be charged performance-based compensation if such investors are “qualified clients” as defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). In addition, the Private Funds may require all investors to make representations concerning their eligibility, tax status, corporate and regulatory structure, sophistication as investors, and their ability to bear the risk of loss of their entire investment in the Private Fund.

Certain Wrap Fee Program investors, shareholders in investment companies and investors in other pooled products (including investors in Private Funds) will not be deemed advisory clients of AllianzGI US.

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

The following are broad descriptions of the methods of analysis and investment strategies employed by AllianzGI US. It should be noted that investing in securities involves risk of loss that clients should be prepared to bear.

##### **METHODS OF ANALYSIS**

###### Equities

###### Centralized Equity Research Platform

AllianzGI US maintains a research staff that monitors a broad universe of stocks for comparative purposes (the “Research Department”). It makes use of contacts at various levels and who perform various functions within companies, and, where appropriate, with a company’s competitors, end-users, and suppliers. The Research Department’s analysts follow companies across a diverse mix of industries, geographies and sectors to determine whether they are good candidates for investment and communicate recommendations to relevant portfolio management teams. AllianzGI US may also receive proprietary research from and provide proprietary research (including Grassroots® Research Reports described below) to, certain investment management affiliates. (See response to Item 10 below.)

AllianzGI US places substantial emphasis on its Research Department’s own fundamental research. However, AllianzGI US also uses outside research in two ways. First, the opinions of a broad group of industry and company specialists are considered to

supplement the analysis of AllianzGI US’s research staff. As described in Item 12, this research information may be provided by or through brokers who execute portfolio transactions for AllianzGI US’s clients. Second, “street” opinions, analyses and estimates on stocks, groups and economic data are monitored to further contribute to the available mix of information.

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

AllianzGI US maintains staff in its Grassroots® Research unit. Grassroots® Research also engages freelance journalists and field force personnel located throughout the world who collect data and other information by conducting interviews of various sources, including consumers, suppliers, service providers, as well as compiling information from trade sources, polls, and government agencies. The journalists prepare research reports that the Grassroots® employees then edit and finalize. The freelance journalist and field force personnel typically work as independent contractors and are compensated by broker-dealers who provide research services to AllianzGI US in exchange for commissions generated by AllianzGI US’s clients. (See response to Item 12 below.)

AllianzGI US also may, from time to time, utilize the research services of experts and medical professionals who are knowledgeable about medical specialties likely to be affected by medical, technological and economic developments in medicine, health care, and related areas. These experts and medical professionals may serve as independent contractors and may be compensated by broker-dealers who provide research services to AllianzGI US in exchange for commissions generated by AllianzGI US clients. (See response to Item 12 below.)

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

###### Fundamental Growth Equity Strategies

AllianzGI US's primary equity strategies emphasize a team approach to asset management. Portfolio management teams take advantage of the global resources of the Allianz Global Investors group of companies to select securities. The objective is to develop for each client a diversified, yet concentrated portfolio of high-quality growth companies selling at reasonable prices.

New purchase ideas are primarily generated by AllianzGI US's fundamental research department, Grassroots®, and the portfolio management teams (domestic and international). As discussed above, external research is also used to further inform AllianzGI US's investment professionals.

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

AllianzGI US may sell a company's stock if it believes that a company's growth or quality has been impaired, or when it believes that the risk-adjusted return characteristics are no longer attractive. A company may also be sold when a price or valuation target is reached or when better alternatives are identified.

Portfolio management teams construct their investment portfolios in accordance with specific client investment objectives, guidelines and restrictions. Portfolio managers' stock selection and industry outlooks are informed by significant input from the research analyst teams. The resulting portfolios aim to be diversified, yet concentrated, and are typically composed of issuers that AllianzGI US believes are high quality growth companies offering above average risk-adjusted return prospects.

For those clients who choose to be fully invested at all times, cash positions generally will average between 2% to 5% or less, except when additional cash is necessary for transaction settlement, while reinvestment decisions are being made. For other clients, whose investment objectives, guidelines, and restrictions permit higher cash levels, AllianzGI US may, from time to time, increase the cash levels in the account to the extent that market conditions warrant. Cash levels also may be increased in anticipation of expected client withdrawals. The percentage of each type of investment in a particular account is likely to vary, based on a number of factors, including, but not

limited to, market conditions, relative investment opportunities, and each client's particular investment objectives, guidelines, and restrictions.

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

#### Systematic Strategies

The Systematic Investment team believes ongoing research is critical to deliver superior investment results in the future. As such, all investment members of the team contribute to the Systematic team strategies via alpha insight, risk model and portfolio construction research, which encompasses the majority of their day. The goal of research is to add new factors, improve existing factors, or occasionally remove factors which have been arbitrated by the market. The team's investment professionals communicate informally on a daily basis given their open office architecture which promotes a collaborative, collegial work environment. There is more formal interaction among investment professionals on the team through their weekly research meetings, whereby alpha, risk and portfolio construction research is critically evaluated. The integrated approach to portfolio management and research provides important insight into key drivers of investment performance and ideas for future research initiatives.

Once an idea is generated, the research process continues into the factor design stage, whereby the team collects data, validates the information and builds a mathematical formula to harness the opportunity. The team then conducts factor testing on two levels. The first is to see how the factor performs on a stand-alone basis, including its ability to generate returns, how fast the factor predictive power decays, and how performance correlates from one month to another. The second is through a multi-simulation where we measure how well the factor performs in combination with other factors in the model, including the difference in total returns, as well as across industries, sectors, countries and market capitalization. We also consider how the risk profile changes, and how the factor performs in various market environments. A factor is implemented should it improve results and offer low correlations to existing factors in the model. The alpha model, risk model and portfolio construction research process takes approximately six to nine months for each factor from the idea generation stage to the implementation stage in the model. There is only about a 10% success rate of a factor making it through the entire process, as the

hurdle to add a new factor gets higher as the model is evolved over time.

#### Best Styles Strategies

The Best Styles systematic equity research focuses on the analysis of quantitative factors in investment style research and structural sources of outperformance. Our continuous research and development work ensures that we stay at the forefront of investment style risk management and generating outperformance. The investment team's style research draws upon more than 150 different stock selection criteria, grouped into five different groups: Value, Momentum, Earnings Change, Growth and Quality. An investment style is defined by a combination of bottom-up stock selection factors. To calculate an investment style such as Value, several bottom-up factors, such as price-to-book, price-to-earnings, price-to-cash flow and dividend yield, are combined in an equal-weighted score. All stocks in the universe are then ranked according to this investment style score. The ranking is done on a region-by-region and sector-by-sector basis. The stocks that are ranked in the top 20% are then classified as Value, and similarly so for the other investment styles. The investment style profile of individual stocks can change significantly over time. In addition to defining the investment styles and to determining a diversified mix of these investment styles, we also conduct ongoing analysis of additional risk factors within investment styles.

#### Fixed Income

##### Income and Growth Strategies

The Income and Growth Strategies investment team follows a disciplined, fundamental bottom-up research process. Ideas are generated from a variety of traditional and quantitative sources that make-up the team's research platform. All members of the investment team are responsible for bringing new ideas to the group. All members of the investment team serve as generalists when identifying new opportunities.

During the idea generation phase, the investment team screens the entire investment universe for issuers demonstrating an ability to improve their fundamental characteristics. The companies/issues selected for the portfolio exceed minimum credit statistics and exhibit the highest visibility of future expected operating performance.

After identifying a potential investment idea, the fundamental strength of the company is assessed. Fundamental research focuses on identifying companies' innovation, growth in market share, improving operating margins, and new product

launches that may result in positive earnings estimate revisions. Companies with revenue growth and margin expansion create positive cash flow and healthy balance sheets.

To determine whether the investment team's findings are sustainable, the investment team conducts a detailed analysis of the operating statistics of candidates. This analysis gives the investment team confidence that these companies have a financial foundation conducive to growth. They analyze issuers' balance sheets, cash flow statements and income statements, as well as the security's terms and covenant protections. The investment team utilizes their proprietary Upgrade Alert Model to conduct the analysis. Macro factors are assessed at the individual issuer level.

#### US Short Duration Strategies

The US Short Duration High Income investment team undertakes in-depth analysis on every credit in the strategy's short duration, high yield universe to identify those companies which offer the most compelling risk-return trade-off. Roughly 85% of the investment team's research effort is conducted internally with 15% coming from external sources.

The investment team uses a proprietary tool to assist in credit research, the Credit Scoring System model. This model tallies approximately 48 different credit metrics within three qualitative and three quantitative categories. This model allows the investment team to easily identify a company's strengths and weaknesses and reveal potential risk factors. Given its depth, this is a valuable tool when evaluating overall credit quality.

The sources of external research are company reports, credit service reports and research reports on industries and individual companies from Wall Street brokers. Subscriptions to prominent credit research providers are also utilized.

The investment team may also communicate with company management through conference calls, direct contact, and industry conferences. The investment team places a high value on communication and prefers those companies whose management teams are accessible.

#### US Core Fixed Income Strategies

The investment team narrows the investment universe to focus on issuers that offer the highest level of impact and to ensure research resources are allocated accordingly. Considerations in this process include overall level of liquidity, and ability to source securities. Impact issuers are determined by certain factors, including percent of benchmark, pricing opportunities, and a subjective assessment of our



ability to add value. This level of coverage also gives consideration to maintaining capacity when market conditions warrant resources be allocated to new opportunities. The investment team utilizes proprietary financial modeling, stress testing, quantitative models, and assessments of collateral, bond structures, indentures, and liquidity to produce proprietary internal credit assessments and risk vs reward analysis of issuers. Portfolio managers utilize these inputs to select securities that produce strong risk-adjusted returns.

#### Global Fixed Income Strategies

Research plays a pivotal role in the investment process and most of the investment team's research is conducted internally. The team uses a proprietary financial and economic database alongside external data sources. International organizations such as the OECD, IMF and World Bank are good sources of primary data; central banks and national statistics agencies are also generally reliable sources. Consensus Economics is a good source of economic growth / inflation expectations data. In many cases the data is accessed electronically through Thomson Reuters Datastream and Bloomberg. The team also uses specialist Asset Backed Security research through Global Credit Research Partners Ltd, an external consultancy.

To support their research effort, credit analysts have access to rating agencies and also to third party data providers. At the heart of the process is the formulation of independent credit evaluations and investment recommendations by our credit analysts; however, these kinds of external data sources fulfill an important supporting role in giving them the fullest possible information base to work from.

#### Advanced Fixed Income Strategies

Research for the Advanced Fixed Income strategy is based on advanced proprietary quantitative models. These models allow the investment team to understand the complex relationships between numerous economic variables and to reduce the complexity of these relationships to make them more palatable and concrete for the portfolio manager. Research covers:

Global Sovereign Bonds – Using a Debt Sustainability Model and RE-Rating Model, the investment team assesses the improvement or deterioration over time in the debt-to-GDP position for each country as well as their perceived willingness to repay their debts.

Global Covered and Securitized Bonds – Research covers the legal framework, macroeconomic environment, standalone issuer strength and covered

pool quality for covered and securitized bond issuers globally.

Global Corporate Bonds – The research process includes dissecting the investment universe into segments based on duration buckets and rating classes and comparing the expected returns and volatilities of different segments of bonds; individual fundamental analysis based upon issuer financial strength, issuer business model strength, event risk and country risk; and a Rich/Cheap analysis focused on ranking the most bonds within particular risk clusters to determine the most attractive investment opportunities.

#### Multi Asset

##### Dynamic Multi-Asset Plus Strategies

Dynamic Multi Asset Plus strategies seek to provide a lower risk alternative to static balanced and multi asset portfolios in combination with enhanced expected returns over a market cycle. Our solution benefits from several unique components such as an active approach to asset allocation which combines trends and fundamental assessments and offers risk mitigation in times of market stress. Optional modules like the addition of further asset classes to capture thematic trends or selection strategies for equities and bonds complete our fully integrated solution.

#### Alternatives

##### Structured Products Strategies

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

##### US Private Credit Strategies

##### Credit Solutions Strategies

The investment team generally looks to identify compelling fundamental value in companies that are believed to be operationally sound and have a sustainable competitive edge. The team generally focuses on identifying value in companies with some of the following attributes:

- Competitive Advantage
- Compelling Valuation
- Growth Expectations
- Market Leaders
- Strong Management
- Sound Governance

- Equity Upside

#### *Loan Funds Strategies*

The Loan Funds strategy is to invest principally in senior secured corporate loans. The team actively monitors the loan portfolio and focuses on early identification of investment risk. The team generally evaluates each investment based on the issuing company's overall credit risk and asset coverage measures such as cash flow coverage ratios, corporate asset values, the investment's seniority in the investment's capital structure, the expected volatility of corporate cash flows and asset values, and the issue's particular credit covenants.

#### *Infrastructure Debt and Infrastructure Equity Strategies*

The investment teams perform a thorough due diligence review of each transaction that includes financial, technical, insurance, and legal analysis. The team seeks to have an understanding of the underlying asset and potential risks in order to structure the transaction accordingly with appropriate risk management. The team may use specialized advisors in this due diligence process. For example, technical advisors that assess technical complexity may be utilized and may have oversight during construction periods.

#### *US Private Placement Strategy*

The AllianzGI Private Placement investment strategy seeks to invest in the private debt issued by high quality companies and other entities. AllianzGI offers institutional investors managed accounts customized to each client's needs. Private placement bonds provide an investor with enhanced portfolio diversification, covenant protection, and potential spread premium to bonds available in the public markets. In addition, a broader range of longer maturities is available in the private debt markets, which may fit a client's needs for longer-lived, income-producing investments. The Allianz Global Investors private placement team draws upon a shared wealth and breadth of investment experience across several fixed income asset classes and market cycles: the average investment experience of the team is 20 years.

### **INVESTMENT PROCESSES**

The following describes the investment process for each of AllianzGI US's investment strategies:

#### Equities

*Investment Process – US Large Cap Growth Strategies (US Large Cap Select, US Large Cap Core and US Focused Growth)*

The investment process for domestic large-cap equity accounts is coordinated through the Large Cap Portfolio Management Team (the "Large Cap PMT"). Through rigorous fundamental analysis of company and industry dynamics, the Large Cap PMT seeks to identify high quality companies with superior growth rates. A four-step process is undertaken in the management of mid-cap portfolios: (1) idea generation based on bottom-up internal and external resources and a top-down overview, (2) stock selection based on analysis of growth, quality and valuation factors, (3) portfolio construction building diversified portfolios with built-in risk controls, and (4) monitoring and review that aims to improve the overall investment process. The Large Cap PMT meets daily and has frequent interactions with AllianzGI US's research analysts, Grassroots® analysts, and the equity traders.

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

#### *Investment Process – US Mid Cap Growth Strategy*

The investment process for mid-cap products is managed on a team basis by the portfolio managers. Through rigorous fundamental analysis of company and industry dynamics, the team seeks to identify high quality companies with superior growth rates. A four-step process is undertaken in the management of mid-cap portfolios: (1) idea generation based on bottom-up internal and external resources, quantitative screens and a top-down overview, (2) stock selection based on analysis of growth, quality and valuation factors, (3) portfolio construction building diversified portfolios with high active share and built-in risk controls, and (4) monitoring and review that aims to improve the overall investment process. The Mid Cap Portfolio Management Team meets daily and, as a group, interacts frequently with research analysts, Grassroots® analysts and the equity traders. The mid cap investment process utilizes a bottom-up approach to investing. Individual stock holdings, and to a certain extent, industry weightings will differ among mid-capitalization accounts. Variances are reviewed regularly for appropriateness.

*Investment Process – Disciplined Equity Strategies (Disciplined US Core)*



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

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

#### Investment Process – Sector/Thematic Strategies

##### *Technology*

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

##### *Global Agricultural Trends*

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

invests globally, focusing on companies that stand to benefit from:

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

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

##### *Global Water*

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

##### *Global Sustainability*

Global Sustainability is a Sustainable & Responsible Investment (SRI) strategy which considers Environmental, Social and Governance (ESG) criteria within the investment process in order to generate competitive financial returns and a positive and measurable impact on society. The portfolio managers use bottom-up fundamental analysis to invest in companies with superior financial and ESG performance. As part of AllianzGI's Global Equity Team, portfolios consist of c.50 high-conviction, globally diversified stocks. The strategy takes a 'Best in Class' approach to SRI, seeking to own companies which outperform sector peers on ESG criteria. ESG performance is assessed using AllianzGI's proprietary SRI Ratings model.

##### *Green Bond*

The green bond strategy philosophy is to mobilize capital to finance the energy and climate transition. To do so, the Green Bond team seeks to invest in Green Bonds defined as interest-bearing securities that are issued in order to finance projects that the portfolio managers believe are intended and/or likely to have a positive impact on the environment. The strategy

expects to finance “green” projects including, but not limited to, those related to renewable energy (including wind, solar, geothermal and biofuel), sustainable land use and waste management, energy efficiency, greenhouse gas emissions reductions and clean water, with an active and fundamental investment style.

#### *Global Natural Resources*

The Global Natural Resources strategy combines top-down views of commodities and regional economies with bottom-up analysis of natural resource-related companies within four sectors: energy, agriculture, materials and industrials. All positions are supported by what the portfolio manager believes are the most promising investment themes within the global natural resources-related universe.

#### *Health Sciences*

The Health Sciences strategy seeks to profit from global trends in health-care related sectors. The strategy pursues a more concentrated approach to investing in traditional health care companies, and focuses on companies that are delivering innovative and profitable drug treatments and low-cost health care solutions.

#### *Biotechnology*

The Global Biotechnology strategy seeks to invest in high-quality healthcare companies that are delivering innovative and profitable drug treatments and value to the health care system. We believe these factors drive solid long term earnings growth and reasonable over-valuations for global biotechnology-related stocks in general.

#### *Global Artificial Intelligence*

The Global Artificial Intelligence strategy seeks to invest in companies across a broad range of industries and technologies positioned to benefit from the evolution and disruptive power of artificial intelligence. The strategy considers artificial intelligence to mean the use of systems or other technologies that are able to either perform tasks that normally involve human intelligence, such as visual perception, speech recognition, and decision-making, or leverage data-driven insights to deliver new solutions. The portfolio managers believe that innovative companies in any sector that are able to leverage artificial intelligence to transform their businesses will be well positioned to gain market share, outperform industry peers and create superior shareholder value over time. In addition, the portfolio managers believe that artificial intelligence can be used to disrupt industries through (i) the deployment of new artificial intelligence infrastructure and secondary technologies as building blocks to enable new capabilities, (ii) the development of new artificial

intelligence software applications to make smarter insights and decisions, (iii) the adoption of artificial intelligence in key business processes to enhance operations and/or develop new products and services that drive a competitive advantage and (iv) other key trends and developments.

#### *Investment Process – Asia Strategies*

##### *China Equity*

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

##### *China A-Share Equity*

The China A-Share Equity strategy invests in stocks of companies incorporated in China and listed as A-shares on the stock exchanges of Shanghai or Shenzhen. The Strategy may also invest in companies that are incorporated in China or generate a predominant portion of their profits (maximum 20%) there.

#### *Investment Process – Europe Strategies*

##### *Europe Equity Growth Select*

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

##### *International Growth*

The International Growth approach is to invest in a portfolio of high-conviction positions that they believe present fully or partially undiscovered opportunities for structural growth. The team employs a disciplined

process that primarily focuses on three fundamental business characteristics: growth, quality, and valuation. The team aims to identify companies that are able to deliver structure above-average earnings and cash-flow growth characteristics that the market has not yet fully factored into valuations. The investment process is based on bottom-up, fundamental company research.

#### Investment Process – Systematic Strategies

*(US Systematic Small Cap Growth, US Systematic Small Cap, Global Small Cap Opportunities, Emerging Markets Systematic, Emerging Markets Consumer, Emerging Markets Small Cap and US Micro Cap Opportunities)*

The Systematic team seeks to invest in equities benefitting from change not yet fully reflected in the market. At its core, the team believes investor behavioral biases contribute to market inefficiencies. The quantitative process begins with a proprietary alpha model which blends behavioral and intrinsic/valuation factors. This multi-factor approach is integrated with a highly responsive and adaptive risk model to form the basis of portfolio construction. Additionally, all investment recommendations are thoroughly vetted on a stock-by-stock basis to confirm the investment thesis before a purchase or sale.

#### Investment Process – Best Styles Strategies

*(Global Developed, Global All Country, US, Europe, Global Managed Volatility, International, All Country International, and Emerging Markets)*

The investment team seeks long-term capital appreciation by creating a diversified portfolio of global equities. The portfolio managers begin with an investment universe of approximately 9,000 equity securities and then assess individual securities using a disciplined investment process that integrates top-down investment style research and proprietary fundamental bottom-up company specific research with a quantitative risk-management process. The portfolio managers combine a range of investment style orientations, such as Value, Earnings Change, Price Momentum, Growth, and Quality (each described below), in seeking positive relative returns versus the benchmark index and in managing the overall portfolio's sensitivity to broader market movements (or "beta"). The final portfolio is constructed through a portfolio optimization process that seeks to maximize exposure to equity securities with attractive investment style characteristics, subject to region, sector, capitalization, security and other constraints. The Value investment style orientation selects equity securities that the portfolio managers believe have attractive valuations based on metrics including dividend yield and price-to-earnings, price-to-cash flow and price-to-book ratios, as

compared to other equity securities in the investable universe. The Earnings Change investment style orientation is designed to capture shorter-term, trend-following investment opportunities and generally selects equity securities with positive earnings revisions, announcements or surprises. The Price Momentum investment orientation is also trend-following and generally selects equity securities with positive price momentum and relative strength within the investable universe. The Growth investment style orientation generally selects equity securities with expected and historical earnings and dividend growth. The Quality investment style orientation generally emphasizes equity securities with strong profitability and historical earnings stability, and considers additional factors, such as whether a company has improving margins, positive net income, positive operating capital, decreasing long-term debt and high-quality earnings, among others.

In addition to Global Sustainability, AllianzGI US also offers the following strategies as a subadvisor to Virtus to Wrap Fee Programs:

#### *Rising Disruptors*

This strategy seeks long-term capital appreciation by investing in US small and mid-cap companies with disruptive business models or technologies which are creating new markets or upending existing ones via innovation. The strategy pursues a more concentrated approach, seeking to invest in innovative and disruptive companies across various sectors including technology, healthcare, financials, industrials, consumer discretionary, etc. Stocks are selected on a fundamental bottom-up basis by identifying companies benefitting from major disruptive trends. These companies are characterized by secular growth drivers, technological leadership and superior business models. Sector and industry exposures will be primarily a result of identifying superior securities benefitting from disruptive innovation.

#### *International Sustainability*

International Sustainability is a Sustainable & Responsible Investment (SRI) strategy which considers Environmental, Social and Governance (ESG) criteria within the investment process in order to generate competitive financial returns and a positive and measurable impact on society. The portfolio managers use bottom-up fundamental analysis to invest in companies with superior financial and ESG performance. As part of AllianzGI's Global Equity Team, portfolios consist of c.40 high-conviction, diversified stocks outside of the US. The strategy takes a 'Best in Class' approach to SRI, seeking to own companies which outperform sector peers on ESG

criteria. ESG performance is assessed using AllianzGI's proprietary SRI Ratings model.

#### *US Sustainability*

AllianzGI US Sustainability is a Sustainable & Responsible Investment (SRI) strategy which considers Environmental, Social and Governance (ESG) criteria within the investment process in order to generate competitive financial returns and a positive and measurable impact on society. The portfolio managers use bottom-up fundamental analysis to invest in companies with superior financial and ESG performance. As part of AllianzGI's Global Equity Team, portfolios consist of c.35 high-conviction, diversified stocks within the US. The strategy takes a 'Best in Class' approach to SRI, seeking to own companies which outperform sector peers on ESG criteria. ESG performance is assessed using AllianzGI's proprietary SRI Ratings model.

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

#### Fixed Income

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

The Income and Growth Strategies investment team follows a disciplined, bottom-up research process, which facilitates the early identification of issuers that demonstrate the ability to improve their fundamental characteristics. The companies/issues selected for the portfolio exceed minimum underlying metrics and exhibit the highest visibility of future expected operating performance.

#### *Convertibles*

The US Convertibles strategy aims to capture the upside potential of equities with potentially less volatility than a pure stock investment. The strategy builds the portfolio one security at a time by finding companies of any size capitalizing on change, actively

managing the strategy to provide an alternative risk-reward profile to traditional stock and bond portfolios.

#### *US High Yield and CLO*

The strategies are designed to provide consistent income, diversification benefits and total return potential. The strategy seeks to deliver outperformance over time by 1) providing upside participation in rising markets and downside protection in falling markets and 2) by identifying and minimizing credit risk, avoiding defaults and targeting upgrade candidates.

#### *Income & Growth*

The Income and Growth strategy is a core holding that invests primarily in a portfolio of one-third high-quality large-cap stocks, one-third high-yield bonds and one-third convertible bonds. This "three-sleeve" approach allows the strategy to offer an attractive risk/return profile. The strategy aims to provide a steady income stream with increased potential upside and less downside risk. The strategy also supplements its income stream with a covered call strategy. As a result, the strategy aims to capture multiple sources of income while participating in the upside potential of equities, with potentially less volatility than a pure stock investment.

#### *US Short Duration High Income*

The US Short Duration High Income strategy employs a conservative approach to managing high yield bonds and bank loans. By investing in high quality, high yield securities with shorter durations, the investment team is able to control credit risk and minimize downside volatility.

#### *Investment Process – Global Fixed Income*

Global fixed income portfolio managers consistently utilize a well-defined investment process to construct client portfolios. The monthly (every 4-6 weeks) Asset Allocation Group is responsible for all major asset allocation decisions. It is a forum where the investment team discusses four key areas in order to determine the allocation of portfolio assets among four alpha streams: Developed Markets, Investment Grade Credit, High Yield Debt and Emerging Markets. The four key inputs to the Asset Allocation decision are: Global Growth, Inflation, Interest Rates and Event Risk. A twice-weekly Investment Committee is responsible for decisions on a more frequent basis and discusses positioning reviews, thesis testing and dynamic risk management. Continuous interaction between the investment teams ensures consistent and successful implementation of philosophy and process across portfolios. The Global Sovereign and Global

Credit team bring insights and specialist fixed income knowledge and meets, at least, twice-weekly.

#### *Global Aggregate*

The Global Aggregate strategy combines all four core strategies: global government, investment grade credit, global high yield and emerging markets. It provides a broad exposure to the global bond market and is indexed versus a variety of readily available or customized aggregate indices.

#### *Global Government*

The Global government strategy aims to deliver positive risk adjusted returns by investing in sovereign debt fixed income and currencies (globally).

#### *Global Investment Grade Credit*

The strategy seeks relative value opportunities across global sectors and issuers whilst avoiding its associated downside risks.

#### *Global Investment Grade Corporate*

The strategy begins with a macro framework which provides the backdrop in which we seek active outperformance through sector and security selection. In addition, we have various tailored portfolios which seek outperformance through active security selection in specific sectors on a global basis.

#### *Enhanced Passive Credit*

The strategy is designed to track the index in a bull market and outperform in a bear market by actively managing issuers. It aims to maintain a low tracking error throughout.

#### *Global Emerging Markets*

The strategy aims to invest in a universe of sovereign and corporate issuers across the whole investable emerging market universe. Investments are made in both local and hard currency debt as well as emerging market currencies to ensure optimal returns on portfolios.

#### *Global High Yield*

The strategy is designed to provide additional global opportunities, taking advantage of market inconsistencies across US, European and Asian high yield

#### *High Alpha*

The strategy combines all four core strategies: global government, investment grade credit, global high yield and emerging markets. It invests in a global bond universe while maintaining a domestic benchmark, seeking to exploit the global opportunity set and provides incremental returns above a domestic benchmark.

#### *Cash Plus*

The strategy combines all four core strategies: global government, investment grade credit, global high yield and emerging markets. It aims to deliver returns in excess of a cash benchmark on an unlevered basis.

#### *Total Return*

The strategy is designed to invest in concentrated positions in our four core alpha streams (global government, investment grade credit, global high yield and emerging markets). The strategy seeks our “best ideas” to generate significant total returns on an unlevered and unhedged basis.

#### *Short Duration Real Estate Debt*

Real estate fixed income securities provide the yield enhancement and inflation protection characteristics of real estate coupled with the downside protection of fixed income.

#### *Global Multi Asset Credit*

The strategy uses an unconstrained global credit opportunity set (investment grade, high yield, emerging markets, securitized) to generate superior risk-adjusted returns without being constrained to a sector, ratings or benchmark while maintaining a short duration profile and no currency risk.

#### *Global Opportunistic Bonds*

The strategy uses a fully flexible, benchmark agnostic approach with no “neutral” beta exposure to produce superior returns from global fixed income markets, without embedded risk from interest rates, or credit spreads.

#### *Global Floating Rate Notes*

The strategy uses an expansive global investment universe of floating rate notes (FRN) issuers across investment grade and high yield corporate markets along with the flexibility to invest in securitized assets while maintaining an investment grade rating. This dynamic approach improves diversification benefits while meeting its objective of long-term capital growth and limiting interest rate risk.

#### *Investment Process – US Core Fixed Income*

##### *US Core*

The strategy seeks to outperform the Bloomberg Barclays US Aggregate Bond Index producing better risk adjusted returns. Additionally, it seeks current income, consistent with minimal fluctuation of principal. The strategy invests in a diversified portfolio of high-quality bonds that generates alpha primarily through security selection and sector rotation with an investment grade focus. It is based on bottom-up



fundamental credit research rather than an overarching macroeconomic view.

#### US Core Plus

The strategy seeks to maximize total return through a combination of current income and capital appreciation. It seeks to outperform the Bloomberg Barclays US Aggregate Bond Index producing better risk adjusted returns. The strategy invests in a diversified portfolio of high quality bonds that generates alpha primarily through security selection and sector rotation and with an allocation to high yield securities. The portfolio will maintain an investment grade focus. The strategy is based on bottom-up fundamental credit research rather than an overarching macroeconomic view.

#### Investment Process – Advanced Fixed Income

The Advanced Fixed Income process seeks to provide the optimal level of risk-adjusted performance by extracting the maximum level of value from each unit of risk. The strategy seeks to deliver outperformance by capitalizing on market inefficiencies under risk constraints.

#### Multi-Asset

##### Investment Process – Dynamic Multi-Asset Plus

The investment team uses an active approach to asset allocation which sits at the Dynamic Multi Asset Plus strategy's core. It has three components: Systematic Market Cycle analysis, fundamental analysis and active Risk Management. In our systematic Market Cycle analysis, we use a proprietary rule-based, disciplined asset allocation approach to capture medium-term trends across asset classes. By combining both pro-cyclical and anti-cyclical elements, we aim to invest in the best performing asset classes over time, and provide both excess returns and downside risk mitigation. In our fundamental analysis, we consider forward-looking fundamental assessments, based on both quantitative and qualitative input factors, to better identify turning points in markets. This allows us to tactically adjust the portfolio's asset allocation with the aim of enhancing returns. Our proprietary Total Return and Tail Risk Management provides the final component of our approach, through which we actively manage portfolio risk, targeting a significant reduction in downside risk in times of market stress.

##### Investment Process – Asset Allocation

The investment team determines the risk profile and target allocation over time between Defensive and Return-Generating Assets, through a combination of quantitative analysis and judgment based on experience. For target-date strategies and age-based portfolios, this target allocation is time-varying,

typically with a high percentage of Return-Generating Assets in the early years of investing and a low percentage of Return-Generating Assets near the target-date. For target-risk and static-risk strategies, the target allocation between Return-Generating and Defensive Assets is fixed across time.

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

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

In addition to the stock selection processes described above, AllianzGI US's portfolio management teams receive macroeconomic input from the firm's Global Policy Council ("GPC"). The GPC is comprised of senior investment professionals and analysts located around the globe at the offices of certain Allianz Advisory Affiliates (See Item 10 for a description of Allianz Advisory Affiliates). The GPC reviews macro-economic scenarios for all the major regions of the world and presents analyses of the dynamic processes that drive stocks, bonds and other markets. Based on these analyses, the GPC forecasts the short, intermediate and long-term outlooks for all the major markets and their respective submarkets. The GPC develops investment strategies to determine allocations across broad asset classes and global markets and reflect sector, theme and style priorities.

#### Alternatives

##### Investment Process – Structured Products Strategies *(Structured Alpha US Equity 250, Structured Return)*

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

## Investment Process – US Private Credit Strategies

### *Credit Solutions*

The investment team seeks to provide financing to businesses in return for current income, seniority in the capital structure and the potential for equity upside. The investment team principally targets non-investment grade debt obligations of U.S. middle market companies across various industries with annual EBITDA between \$15 million and \$100 million. The investment team generally seeks to source secured loans, senior or subordinated debt and equity and equity-linked securities, which may be acquired below their fundamental value. These include long-term mezzanine, distressed and equity investments made with the intention of achieving multiples of cost by exerting influence to unlock shareholder value. This approach uses traditional private equity disciplines and creditors' rights, such as board seats, observer seats, blocking positions, contractual rights, covenants and creditors' committees. The investment team generally seeks to manage principal risk and achieve equity upside by funding restructurings, reorganizations, refinancings and growth initiatives (including new leveraged buyout transactions). These investment opportunities are frequently found in industries experiencing fundamental change and/or scarcity of capital. The investment team generally seeks investments that may offer the opportunity to exert meaningful influence during and after a financing event.

### *Loan Funds*

The team uses a fundamentals based strategy that invests principally in senior secured corporate loans. The investment team focuses on careful investment selection and monitoring, which the team believe are critical to credit outperformance. Their investment process seeks to minimize losses from defaults and generally targets current income and consistent investment returns. The team generally targets North American companies with proven cash flows and substantial asset values, operating in businesses with high barriers to entry and sustainable competitive advantages, syndicated and secondary loan purchases, secured bank loans and senior debt, and funding for leveraged buyouts, refinancings, mergers and acquisitions and growth initiatives.

### *Investment Process – Infrastructure Debt*

The investment team seeks to source high credit quality infrastructure debt transactions for institutional investors by identifying, differentiating and managing risk. By originating such placements privately we are able to source opportunities with attractive illiquidity /complexity spreads and offer improved access to a diversity of sectors that would

otherwise be closed to public investors. Infrastructure debt is an asset class that we believe should provide stable returns and cash flows over long-term horizons due to the fundamental essentiality of these real assets, with low relative levels of default. However, care needs to be taken in selecting the right investment as not all transactions labeled as "infrastructure" exhibit the same stability of future cash flows. The investment team focus is on assets meeting the following criteria: (1) Essential Physical Asset (2) Long-Term Stable Revenue Stream (3) Long-Term Debt, and (4) Clear Business Purpose.

### *Investment Process – Infrastructure Equity*

The strategy seeks to capitalize on the increasing demand for development equity capital in the US Energy Infrastructure market. The strategy will seek to do so by targeting investments in special purpose vehicles (SPVs), which are already setup up by specialized developers holding primarily development stage renewable energy infrastructure assets, known as projects in the greenfield stage (the "Target"). The strategy will seek targets that have one or more of the following characteristics: (i) are in the (late) development stage and have a project plan that identifies the critical items to be obtained in order to commence construction (e.g., easements, permits and governmental approvals) with corresponding milestone dates, (ii) have a clear path to site ownership/ rent, (iii) have entered the transmission queue if relevant, (iv) initiated an analysis of the potential environmental and social impact, (v) have ongoing dialogue with local municipalities and other neighbors (vi) have good onsite resource data.

### *Investment Process – US Private Placement*

The US Private Placement investment team consistently utilizes a robust well-defined investment process. The US Private Placement strategy is a "buy and hold" strategy in private debt issued by investment grade companies. The experienced team of investment professionals has access to the primary and secondary private placement market opportunities. The team reviews approximately 150 transaction per year. Each new investment opportunity must go through the Gateway Process, which ensure accomplishment of the following steps:

- Conformity with mandates and guidelines
- Check of prohibited and restricted investment lists
- Compliance check

A successful Gateway Process triggers a detailed Credit Analysis and Approval Process. The Credit Analysis usually starts with a roadshow meeting with the Company's management, and includes a review and analysis of the offering memorandum, management's



presentation, financial statements and other private placement documents. The investment team performs the credit analysis, reviews the covenant package, assigns an internal credit rating, identifies appropriate public and private pricing benchmarks and evaluates the attractiveness of the indicative pricing. Some of the debt purchased by the US Private Placement team will have credit ratings provided by NRSROs and some debt will be unrated by a 3<sup>rd</sup> party. As part of the Credit Approval, the investment team prepares an internal document that includes data pertinent to an investment decision and a recommendation. The team then discusses the recommendation for approval and, if approved, the team will communicate its indication of interest to the issuer's agent. Bonds will then be allocated by the issuer and agent and priced with final closing and settlement contingent, among other things, on satisfactory completion of additional due diligence and a final Note Purchase Agreement.

## RISK OF LOSS

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

#### *General*

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

#### *Allocation Risk*

The investment performance of allocation strategies may depend on how assets are allocated and reallocated among investments, or funds in a fund of funds strategy. There is a risk that the adviser may make less than optimal or poor asset allocation decisions in underlying funds or other investments. There is no guarantee that AllianzGI US's allocation techniques will produce the desired results. It is possible that AllianzGI US will focus on underlying funds and other investments that perform poorly or underperform other funds or investments under various market conditions.

#### *Artificial Intelligence Related Companies Risk*

Companies involved in, or exposed to, artificial intelligence-related businesses may have limited product lines, markets, financial resources and/or personnel. These companies typically face intense competition and potentially rapid product

obsolescence and depend significantly on consumer preference and demand. These companies are also heavily dependent on intellectual property rights and may be adversely impacted by the loss or impairment of such rights. There can be no assurance that these companies will be able to successfully protect their intellectual property rights to prevent the misappropriation of their technology or that competitors will not develop technology that is substantially similar or superior to their technology. Legal and regulatory changes, particularly those related to information privacy and data protection, may have a negative impact on an artificial intelligence company's products or services. Artificial intelligence companies often spend significant amounts of resources on research and development, and there is no guarantee that the products or services they produce will be successful. Artificial intelligence companies, especially smaller companies, tend to be more volatile than companies that do not rely heavily on technology. The artificial intelligence companies in which we may invest may not be identified by or widely known for any particular artificial intelligence product or service, but rather use artificial intelligence in their product development or deployment or are expected to benefit substantially from artificial intelligence and related developments.

#### *Bankruptcy Risk*

Many events in a bankruptcy are the product of contested matters and adversarial proceedings and are beyond the control of the creditors. There can be no assurance that a bankruptcy court in the exercise of its broad powers would not approve actions that would be contrary to the interests of the clients. The effect of a bankruptcy filing on a company may adversely and permanently affect the company, including the loss of its market position, key employees and otherwise becoming incapable of restoring itself as a viable entity. If for this or any other reason the proceeding is converted to a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. The duration of a bankruptcy proceeding is difficult to predict and a creditor's return on investment can be adversely affected by delays while the plan of reorganization is being negotiated and confirmed by the bankruptcy court and until it ultimately becomes effective. Bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization. Because the standard for classification is vague, there exists the risk that a client's influence with respect to the class of securities it owns can be lost by increases in the number and amount of claims in that class or by different classification and treatment. In the early stages of the bankruptcy process it is often difficult to estimate the extent of, or

even to identify, any contingent claims that might be made. Additionally, certain claims that have priority by law (for example, claims for taxes) may be quite significant. See also “Fraudulent Conveyance and Preference Considerations Risk”.

#### *Call Risk*

An issuer may redeem a fixed-income security before maturity (“call”) at a price below its current market price. An increase in the likelihood of a call may reduce the security’s price. If a fixed-income security is called, the adviser may have to reinvest the proceeds in other fixed-income securities with lower interest rates, higher credit risks, or other less favorable characteristics.

#### *China-Related Risk*

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

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

#### *Commodity Risk*

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

#### *Confidential or Material, Non-Public Information Risk*

From time to time certain investment professionals of AllianzGI US and its affiliates may acquire confidential or material, non-public information concerning an issuer in which any clients of AllianzGI US and its affiliates have invested or may invest. The possession of such information limits the ability of AllianzGI US and its affiliates generally to buy or sell securities of such issuer on behalf of clients, thereby limiting the investment opportunities available to such clients.

Notwithstanding the foregoing, certain designated investment teams of AllianzGI US operate independently from all other investment teams of AllianzGI US and its affiliates with respect to their investment activities. Such designated investment teams are more likely to receive confidential or material, non-public information during the normal course of their business. To address the risk of improper flow of sensitive information, AllianzGI US and its affiliates have established information barriers that are designed to prevent and detect the improper flow of confidential or material, non-public information. Such information barriers include

physical and technological barriers and trading restrictions.

AllianzGI US and its affiliates have established an overarching information barrier to separate each designated investment team from the rest of the investment teams outside of such team's information barrier. In addition, AllianzGI US and its affiliates have established information barriers among such designated investment teams that act as a barrier to separate the designated investment teams from each other.

As part of the information barriers, designated investment teams are generally prohibited from communicating confidential or material, non-public information outside of their ring fence without an approved wall crossing. To the extent an investment professional acquires confidential or material, non-public information through an approved wall crossing, the investment professional's investment team becomes restricted from making investments with respect to the relevant issuer(s).

The establishment and maintenance of the information barriers discussed above means the investment teams of AllianzGI US and its affiliates will generally not be able to use, act on or otherwise be aware of confidential information otherwise known by or in the possession of the designated investment teams, and collaboration between the designated investment teams, on the one hand, and personnel of the rest of AllianzGI US, on the other hand, may be limited, reducing potential synergies.

AllianzGI US expects to establish additional information barriers as needed.

#### *Contingent Convertible Securities Risk*

Contingent convertible securities ("CoCos") have no stated maturity, have fully discretionary coupons and are typically issued in the form of subordinated debt instruments. CoCos generally either convert into equity or have their principal written down upon the occurrence of certain triggering events ("triggers") linked to regulatory capital thresholds or regulatory actions relating to the issuer's continued viability. As a result, an investment in CoCos is subject to the risk that coupon (i.e., interest) payments may be cancelled by the issuer or a regulatory authority in order to help the issuer absorb losses. An investment in CoCos is also subject to the risk that, in the event of the liquidation, dissolution or winding-up of an issuer prior to a trigger event, the rights and claims will generally rank junior to the claims of holders of the issuer's other debt obligations. In addition, if CoCos held by an account are converted into the issuer's underlying equity securities following a trigger event, an account's

holding may be further subordinated due to the conversion from a debt to equity instrument. Further, the value of an investment in CoCos is unpredictable and will be influenced by many factors and risks, including interest rate risk, credit risk, market risk and liquidity risk. An investment in CoCos may result in losses.

#### *Convertible Securities Risk*

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

#### *Corporate Debt Securities Risk*

Corporate debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to factors such as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. When interest rates rise, the value of corporate debt securities can be expected to decline. Debt securities with longer maturities or durations tend to be more sensitive to interest rate movements than those with shorter maturities.

#### *Credit Risk*

An account could lose money if the issuer or guarantor of a fixed income security (including a security purchased with securities lending cash collateral) is unable or unwilling, or is perceived (whether by market participants, ratings agencies, pricing services or otherwise) as unable or unwilling, to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in their credit ratings and an account holding a fixed income security is subject to the risk that the security's credit rating will be downgraded. Securities issued by the U.S. Treasury historically have presented However,

recent events have led to a downgrade in the long-term U.S. credit rating by at least one major rating agency in 2011 due to the rising public debt burden and perception of greater policymaking uncertainty in the U.S. and have introduced greater uncertainty about the ability of the U.S. to repay its obligations. A further credit rating downgrade or a U.S. credit default could decrease the value and increase the volatility of an account's investments, to the extent that the account has exposure to securities issued by the U.S. Treasury. Credit risk is particularly pronounced for below investment grade securities (also known as "high yield" or "junk" bonds.) See "High Yield Risk."

#### *Counterparty Risk*

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

#### *Currency Risk*

Accounts that invest directly in foreign (non-U.S.) currencies, or in securities that trade in, or receive revenues in, foreign currencies, or in derivatives that provide exposure to foreign currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged.

Currency rates may fluctuate significantly over short periods of time for a number of reasons, 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. The local emerging market currencies in which an account may be invested from time to time may experience substantially greater volatility against the U.S. dollar than the major convertible currencies of developed countries.

#### *Cyber Security Risk*

With the increased use of technologies such as the Internet and the dependence on computer systems to perform necessary business functions, investment companies and their service providers may be prone to

operational and information security risks resulting from cyber-attacks and/or other technological malfunctions. In general, cyberattacks are deliberate, but unintentional events may have similar effects. Cyber-attacks include, among others, stealing or corrupting data maintained online or digitally, preventing legitimate users from accessing information or services on a website, releasing confidential information without authorization, and causing operational disruption. Successful cyber-attacks against, or security breakdowns of, a custodian, transfer agent, or other affiliated or third-party service provider may adversely affect the Firm or its affiliates. While AllianzGI US has established business continuity plans and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified.

#### *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.

#### *Distressed Securities Risk*

The firm may recommend investments in “distressed securities”—securities, private claims and obligations of domestic and foreign entities which are experiencing significant financial or business difficulties. Investments may include loans, commercial paper, loan participations, trade claims held by trade or other creditors, stocks, partnership interests and similar financial instruments, executory contracts and options or participations therein not publicly traded. Distressed securities may result in significant returns to a client account, but also involve a substantial degree of risk. A client account may lose a substantial portion or all of its investment in a distressed environment or may be required to accept cash or securities with a value less than the original investment. Among the risks inherent in investments in entities experiencing significant financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court’s discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of such instruments are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices of such instruments may be greater than normally expected. In trading distressed securities, litigation sometimes arises. Such litigation can be time-consuming and expensive and can frequently lead to unpredicted delays or losses.

#### *Emerging-Markets Risk*

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

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 below under “Non-U.S. Investment Risk” and “Focused Investment Risk”) are generally more pronounced with respect to investments in emerging market countries. For example, to the extent an account invests in companies incorporated or doing significant business in China, which may be considered an emerging market, the risks associated with China-related investments may be more pronounced for such accounts. See “China-Related Risk” above. 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.

#### *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 react more strongly 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.

Accounts that invest in equity securities of companies that their portfolio managers believe will experience relatively rapid earnings growth (growth securities) or that their portfolio managers believe are selling at a price lower than their true value (value securities). Growth securities typically trade at higher multiples of current earnings than other securities. Therefore, the value of growth securities may be more sensitive to changes in current or expected earnings than the value of other 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.

#### *ETFs Risk*

Investments in ETFs will include fees and expenses associated with the ETFs. The cost of investing in ETFs may be higher than investing in individual stocks and bonds. An account is also subject to the risks associated with the securities or other investments in which the ETFs invest, and its ability to meet its investment objective will directly depend on the ability of the ETFs to meet their investment objectives. An index-based ETF's performance may not match that of the index it seeks to track. An actively managed ETF's performance will reflect its adviser's ability to make investment decisions that are suited to achieving the

ETF's investment objective. It is also possible that an active trading market for an ETF may not develop or be maintained, in which case the liquidity and value of investments in the ETF could be substantially and adversely affected. The extent to which the investment performance and risks associated with an account correlate to those of a particular ETF will depend upon the extent to which the portfolio's assets are allocated from time to time for investment in the ETF, which will vary.

#### *European Concentration Risk*

When an account holds or obtains exposure to European securities or indices of securities, it may be affected significantly by economic, regulatory or political developments affecting European issuers. All countries in Europe may be significantly affected by fiscal and monetary controls implemented by the European Economic and Monetary Union. Eastern European markets are relatively undeveloped and may be particularly sensitive to economic and political events affecting those countries.

#### *Far Eastern (excluding Japan) Concentration Risk*

An account that holds or obtains exposure to Far Eastern (excluding Japanese) securities or indices of securities may be affected significantly by economic, regulatory or political developments affecting Far Eastern issuers. The economies and financial markets of some Far Eastern countries have been erratic in recent years, and several countries' currencies have fluctuated in value relative to the U.S. dollar. The trading volume on some Far Eastern stock exchanges is much lower than in the United States, making the securities of issuers traded thereon less liquid and more volatile than similar U.S. securities. Politically, several Far Eastern countries are still developing and could de-stabilize. In addition, it is possible that governments in the region could take action adverse to Far Eastern issuers, such as nationalizing industries or restricting the flow of money in and out of their countries.

#### *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.

#### *Focused Investment Risk*

Focusing an account’s investments in a small number of issuers, industries, foreign currencies or regions increases risk. If an account invests a significant portion of its assets in a relatively small number of issuers, it may have more risk because changes in the value of a single security or the impact of a single economic, political or regulatory occurrence may have a greater adverse impact on the account’s value. Some of those issuers also may present substantial credit or other risks. In addition, the account may be subject to increased risk to the extent it focuses its investments in securities denominated in a particular foreign currency or in a narrowly-defined geographic area outside the United States. Similarly, if the account focuses its investments in a certain type of issuer, it

will be particularly vulnerable to events affecting that type of issuer. Also, the account may have greater risk to the extent it invests a substantial portion of its assets in a group of related industries (or “sectors”). The industries comprising any particular sector and investments in a particular foreign currency or in a narrowly-defined geographic area outside the United States may share common characteristics, are often subject to similar business risks and regulatory burdens, and react similarly to economic, market, political or other developments. An account may from time to time invest a substantial portion of its assets in certain sectors, and during these periods will be subject to a greater extent to the risks associated with these sectors.

- *Consumer-Related Companies Risk.*

Client Accounts that invest in the consumer and consumer-related sectors, which include the consumer staples, consumer discretionary and healthcare industries, will be associated with the risks particular to those sectors, including demographic and product trends, performance of the overall economy, competition, marketing campaigns, environmental factors, government regulation, interest rates, consumer confidence and disposable household income and consumer spending.

- *Health Sciences-Related Risk.*

Accounts that focus their investments in the health sciences-related sector will be subject to risks particular to that sector, including rapid obsolescence of products and services, the potential and actual performance of a limited number of products and services, technological change, patent expirations, risks associated with new regulations and changes to existing regulations, changes in government subsidy and reimbursement levels, risks associated with the governmental approval process, and chances of lawsuits versus health sciences-related companies due to product or service liability issues.

- *Natural Resources-Related Companies Risk.*

Accounts that make significant investments in the natural resources industries will be subject to the risk factors particular to each such industry. Natural resources industries can be significantly affected by events relating to international political and economic developments (e.g., regime changes and changes in economic activity levels), expropriation, or other confiscation, population growth and changing demographics, energy conservation, the success of exploration projects, global commodity prices, adverse

international monetary policies, tax and other government regulations, and natural phenomena around the world, such as drought, floods and other adverse weather conditions and livestock disease. Specifically, cyclical industries can be significantly affected by general economic trends, including employment, economic growth, interest rates, changes in consumer sentiment and spending, global commodity prices, legislation, government regulation and spending, import controls and worldwide competition and companies engaged in such industries can be subject to liability for, among other things, environmental damage, depletion of resources, and mandated expenditures for safety and pollution control. Furthermore, the natural resources industries and funds that focus their investments in such industries can also be significantly affected by the level and volatility of commodity prices, which have historically been among the most volatile of international prices, often exceeding the volatility of exchange rates and interest rates. Finally, investments in natural resources industries are subject to the risk that the performance of such industries may not correlate with broader equity market returns or with returns on natural resources investments to the extent expected by portfolio manager(s).

- *Technology-Related Risk.*

Accounts that make significant investments in the technology sectors will be subject to risks particularly affecting technology or technology-related companies, such as the risks of short product cycles and rapid obsolescence of products and services, competition from new and existing companies, significant losses and/or limited earnings, security price volatility, limited operating histories and management experience, and patent and other intellectual property considerations.

*Fraudulent Conveyance and Preference Risk.*

Various federal and state laws enacted for the protection of creditors may apply to the purchases of clients' investments, which may constitute the primary assets of certain client accounts, by virtue of the clients' role as a creditor with respect to the borrowers under such investments. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of a borrower, such as a trustee in bankruptcy or the borrower as debtor-in-possession, were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and the grant of any security interest or other lien securing

such investment, and, after giving effect to the incurring of such indebtedness, the borrower (i) was insolvent, (ii) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate, in whole or in part, such indebtedness and such security interest or other lien as fraudulent conveyances, could subordinate such indebtedness to existing or future creditors of the borrower or could allow the borrower to recover amounts previously paid by the borrower to the creditor (including to clients) in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. In addition, in the event of the insolvency of an issuer of an investment, payments made on the clients' investments could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year) before insolvency depending on a number of factors, including the amount of equity of the borrower owned by clients and their affiliates and any contractual arrangement between the borrower, on the one hand, and the clients and their affiliates, on the other hand. The measure of insolvency for purposes of the foregoing will vary depending on the law of the jurisdiction that is being applied. Generally, however, a borrower would be considered insolvent at a particular time if the sum of its debts was greater than all of its assets at a fair valuation or if the then-present fair saleable value of its assets was less than the amount that would be required to pay its probable liabilities on its then-existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether a borrower was insolvent after giving effect to the incurrence of the loan or that, regardless of the method of evaluation, a court would not determine that the borrower was "insolvent" upon giving effect to such incurrence. In general, if payments on an investment are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient (such as clients) or from subsequent transferees of such payments.

*"Green" Investment Risk*

Accounts that focus its investments in issuers financing projects that are intended and/or likely to have a positive environmental impact, events or factors affecting the sector consisting of issuers engaged in such activities (the "green sector") will have a greater effect on, and may more adversely affect, an account than they would with respect to an account that is more diversified among a number of unrelated sectors and industries. Certain Green Bonds may be

dependent on government incentives and subsidies and lack of political support for the financing of projects with a positive environmental impact could negatively impact the performance of an account. There is no guarantee that efforts to select investments based on green principles will be successful. As the Green Bond market is relatively new and continues to evolve, the criteria used to define Green Bonds may change in the future. Due to its focus on the green sector, investments in issuers that may share common characteristics, are often subject to similar business risks and regulatory burdens, and whose securities may react similarly to various events and other factors. To the extent it focuses a significant portion of its assets in any particular industry within the green sector, an account is further subject to focused investment risk and is more susceptible to events or factors affecting companies in that particular industry. See “Focused Investment Risk.”

#### *High Yield Risk*

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

#### *High Yield Debt Risk*

For certain clients, a substantial portion of the high yield debt recommended for investment may be rated below investment-grade by one or more nationally recognized statistical rating organizations or are unrated but of comparable credit quality to obligations rated below investment-grade, and have greater credit and liquidity risk than more highly rated debt obligations. High yield debt is generally unsecured and may be subordinate to other obligations of the obligor. The lower rating of high yield debt reflects a greater possibility that adverse changes in the financial condition of the obligor or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the obligor to make payment of principal and interest. Many issuers of high yield debt are highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. In addition, many issuers of high yield debt may be (i) in poor financial

condition, (ii) experiencing poor operating results, (iii) having substantial capital needs or negative net worth or (iv) facing special competitive or product obsolescence problems, and may include companies involved in bankruptcy or other reorganizations or liquidation proceedings. Certain of these securities may not be publicly traded, and therefore it may be difficult to obtain information as to the true condition of the issuers. Overall declines in the below investment-grade bond and other markets may adversely affect such issuers by inhibiting their ability to refinance their debt at maturity. High yield debt is often less liquid than higher rated securities. High yield debt is often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. High yield debt has historically experienced greater default rates than has been the case for investment-grade securities. The firm also may recommend that certain clients invest in equity securities issued by entities with unrated or below investment-grade debt.

#### *Index Risk*

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

#### *Industry Concentration*

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

#### *Interest Rate Risk*

Interest rate risk is the risk that fixed income securities’ valuations will change in value because of changes in interest rates. During periods of rising nominal interest rates, the values of fixed income instruments are generally expected to decline. Conversely, during periods of declining nominal interest rates, the values of fixed income instruments are generally expected to rise. To the extent that a client account effectively has short positions with respect to fixed income instruments, the values of such short positions would generally be expected to rise when nominal interest rates rise and to decline when nominal interest rates

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

Variable and floating rate securities generally are less sensitive to interest rate changes but may decline in value if their interest rates do not rise as much, or as quickly, as interest rates in general. Conversely, floating rate securities will not generally increase in value if interest rates decline. Inverse floating rate securities may decrease in value if interest rates increase. Inverse floating rate securities may also exhibit greater price volatility than a fixed rate obligation with similar credit quality. When a client account holds variable or floating rate securities, a decrease (or, in the case of inverse floating rate securities, an increase) in market interest rates will adversely affect the income received from such securities and the value of the account.

#### *IPO Risk*

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

#### *Issuer Risk*

The value of a security may decline for a number of reasons that directly relate to the issuer, such as

management performance, financial leverage and reduced demand for the issuer's goods or services, as well as the historical and prospective earnings of the issuer and the values of its assets.

#### *Japanese Concentration Risk*

An account that holds or obtains exposure to Japanese securities or indices of securities may be affected significantly by economic, regulatory or political developments affecting Japanese issuers. The Japanese economy, after achieving high growth in the 1980s, faltered dramatically in the 1990s. While Japan's recent economic performance has shown improvements with positive GDP growth, the Japanese government continues to deal with high tax and unemployment rates, unstable banking and financial service sectors, and low consumer spending. Should any or all of these problems persist or worsen, an account invested in such securities could be adversely affected. A small number of industries, including the electronic machinery industry, comprise a large portion of the Japanese market, and therefore weakness in any of these industries could have profound negative impact on the entire market. In addition, Japan has few natural resources; its economy is heavily dependent on foreign trade and so it is vulnerable to trade sanctions or other protectionist measures taken by its trading partners.

#### *Lender Liability and Equitable Subordination Risk.*

In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of clients' investments, clients could be subject to allegations of lender liability. In addition, under common law principles that in some cases form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of the other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called "equitable

subordination.” Because of the nature of certain of the clients’ investments, clients could be subject to claims from creditors of an obligor that the clients’ investments issued by such obligor that are held by the clients should be equitably subordinated. A significant number of the clients’ investments may involve investments in which a client would not be the lead creditor. It is, accordingly, possible that lender liability or equitable subordination claims affecting the clients’ investments could arise without the direct involvement of the clients.

#### *Leveraging Risk*

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

#### *Liquidity Risk*

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

#### *Loans Risk*

Loans and Participations. Loans may become non-performing for a variety of reasons and may require substantial workout negotiations or restructuring that

may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of principal. In addition, when a client holds a loan by way of participation, it may not have voting rights with respect to any waiver of enforcement of any restrictive covenant breached by a borrower. Selling institutions commonly reserve the right to administer the participations sold by them as they see fit (unless their actions constitute gross negligence or willful misconduct) and to amend the documentation evidencing the obligations in all respects. However, most participation agreements provide that the selling institutions may not vote in favor of any amendment, modification or waiver that forgives principal, interest or fees, reduces principal, interest or fees that are payable, postpones any payment of principal (whether a scheduled payment or a mandatory prepayment), interest or fees or releases any material guarantee or security without the consent of the participant (at least to the extent the participant would be affected by any such amendment, modification or waiver). Selling institutions voting in connection with a potential waiver of a restrictive covenant may have interests different from those of a client, and such selling institutions might not consider the interests of the client in connection with their votes. In addition, many participation agreements that provide voting rights to the holder of the participation further provide that if the holder does not vote in favor of amendments, modifications or waivers, the selling lender may repurchase such participation at par. Holders of participations are subject to additional risks not applicable to a holder of a direct interest in a loan. Participations typically result in a contractual relationship only with the selling institution, not with the underlying borrower. The holder of the participation has the right to receive payments of principal, interest and any fees to which it is entitled only from the selling institution selling the participation and only upon receipt by such selling institution of such payments from the borrower. In the event of the insolvency of the selling institution, under the laws of the United States and the various States thereof, a holder of a participation may be treated as a general creditor of the selling institution and may not have any exclusive or senior claim with respect to the selling institution’s interest in, or the collateral with respect to, the loan. Consequently, the holder of a participation will be subject to the credit risk of the selling institution as well as of the borrower. Participants also generally do not benefit from the collateral (if any) supporting the loans in which they have a participation interest because participations generally do not provide a purchaser with direct rights to enforce compliance by the borrower with the terms of the loan agreement or any rights of set-off against the borrower. The holder of a participation may not have the right to vote to waive enforcement of any



restrictive covenant breached by the underlying borrower or, if the holder does not vote as requested by the selling institution, it may be subject to repurchase of the participation at par. Selling institutions voting in connection with a potential waiver of a restrictive covenant may have interests different from those of the holder of the participation, and such selling institutions may not consider the interests of such holder in connection with their votes. The firm is not required, and does not expect, to perform independent credit analyses of the selling institutions.

Loans and Assignments. Clients also will purchase loans by way of assignments. The purchaser of an assignment typically succeeds to all the rights and obligations of the assignor of the loan and becomes a lender under the loan agreement and other operative agreements relating to the loan. Assignments are, however, arranged through private negotiations between potential assignees and potential assignors, and the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assignor of the loan. In contrast to the rights of a client as an owner of a participation, the client, as an assignee, generally will have the right to receive directly from the obligor all payments of principal, interest and any fees to which it is entitled. In some assignments, the obligor may have the right to continue to make payments to the assignor with respect to the assigned portion of the loan. In such a case, the assignor would be obligated to receive such payments as agent for the client and to promptly pay over to the client such amounts as are received. As a purchaser of an assignment, the client typically will have the same voting rights as other lenders under the applicable loan agreement and will have the right to vote to waive enforcement of breaches of covenants. The client also will have the same rights as other lenders to enforce compliance by the obligor with the terms of the loan agreement, to set-off claims against the obligor and to have recourse to collateral supporting the loan. As a result, the client may not bear the credit risk of the assignor and the insolvency of an assignor of a loan should have little effect on the ability of the client to continue to receive payments of principal, interest or fees from the obligor. The client will, however, assume the credit risk of the obligor. Non-performing loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of the principal and/or a substantial extension of the amortization and/or maturity date of the loan. Any such reduction, write-down or extension will likely cause a significant decrease in the interest collections on the loans and any such write-down or extension will

likely also cause a significant decrease in the principal collections on the loans.

Covenant-Lite Loans. Covenant-Lite loans typically do not have maintenance covenants. Ownership of Covenant-Lite loans may expose clients investing in similar types of assets to different risks, including with respect to liquidity, price volatility and ability to restructure loans, than is the case with loans that have the benefit of maintenance covenants.

Second Lien Loans. Second lien loans are secured by a pledge of collateral, but are subordinated (with respect to liquidation preferences with respect to pledged collateral) to other secured obligations of the obligors secured by all or a portion of the collateral securing such secured loan. Second lien loans are typically subject to intercreditor arrangements, the provisions of which may prohibit or restrict the ability of the holder of a second lien loan to (i) exercise remedies against the collateral with respect to their second liens; (ii) challenge any exercise of remedies against the collateral by the first lien lenders with respect to their first liens; (iii) challenge the enforceability or priority of the first liens on the collateral; and (iv) exercise certain other secured creditor rights, both before and during a bankruptcy of the borrower. In addition, during a bankruptcy of the obligor, the holder of a second lien loan may not be required to give advance consent to (a) any use of cash collateral approved by the first lien creditors; (b) sales of collateral approved by the first lien lenders and the bankruptcy court, so long as the second liens continue to attach to the sale proceeds; and (c) debtor-in-possession financings.

Contingent Liabilities. Clients may from time to time incur contingent liabilities in connection with an investment that the firm may recommend. For example, clients may purchase from a lender a revolving credit facility that has not yet been fully drawn. If the borrower subsequently draws down the facility, the clients would be obligated to fund the amounts due. Clients may acquire delayed draw term loans, where the lender has made a commitment to the borrower to lend with a pre-defined future draw period and it may also enter into agreements pursuant to which it agrees to assume responsibility for default risk presented by a third-party, and may, on the other hand, enter into agreements through which third-parties offer default protection to the clients.

#### Management Risk

Each strategy is subject to management risk because it is an actively managed investment portfolio. AllianzGI US will apply investment techniques and risk analyses in making investment decisions for the strategies, but there can be no guarantee that these will produce the

desired results. The strategies are also subject to the risk that deficiencies in the internal systems or controls of the Adviser or another service provider will cause losses for the strategies or hinder operations. For example, trading delays or errors (both human and systemic) could prevent a strategy from purchasing a security expected to appreciate in value. Additionally, legislative, regulatory, or tax developments may affect the investment techniques available to AllianzGI US in connection with managing the strategies and may also adversely affect the ability of the strategies to achieve their investment objectives. To the extent portfolio managers employ strategies that are not correlated to broader markets, or that are intended to seek returns under a variety of market conditions (such as managed volatility strategies), certain accounts may outperform the general securities market during periods of flat or negative market performance, and underperform the securities market during periods of strong market performance.

#### *Market Risk*

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

#### *Mezzanine Securities Risk.*

Although mezzanine securities are typically senior to common stock or other equity securities, the preferred equity and debt securities that the Advisers may recommend will generally be unsecured and subordinated to substantial amounts of senior debt, all or a significant portion of which may be secured. In addition, these securities may not be protected by all of the financial covenants, such as limitations upon additional indebtedness, typically protecting such senior debt. Holders of mezzanine debt generally are not entitled to receive any payments in bankruptcy or liquidation until senior creditors are paid in full.

Holders of preferred equity are not entitled to payments until all creditors are paid in full. In addition, the remedies available to holders of mezzanine debt are normally limited by restrictions benefiting senior creditors. If any portfolio company cannot generate adequate cash flow to meet senior debt service, clients may suffer a partial or total loss of capital invested. There can be no assurances that portfolio companies will not experience financial difficulties that may result in large losses.

#### *Minority Positions Risk*

As part of its overall investment strategy, clients may hold minority positions in one or more portfolio companies, and as such it may not be able to exercise control over such companies. In such cases, the clients will be significantly reliant on the existing management and board of directors of such companies, which may include representatives of other investors with whom the client is not affiliated and whose interests may conflict with the interests of the client.

#### *Mortgage-Related and Other Asset-Backed Risk*

Accounts that may invest in a variety of mortgage related and other asset-backed securities, which are subject to certain additional risks. Generally, rising interest rates tend to extend the duration of fixed-rate mortgage-related securities, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, an account that holds mortgage-related securities may exhibit additional volatility. This is known as extension risk. In addition, adjustable and fixed-rate mortgage-related securities may involve special risks relating to unanticipated rates of prepayment on the mortgages underlying the securities. This is known as prepayment risk. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the returns of an account because the account may have to reinvest that money at the lower prevailing interest rates. Accounts' investments in other asset-backed securities are subject to risks similar to those associated with mortgage-related securities, as well as additional risks associated with the nature of the assets and the servicing of those assets. The market for mortgage-backed and other asset-backed securities has recently experienced high volatility and a lack of liquidity. As a result, the value of many of these securities has significantly declined. There can be no assurance that these markets will become more liquid or less volatile, and it is possible that the value of these securities could decline further.

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

Investments in non-U.S. securities may experience more rapid and extreme changes in value than investments in securities of U.S. issuers or securities



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

#### *OFAC, FCPA and Related Considerations*

Economic sanction laws in the United States and other jurisdictions may prohibit AllianzGI US, its personnel and any account from transacting with or in certain countries and with certain individuals and companies. In some countries, there is a greater acceptance than in the United States of government involvement in commercial activities, and of corruption. AllianzGI US and its Accounts may be adversely affected because of its unwillingness to participate in transactions that violate such laws or regulations. Such laws and regulations may make it difficult in certain circumstances for AllianzGI US and its portfolio managers to act successfully on investment opportunities. In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the U.S. Foreign Corrupt Practices Act (the "FCPA"). In addition, the United Kingdom has significantly expanded the reach of its anti-bribery laws. Violations of the FCPA or other applicable anticorruption laws or anti-bribery laws could result in, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect an account's ability to achieve its investment objective and/or conduct its operations.

#### *Participation on Creditors' Committees*

Clients may participate on committees formed by creditors to negotiate the management of financially

troubled companies that may or may not be in bankruptcy or clients may seek to negotiate directly with the debtors with respect to restructuring issues. If clients do join a creditors' committee, the participants of the committee would be interested in obtaining an outcome that is in their respective individual best interests and there can be no assurance of obtaining results most favorable to the clients in such proceedings. By participating on such committees, clients may be deemed to have duties to other creditors represented by the committees, which might thereby expose the client to liability to such other creditors who disagree with the clients' actions.

#### *Preferred Securities Risk*

Generally, preferred security holders have no or limited voting rights with respect to the issuing company. In addition, preferred securities may be subordinated to bonds and other debt instruments in a company's capital structure and therefore may be subject to greater credit risk than those debt instruments. Dividend payments on a preferred security may have to be declared by the issuer's board of directors. An issuer's board of directors is generally not under any obligation to pay a dividend (even if such dividends have accrued), and may suspend payment of dividends on preferred securities at any time. Therefore, in the event an issuer of preferred securities experiences economic difficulties, the issuer's preferred securities may lose substantial value due to the reduced likelihood that the issuer's board of directors will declare a dividend and the fact that the preferred security may be subordinated to other securities of the same issuer. Further, because many preferred securities pay dividends at a fixed rate, their market price can be sensitive to changes in interest rates in a manner similar to bonds—that is, as interest rates rise, the value of the preferred securities held by an account are likely to decline. Therefore, to the extent that an account invests a substantial portion of its assets in fixed rate preferred securities, rising interest rates may cause the value of the account's investments to decline significantly. In addition, because many preferred securities allow holders to convert the preferred securities into common stock of the issuer, their market price can be sensitive to changes in the value of the issuer's common stock and, therefore, declining common stock values may also cause the value of an account's investments to decline. Preferred securities often have call features which allow the issuer to redeem the security at its discretion. The redemption of a preferred security having a higher than average yield may cause a decrease in an account's yield. Certain preferred securities may be substantially less liquid than many other securities, such as common stocks or U.S. Government securities.

#### *Provision of Managerial Assistance*

Clients may obtain rights to participate substantially in and to influence substantially the conduct of the management of the issuers in which it makes investments. Clients may designate directors (and non-executive chairmen) to serve on the boards of directors of issuers in which they make investments. The designation of directors and other measures contemplated could expose the assets of a client to claims by an issuer, its security holders and its creditors. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability that the limited liability characteristic of business operations usually ignored.

#### *Political, United Kingdom and European Union Market and Regulatory Related Risks*

Portfolios that have significant exposure to certain countries can be expected to be impacted by the political and economic conditions within such countries. There is continuing uncertainty around the future of the euro and the European Union (EU) following the United Kingdom's vote to exit the EU in June 2016. It is expected that the United Kingdom's exit from the EU will take place within two years after the United Kingdom formally notifies the European Council of its intention to withdraw. However, there is a significant degree of uncertainty about how negotiations relating to the United Kingdom's exit will be conducted, including the outcome of negotiations for a new relationship between the United Kingdom and EU. While it is not possible to determine the precise impact these events may have on a portfolio, during this period and beyond, the impact on the United Kingdom, EU countries, other countries or parties that transact with the United Kingdom and EU and the broader global economy could be significant and could adversely affect the value and liquidity of a portfolio's investments. In addition, if one or more countries were to exit the EU or abandon the use of the euro as a currency, the value of investments tied to those countries or the euro could decline significantly and unpredictably.

The European Union's Markets in Financial Instruments Directive (Directive 2014/65/EU) along with its accompanying regulation, the Markets in Financial Instruments Regulation ("MiFIR") (Regulation 600/2014/EU) (which are collectively known as "MiFID II") took effect on January 3, 2018. MiFID II is a wide ranging piece of legislation that will affect financial market structure, trading and clearing obligations, product governance and investors protections. While MiFIR and a majority of the so-called "Level 2" measures are directly applicable across the EU as EU regulations, the revised MiFID directive must be

"transposed" into national law by Member States. The transposition process can open the door to the act of so-called "gold-plating", where individual Member States and their national competent authorities ("NCAs") introduce requirements over and above those of the European text and apply MiFID II provisions to market participants that would not otherwise be caught by MiFID II, including U.S. asset managers. NCAs in certain jurisdictions may propose a number of regulatory measures and/or regulatory positions that may be unclear in scope and application (absent ESMA guidance) resulting in confusion and uncertainty. It is impossible to predict how these regulatory positions or additional governmental restrictions may be imposed on market participants (including AllianzGI US) and/or the effect of such restrictions on AllianzGI US's ability to implement a client's investment objective. It is also impossible to predict the unintended consequences of MiFID II on the operation and performance of AllianzGI US or an account, which may be indirectly impacted by changes in market structure and/or regulatory interpretation.

#### *Post-reorganization Securities*

Post-reorganization securities typically entail a higher degree of risk than investments in securities that have not undergone a reorganization or restructuring. Moreover, post-reorganization securities can be subject to heavy selling or downward pricing pressure after the completion of a bankruptcy reorganization or restructuring. If the evaluation of the anticipated outcome of an investment situation should prove incorrect, clients could experience a loss.

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

To the extent that a Client Account invests in real estate investment trusts (REITs) or real estate derivatives instruments, it will be subject to the risks associated with owning real estate and with the real estate industry generally. These include difficulties in valuing and disposing of real estate, the possibility of declines in the value of real estate, risks related to general and local economic conditions, the possibility of adverse changes in the climate for real estate, environmental liability risks, the risk of increases in property taxes and operating expenses, possible adverse changes in zoning laws, the risk of casualty or condemnation losses, limitations on rents, the possibility of adverse changes in interest rates and in the credit markets and the possibility of borrowers paying off mortgages sooner than expected, which may lead to reinvestment of assets at lower prevailing interest rates. To the extent a client account invests in REITs, it will also be subject to the risk that a REIT will default on its obligations or go bankrupt. By investing in REITs indirectly through a client account, a shareholder will bear not only his or her proportionate share of the expenses of the client account, but also,

indirectly, similar expenses of the REITs. A client account's investments in REITs could cause the client account to recognize income in excess of cash received from those securities and, as a result, the client account may be required to sell portfolio securities, including when it is not advantageous to do so, in order to make required distributions.

#### *Short Selling Risk*

Short sales may be used by a certain client accounts for investment and risk management purposes, including when AllianzGI US may anticipate that the market price of securities will decline or will underperform relative to other securities held in a client account, or as part of an overall portfolio strategy to minimize the effects of market volatility (*i.e.*, a "market neutral" strategy). Short sales are transactions in which the client account sells a security or other instrument (such as an option forward, futures or other derivative contract) that it does not own. Short exposure with respect to securities or market segments may also be achieved through the use of derivatives, such as futures on indices or swaps on individual securities. When a client accounts engages in a short sale on a security, it must borrow the security sold short and deliver it to the counterparty. The client account will ordinarily have to pay a fee or premium to borrow particular securities and be obligated to repay the lender of the security any dividends or interest that accrue on the security during the period of the loan. The amount of any gain from a short sale will be decreased, and the amount of any loss increased, by the amount of the premium, dividends, interest or expenses the client account pays in connection with the short sale. Short sales expose a client account to the risk that it will be required to cover its short position at a time when the securities have appreciated in value, thus resulting in a loss to the client account. A client account may, to the extent permitted by law, engage in short sales where it does not own or have the right to acquire the security (or basket of securities) sold short at no additional cost. A client account's loss on a short sale could theoretically be unlimited in a case where the client account is unable, for whatever reason, to close out its short position. The use by a client account of short sales in combination with long positions in its portfolio in an attempt to improve performance may not be successful and may result in greater losses or lower positive returns than if the client account held only long positions. It is possible that a client account's long equity positions will decline in value at the same time that the value of the securities underlying its short positions increase, thereby increasing potential losses to the client account. If the client account is required to return a borrowed security at a time when other short sellers are also required to return the same security, a "short squeeze" can occur, and the client

account may be forced to purchase the security at a disadvantageous price. In addition, a client account's short selling strategies may limit its ability to fully benefit from increases in the equity markets. Short selling also involves a form of financial leverage that may exaggerate any losses realized by a client account that utilizes short sales. See "Leveraging Risk." Also, there is the risk that the counterparty to a short sale may fail to honor its contractual terms, causing a loss to a client account. To the extent a client account seeks to obtain some or all of its short exposure by using derivative instruments instead of engaging directly in short sales on individual securities, it will be subject to many of the foregoing risks, as well as to those described under "Derivatives Risk" above.

#### *Smaller Company Risk*

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

Accounts investing in micro-cap and ultra micro-cap companies. The general risks associated with investing in securities issued by companies with smaller market capitalizations are magnified for investments in micro-cap and ultra micro-cap companies. Micro-cap companies may be newly formed or in the early stages of development, with limited product lines, markets or financial resources and may depend on a few key employees. Micro-cap stocks typically involve greater risks of loss and price fluctuations because their earnings and revenues tend to be less predictable and their share prices tend to be more volatile and their markets less liquid than stocks of companies with larger market capitalizations. Some U.S. micro-cap companies are followed by few, if any, securities analysts, and there tends to be less publicly available information about such companies. Their securities generally have even more limited trading securities. Securities issued by companies with ultra micro-capitalizations typically exhibit greater volatility than even micro-cap company shares. Accounts may need more time to purchase or sell its positions in such securities. Additionally, it may take a long time before an account realizes a gain, if any, on an investment in a micro-cap or ultra micro-cap company.

#### *Subordinated Debt or Equity Risk*

Certain investments may consist of equity or subordinated debt securities issued by a private investment fund that invests, on a leveraged basis, in bank loans and/or high-yield bonds directly or through total rate of return swaps or other credit derivatives. These investments will be subject to a number of risks, including risks related to the structured products being leveraged. Use of leverage is a speculative investment technique and will generally magnify the opportunities for gain and risk of loss borne by an investor in the equity or subordinated debt securities issued by a structured product. Many such private funds contain covenants designed to protect the providers of debt financing to such structured products. A failure to satisfy those covenants could result in the untimely liquidation of the structured product and a complete loss of the clients' investments therein. In addition, if the particular fund is invested in a security in which a client is also invested, this would tend to increase that client's overall exposure to the credit of the issuer of such securities, at least on an absolute, if not on a relative basis. There are certain tax and market uncertainties that present risks relating to investing in such funds.

#### *Sustainable Investing Risk*

Environmental performance criteria rate a company's management of its environmental challenges, including its effort to reduce or offset the impacts of its products and operations. Social criteria measure how well a company manages its impact on the communities where it operates, including its treatment of local populations, its handling of human rights issues, its commitment to philanthropic activities, its record regarding labor-management relations, anti-discrimination policies and practices, employee safety and the quality and safety record of a company's products, its marketing practices and any involvement in regulatory or anti-competitive controversies. Governance criteria address a company's investor relations and management practices, including company sustainability reporting, board accountability and business ethics policies and practices. In general, the application of the portfolio manager's ESG criteria to investments will affect an account's exposure to certain issuers, industries, sectors, regions, and countries; may lead to a smaller universe of investments than other funds or accounts that do not incorporate ESG analysis; and may negatively impact the relative performance of an account depending on whether such investments are in or out of favor. In addition, an account may sell a security based on ESG-related factors when it might otherwise be disadvantageous to do so. Due to its focus on investing in companies that the portfolio manager believes exhibit strong ESG records, an account invests in companies that may share common

characteristics, are often subject to similar business risks and regulatory burdens, and whose securities may react similarly to various events and other factors. To the extent it focuses a significant portion of its assets in a limited number of issuers, sectors, industries or geographic regions, an account is further subject to focused investment risk and is more susceptible to events or factors affecting companies in that particular sector, industry or geographic region. See "Focused Investment Risk." An account may also have focused investment risk to the extent that it invests a substantial portion of its assets in a particular country or geographic region. Prolonged drought, floods, weather, disease and other natural disasters, as well as war and political instability, may significantly reduce the ability of companies in such regions to maintain or expand their operations or their marketing efforts in affected countries or geographic regions. See "Non-U.S. Investment Risk" and "Emerging Markets Risk."

#### *Tax Risk*

Income from certain commodity-linked investments does not constitute "qualifying income" to an account for purposes of an account's qualification as a regulated investment company for U.S. federal income tax purposes. Income from other commodity-linked investments may not constitute qualifying income. If such income were determined not to constitute qualifying income and were to cause an account's nonqualifying income to exceed 10% of the account's gross income for any year, the account would be subject to a tax at the account level.

#### *Trade and Other General Unsecured Claims*

Clients may invest in various classes of investments that may include claims of trade creditors and other general unsecured claim holders of a debtor ("Trade Claims"). The repayment of trade claims is subject to significant uncertainties, including potential set-off by the debtor as well as the other uncertainties described herein with respect to other distressed securities. Investments in Trade Claims and high risk receivables may also entail special risks including, but not limited to, fraud on the part of the assignor of the trade claim as well as logistical and mechanical issues which may affect the ability of the client or its agent to collect the claim in whole or in part.

#### *Turnover Risk*

A change in the securities held in an account or fund is known as "portfolio turnover." Higher portfolio turnover involves correspondingly greater expenses to a client, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales may also result in realization of taxable capital gains, including short-term capital gains (which are taxed as ordinary income when distributed to

individual shareholders), and may adversely impact a client's after-tax returns. The trading costs and tax effects associated with portfolio turnover may adversely affect performance.

#### *Undervalued Assets Risk*

Client may invest in undervalued assets. The identification of investment opportunities in undervalued assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued assets offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Accounts may be forced to sell, at a substantial loss, assets that the firm believes are undervalued. In addition, clients may be required to hold such assets for a substantial period of time before realizing their anticipated value. During this period, a portion of account would be committed to assets purchased, thus possibly preventing the account from investing in other opportunities. In addition, an account may finance such purchases with borrowed funds and thus will have to pay interest on such funds during this waiting period. Finally, margin calls and other events related to indebtedness could force an account to have to sell assets at prices that are less than their fair value.

#### *Water-Related Risk*

Companies in the water-related resource sector may be significantly affected by events relating to international political and economic developments, water conservation, the success of exploration projects, commodity prices and tax and other government regulations. There are substantial differences between the water-related, environmental and other regulatory practices and policies in various jurisdictions, and any given regulatory agency may make major shifts in policy from time to time. Other economic and market developments that may significantly affect companies in the water-related resource sector include, without limitation, inflation, rising interest rates, fluctuations in commodity prices, raw material costs and other operating costs, and competition from new entrants into the sector. Companies in the water-related resource sector are susceptible to changes in investment in water purification technology globally, and a slackening in the pace of new infrastructure projects in developing or developed countries may constrain such companies' ability to grow in global markets. Other reductions in demand for clean water, such as significant decreases in world population or increased availability of potable water in arid regions, may reduce demand for certain products and services provided by companies in the water-related resource sector. While the water-related resource sector includes established and

mature companies, portions of the sector are newly developing and strongly influenced by technological changes. The sector can be significantly affected by the level and volatility of technological change in industries focusing on the quality or availability of or demand for potable and non-potable water. In particular, technological advances can render an existing product, which may account for a substantial portion of a company's revenue, obsolete. Product development efforts by companies in the sector that are focused on developing newer technologies may not result in viable commercial products, and such companies in the sector typically bear high research and development costs, which can limit their ability to maintain operations during periods of organizational growth or instability. Many companies in the sector are in the early stages of operation and may have limited operating histories and smaller market capitalizations on average than companies in other sectors. As a result of these and other factors, the value of investments in companies in the water-related resource sector tends to be considerably more volatile than that of companies in more established sectors and industries. Due to its focus on the water-related resource sector, investing in companies that may share common characteristics, are often subject to similar business risks and regulatory burdens, and whose securities may react similarly to various events and other factors. To the extent it focuses a significant portion of its assets in any particular industry within the water-related resource sector, an account is further subject to focused investment risk and is more susceptible to events or factors affecting companies in that particular industry. See "Focused Investment Risk." Accounts may also have focused investment risk to the extent that it invests a substantial portion of its assets in a particular country or geographic region. Prolonged drought, floods, weather, disease and other natural disasters, as well as war and political instability, may significantly reduce the ability of companies in the water-related resource sector to maintain or expand their operations or their marketing efforts in affected countries or geographic regions. See "Non-U.S. Investment Risk" and "Emerging Markets Risk." To the extent accounts invest in companies that derive substantial revenues from activities outside the water-related resource sector, those investments may be significantly affected by developments in other industries in which such companies are active. See "Equity Securities Risk" and "Market Risk."

#### *Other Risks*

To the extent a client account invests primarily in Funds, Private Funds or other investment vehicles, the risks associated with the account will be closely related to the risks associated with the securities and other investments held by the Fund, Private Fund or investment vehicle, which will be described in the



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

The foregoing is only a summary of certain risks of investing in the securities and instruments that AllianzGI US uses. Specialized mandates may have particular risks not described above, and you should have a full understanding of the risks applicable to your account before engaging AllianzGI US's services. Clients are encouraged to consult their own financial advisors and legal and tax professionals both initially and periodically thereafter in connection with selecting and engaging the services of an investment manager for a particular investment strategy. In addition, due to the dynamic nature of investments and markets, strategies may be subject to additional and different risks over time.

#### Other Investment-Related Information

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

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

Clients should understand that AllianzGI US does not, and will not, offer tax advice to clients on any such issues and clients are strongly encouraged to seek the advice of a qualified tax professional. Clients should also understand that AllianzGI US is not responsible for making any tax credit or similar claim or any legal filing

(including but not limited to proofs of claim) on a client's behalf.

##### *Other Sources of Information*

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

##### *Reliance Upon Projections.*

The firm may rely upon projections, forecasts or estimates developed by them or a portfolio company concerning the portfolio company's future performance and cash flow. Projections, forecasts and estimates are forward-looking statements and are based upon certain assumptions. Actual events are difficult to predict and beyond the advisers' control. Actual events may differ from those assumed or predicted. Some important factors which could cause actual results to differ materially from those in any forward-looking statements include changes in interest rates; domestic and foreign business, market, financial or legal conditions, differences in the actual allocations of the clients' investments among asset groups from those assumed herein, the degree to which the clients' investments are hedged and the effectiveness of such hedges, among others. Accordingly, there can be no assurance that estimated returns or projections can be realized or that actual returns or results will not be materially lower than those estimated therein.

##### *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, AllianzGI US 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. AllianzGI US may also use derivatives for leverage, in which case their use would involve leveraging risk. The use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. 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 counterparties or the central clearing organization and its members, if applicable. 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 AllianzGI US 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, AllianzGI US may invest client accounts in equity linked products, also known as "equity linked notes", "participation notes," "zero-strike warrants" or "low-exercise warrants." Created by brokers-dealers to facilitate trading in non-U.S. markets, these instruments (derivatives by technical definition) are U.S. dollar denominated, trade over-the-counter and on recognized exchanges and may settle Euroclear. The purchase price typically represents the underlying equity price translated into U.S. dollars plus an up-front fee. The sale price typically represents the underlying equity price translated into U.S. dollars minus any taxes. Therefore, AllianzGI US believes these instruments are functionally equivalent to holding the local shares and provide significant cost advantages to purchasing ADRs in those markets.

AllianzGI US may, in certain market conditions, invest eligible client accounts with international exposure in forward currency contracts or currency options to protect the accounts against currency movements.

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

#### *Additional Disclosure – "Foreign" Securities*

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

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

#### *Private Funds*

An investment in a Private Fund involves a high degree of risk. There can be no assurance that a Private Fund’s return objectives will be realized or that there will be any return of capital. An investor may lose part or all of its capital. Please refer to a Private Fund’s offering memorandum for a detailed discussion of risks.

### **ITEM 9. DISCIPLINARY INFORMATION**

To the best of AllianzGI US’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 AllianzGI US.

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

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

Futures Association to the extent necessary or appropriate to perform their responsibilities.

AllianzGI US is owned by Allianz Global Investors U.S. Holdings LLC, a Delaware limited liability company. Allianz Global Investors U.S. Holdings LLC is a wholly owned subsidiary of PFP Holdings, Inc., a Delaware corporation. PFP Holdings, Inc. is indirectly owned by Allianz SE, a diversified global financial institution that directly or indirectly owns other asset management firms that compete with AllianzGI US and its managed funds and accounts, including, Pacific Investment Management Company LLC (“PIMCO”). Through this ownership structure and through other entities owned by AllianzGI US’s direct and indirect owners, AllianzGI US has various financial industry affiliations, some of which are described below.

AllianzGI US is part of Allianz Global Investors. Allianz Global Investors is the marketing name for a global asset management business that operates through affiliated entities throughout the world. Those affiliated entities include Allianz Global Investors Distributors LLC (“AGID”), an SEC-registered broker-dealer.

As a result of AllianzGI US’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, AllianzGI US 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 AllianzGI US believes that the inability to buy or sell a particular security is unlikely to occur, it could have a detrimental effect on client accounts.

AGID is a limited-purpose broker-dealer which serves as the placement agent for certain Private Funds managed by AllianzGI US. AGID may also serve as a distributor to certain funds affiliated with AllianzGI US and funds for which AllianzGI US provides sub-advisory services. AllianzGI US makes payments to AGID pursuant to a service level agreement for sales and administrative services. Certain of AllianzGI US’s officers, portfolio managers and other personnel are registered representatives of AGID to the extent necessary or appropriate to perform their responsibilities.

AllianzGI US is also related, through common ownership or otherwise, to PIMCO Investments LLC, an SEC-registered broker-dealer; and PIMCO, Allianz Investment Management LLC, and Allianz Capital Partners of America LLC (“ACPoA”), each an SEC-registered investment adviser. ACPoA shares the same physical location as AllianzGI US and certain services,

including with respect to compliance, are provided to ACPoA by AllianzGI US.

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

Allianz 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. AllianzGI US may act as investment adviser to one or more Allianz Affiliates on either a discretionary or non-discretionary basis, and may serve as a sub-adviser for accounts or clients for which one or more Allianz Affiliates serve as investment manager or investment adviser. AllianzGI US also may share employees with or provide other services to the Allianz Affiliates. Similarly, AllianzGI US may receive services, including but not limited to investment advisory services, from certain Allianz Affiliates. For example, in the areas of legal and compliance, risk management, human resources, finance, information technology, trade support and sales and marketing, services are provided or received and employees are shared between AllianzGI US and various Allianz Affiliates. AllianzGI US coordinates its activities with certain other Allianz investment management businesses. These businesses include Allianz Global Investors GmbH, Allianz Global Investors Japan Co. Ltd., Allianz Global Investors Singapore Limited, Allianz Global Investors Taiwan Ltd., and Allianz Global Investors Asia Pacific Limited. (collectively, the "Allianz Advisory Affiliates"). Each of the Allianz Advisory Affiliates is directly or indirectly a wholly-owned subsidiary of Allianz SE. Certain corporate services such as legal are provided to AllianzGI US by Allianz Asset Management of America L.P.

AllianzGI US 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. AllianzGI US 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 AllianzGI US's investment advisory business.

Allianz and Allianz Affiliates may in the future acquire interests, including controlling interests, in one or more third-party investment firms. Any funds, vehicles, accounts, clients or arrangements managed by such affiliated investment firms may have investment strategies overlapping with those of AllianzGI US or otherwise engage in activities that may compete with AllianzGI US. Allianz Affiliates are not precluded from acting as a manager to such funds, vehicles, accounts, clients or arrangements.

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 AllianzGI US 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 AllianzGI US a custodian of its client assets.

AllianzGI US 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.

#### Private Funds

AllianzGI US is the investment manager and managing member of various Private Funds formed as Delaware limited liability companies, Delaware limited partnerships, or Cayman limited corporations. AllianzGI US provides or arranges for the provision of certain financial and administrative services and oversees fund accounting for the Private Funds. These Private Funds are privately offered and are exempt from registration under the Securities Act and the Investment Company Act.

#### Services to and from Affiliates

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

In addition, AllianzGI US acquires investment information and research services from broker-dealers, including information used in reports prepared by AllianzGI US's Grassroots® Research group. (See response to Item 12 below.) One or more of the Allianz Advisory Affiliates also may acquire similar research information from broker-dealers. AllianzGI US and the Allianz Advisory Affiliates expect

to share such research, and will use any such shared research for the benefit of their clients.

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

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

In rendering investment advisory services to its clients, including U.S. registered investment companies, AllianzGI US may use the resources of some of the Allianz Advisory Affiliates ("Participating AllianzGI Affiliates") to provide certain services, including portfolio management, proxy voting, research and trading services, to AllianzGI US clients. Under collaboration agreements, each of the Participating AllianzGI Affiliates and any of their employees who provide services to clients of AllianzGI US are considered "associated persons" of AllianzGI US within the meaning of Section 202(a)(17) of the Advisers Act. In connection with its provision of services to AllianzGI US, each Participating AllianzGI Affiliate has appointed, without power of revocation, the General Counsel of AllianzGI US as its U.S. resident agent for service of process. The Participating AllianzGI Affiliates have agreed to submit to the jurisdiction of the SEC and to the jurisdiction of the U.S. courts for actions arising, directly or indirectly, under the U.S. securities laws or the securities laws of any state in connection with any of the following for U.S. clients: (1) investment advisory activities; (2) related securities activities arising out of or relating to any investment advisory provided by the Participating AllianzGI Affiliate through AllianzGI US; and (3) any related transactions. Any civil suit or action or administrative proceeding brought against a Participating AllianzGI Affiliate or in which a Participating AllianzGI Affiliate has been joined

as a defendant or respondent may be commenced by service of process upon the General Counsel of AllianzGI US. If the General Counsel of AllianzGI US ceases, in the future, to serve as agent, a successor agent will be appointed in accordance with SEC guidance in effect at the time. Each Participating AllianzGI Affiliate will provide to the SEC or its Staff, pursuant to an administrative subpoena or request for voluntary cooperation, any and all books and records required to be maintained and any documents in accordance with SEC guidance. As of the end of AllianzGI US's most recent fiscal year, the following entities were Participating AllianzGI Affiliates: Allianz Global Investors GmbH, Allianz Global Investors Singapore Ltd., Allianz Global Investors Japan Co. Ltd., Allianz Global Investors Asia Pacific Limited, Allianz Global Investors Taiwan Ltd. and Allianz Capital Partners GmbH.

#### Investments in Affiliates

AllianzGI US may invest in the securities of its affiliates for client accounts including in the securities of its parent Allianz SE or in financial instruments issued by a company to which an Allianz SE Group company is an important shareholder or is financed by such company or provides corporate services.

#### Selection of Other Investment Advisers

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

AllianzGI US may select Sub-Advisers for the AllianzGI Funds. AllianzGI US may engage affiliated and non-affiliated sub-advisers to manage the day-to-day portfolio management activities of the AllianzGI Funds.

AllianzGI US may have a conflict of interest if it selects its affiliated advisers as Sub-Advisers because AllianzGI US and its affiliates retain the fees. AllianzGI US manages this conflict through disclosure and, at times, AllianzGI US may waive or cap certain of its fees.

#### Investments in Different Parts of an Issuer's Capital Structure

Clients may invest in different layers of the capital structure of a portfolio company, issuer or borrower. For example, a client (i) may own debt of a portfolio company, issuer or borrower while another client owns equity in the same portfolio company, issuer or borrower, (ii) may own debt of a portfolio company, issuer or borrower while another client owns a different tranche or other class or issue of debt of the same portfolio company, issuer or borrower and/or (iii) may own equity of a portfolio company, issuer or borrower while another client owns a different equity security of the same portfolio company, issuer or borrower. Furthermore, a client may participate in

debt originated to finance the acquisition by other clients of an equity or other interest in a portfolio company, issuer or borrower. To the extent a reorganization or other major corporate event occurs with respect to such portfolio company, issuer or borrower, conflicts may exist between such client and other clients.

AllianzGI US will seek to resolve such conflicts of interest in a fair and equitable manner based on the circumstances of particular situations. As a result of the various conflicts and related issues described above and the fact that conflicts will not necessarily be resolved in favor of the interests of particular clients, clients could sustain losses during periods in which other client accounts achieve profits generally or with respect to particular holdings in the same issuer, or could achieve lower profits or higher losses than would have been the case had the conflicts described above not existed.

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

##### **Code of Ethics**

AllianzGI US has adopted a Code of Ethics ("Code") pursuant to Rule 204A-1 under the Advisers Act. AllianzGI US's partners, officers, directors, employees, interns and temporary employees (collectively, "Covered Persons") are required to follow the Code, which sets out rules regarding personal securities transactions that are designed to address or mitigate potential conflicts of interest and to minimize any potential appearance of impropriety. The Code covers personal securities transactions of all Covered Persons (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.

AllianzGI US will provide clients and prospective clients with a copy of the Code upon request.

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

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

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

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

As applicable for certain clients for which AllianzGI US charges an asset-based management fee, if AllianzGI US has either recommended the purchase or has the discretion to use client assets to purchase shares of one or more mutual funds (including the PIMCO Funds) or other pooled vehicles that charge a separate advisory fee, AllianzGI US will generally reduce the assets managed or advised by AllianzGI US 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 PIMCO Funds and funds recommended by AllianzGI US) or an unregistered pooled vehicle may exceed the



standard fee normally charged by AllianzGI US to its individual clients. Potential participants should review closely each fund's prospectus. Specific written authorization designed to comply with the Employee Retirement Income Security Act Prohibited Transaction Exemption 77-4 is required from a separate non-affiliated fiduciary of employee benefit plans participating in any series of AllianzGI or PIMCO Funds.

As described above, AllianzGI US also recommends and offers membership interests to clients in certain Private Funds. AllianzGI US typically does not use its investment discretion to place separate account client assets in affiliated Private 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 AllianzGI US or its related persons provide investment advice or other services, and from which AllianzGI US and its affiliates receive advisory, administrative and/or distribution fees.

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

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

Because AllianzGI US manages more than one account, potential conflicts of interest may arise related to the amount of time individuals devote to managing particular accounts. AllianzGI US may also have an incentive to favor accounts in the allocation of investment opportunities or otherwise treat preferentially those accounts that pay us a

performance-related fee, or a higher fee level or greater fees overall. AllianzGI US 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 Advisory 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.

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

The Allianz Affiliates may provide a variety of brokerage and other services to a broad range of clients, including issuers of securities that AllianzGI US may recommend for purchase or sale by clients. In the course of providing these services, the Allianz Affiliates may come into possession of material, non-public information. However, such material, non-public information ordinarily will not be disclosed to AllianzGI US or its employees. The Allianz Affiliates have



installed procedures intended to prevent the sharing of confidential information concerning issuers by its 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 AllianzGI US's clients.

AllianzGI US believes that the nature and range of clients to whom the Allianz Affiliates render 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, AllianzGI US will not, as a matter of policy, refrain from initiating purchases or sales of any security as to which the Allianz Affiliates provide, 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 brokerage and other services. AllianzGI US also may purchase or sell for one or more client portfolios the securities of companies in which an Allianz Affiliate makes a market, or in which AllianzGI US, the Allianz Affiliates, or any of their employees have positions.

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

All of the transactions described above involve the potential for conflict of interest between AllianzGI US or the Allianz Affiliates and clients of AllianzGI US. The Advisers Act of, the Investment Company Act 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. AllianzGI US seeks to ensure that potential or actual conflicts of interest are appropriately resolved, taking into consideration the overriding best interests of the client.

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

AllianzGI US and its Covered Persons may invest in securities for their personal accounts that are also recommended to AllianzGI US clients. Potential conflicts may arise in this situation because AllianzGI US or its Covered Person may have a material interest

in or relationship with the issuer of a security or may use knowledge about pending or currently considered securities transactions for clients to profit personally. To address these potential conflicts, Covered Persons deemed to be "Access Persons" under the Code are required to report brokerage and trading accounts to AllianzGI US upon hire, upon a change from Non-Access Person to Access Person, at the time a new account is opened and annually. In addition, personal securities transactions are subject to limitations regarding the type and timing of transactions, including certain trading prohibitions, and pre-approval and monitoring by the AllianzGI US Code of Ethics Office. To the extent AllianzGI US determines that there is no conflict of interest, Covered Persons of AllianzGI US from time to time may engage in outside business activities.

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

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

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

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

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

AllianzGI US’s Code of Ethics restricts the purchase and sale by its Covered Persons (and certain entities in which such Covered Person may have a beneficial interest) for their own accounts of securities which have been or are being considered for purchase for client accounts. Except under certain limited circumstances, Covered Persons are not to engage in a transaction in the same security (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.

AllianzGI US performs investment management and investment advisory services for various clients, many of whom may have differing investment objectives, guidelines, and restrictions. As a result, AllianzGI US may give advice and take action in the performance of its duties for a particular client that may differ from the advice given, or the timing or nature of action taken, with respect to other clients. Frequently, a particular security may be bought or sold for only one or a small number of clients, or in different amounts and at different times for more than one but less than all clients. In some cases, AllianzGI US may cause one or more accounts to buy or sell a security from or to a broker-dealer, and soon thereafter may engage in the opposite transaction for one or more other accounts from that or another broker-dealer. This practice may result in certain accounts receiving less favorable prices. AllianzGI US has adopted procedures that it believes are reasonably designed to obtain the most favorable price and execution for the transactions by each account.

AllianzGI US may, from time to time, buy or sell securities for its own investment account, and AllianzGI US’s Covered Persons may do so, either individually or as a group (such as through an investment partnership). Likewise, the Allianz Affiliates may buy and sell securities for their own accounts, may underwrite securities, and may act as a market maker with respect to certain securities.

AllianzGI US does not prohibit any of its Covered Persons from purchasing or selling for their own accounts securities that may be recommended to or held by AllianzGI US’s clients, and many of AllianzGI US’s Covered Persons do in fact own, purchase, and sell securities that are recommended to or held by AllianzGI US’s clients, subject to the requirements in the Code of Ethics. Similarly, the Allianz Affiliates may purchase, hold, or sell securities that are recommended for purchase or sale in AllianzGI US client accounts. The Allianz Affiliates are not subject to the AllianzGI US Code of Ethics, and therefore may be purchasing or selling a security at the same time that AllianzGI US is purchasing or selling that security on behalf of one or more clients. AllianzGI US 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 AllianzGI US’s Covered Persons or by one or more of the Allianz Affiliates, either for their own accounts or for the accounts of clients, may differ from the nature and timing of actions taken by AllianzGI US for client accounts. Because the Code of Ethics places restrictions on when Covered Persons can trade certain securities, the price received by AllianzGI US’s clients in a securities transaction will most likely be different than the price received by AllianzGI US’s Covered Persons.

Covered Persons of AllianzGI US participate in the Allianz Asset Management of America L.P. 401(k) Savings Retirement Plan (the “Plan”). The Plan may invest in certain vehicles for which AllianzGI US or its affiliates acts as investment manager. Such investment vehicles also may be recommended to or held by AllianzGI US clients. Furthermore, AllianzGI US’s officers, senior managers and other highly compensated employees may be eligible to defer receipt of cash compensation and bonuses they may become entitled to pursuant to certain deferred compensation plans, and participation in such plans, and may elect to have the deferred amounts invested in securities that may be recommended to or held by AllianzGI US clients.

#### Other Conflicts of Interest Matters

AllianzGI US or one of its related persons may, for its own account, buy or sell securities or other instruments that AllianzGI US has purchased or sold for its clients. Additionally, AllianzGI US may purchase or sell for clients securities in which it or related persons have a financial interest. Please refer to the description of AllianzGI US’s Code of Ethics above. AllianzGI US’s related persons may issue

recommendations on securities held by AllianzGI US's client portfolios that may be contrary to the investment activities of AllianzGI US. In the ordinary course of business, AllianzGI US 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 limited partnerships or limited liability companies or separate accounts established by AllianzGI US or an affiliate and may initially be funded ("seeded") by AllianzGI US, Employees of AllianzGI US or an affiliate of AllianzGI US. These "seeded" funds may invest in the same securities as client accounts. AllianzGI US 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 AllianzGI US or another unaffiliated entity. AllianzGI US will receive proportional returns associated with its investment. Certain Covered Persons who serve as investment professionals and may managed client accounts or funds may sit on the board of companies held by client accounts. Investment professionals sitting on the boards of portfolio companies could raise conflicting fiduciary duty issues and conflicts relating to fees and receipt of confidential information. Covered Persons may not serve on the board of directors or other governing board of any unaffiliated organization unless the Covered Person has received the prior written approval of AllianzGI US's Compliance Department. Approval will not be given unless a determination is made that service on the board would be consistent with the interests of clients.

AllianzGI US participates in "capital introduction" programs conducted by broker-dealers and other third party service providers. As part of these arrangements, AllianzGI US receives from brokers introductions to potential clients and information relating to investor and industry trends. In addition, Covered Persons may, from time to time, participate in conferences and events for prospective investors. AllianzGI US's participation in capital introduction programs creates a potential conflict of interest in that it may influence the selection of service providers in connection with brokerage, financing and other activities for AllianzGI US and its clients. AllianzGI US's participation in capital introduction programs is subject to policies and procedures designed to mitigate these and other potential conflicts of interest and, as discussed in Item 12 below, to seek best execution for its clients.

## ITEM 12. BROKERAGE PRACTICES

### *Brokerage Discretion*

AllianzGI US generally receives full discretionary authority to determine the broker to be used and the commission paid through whom transactions may be

executed, with the objective of attaining the best available price and most favorable execution ("best execution") for each transaction. However, in some instances, a client may wish to retain discretion over broker selection and commission rate or may wish to direct AllianzGI US to use a designated broker-dealer.

In selecting a broker or dealer for each specific transaction, AllianzGI US uses its best judgment to choose the broker or dealer most capable of providing the services necessary to obtain the best execution of that transaction. In seeking the best execution of each transaction, AllianzGI US 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 AllianzGI US with market-related information, confidentiality, capital strength and financial stability, reputation, prior performance and responsiveness in serving AllianzGI US 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 AllianzGI US.

In the selection of broker or dealers, AllianzGI US 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.

Some trades are made on a net basis where the client buys securities directly from a dealer, or sells them directly to a dealer. This is typical for certain equity securities traded in the over-the-counter market, and for most debt securities. In such transactions, there is no direct commission charged, but the dealer receives a "spread" which is the equivalent of a commission for engaging in the transaction.

### ***Non-Discretionary Clients***

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

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

Trades for non-discretionary model accounts may be executed after the orders in the same security for discretionary accounts have been completed (including with respect to Wrap Program – see Item 12). This may result in material performance dispersion between discretionary accounts and non-discretionary model accounts.

### ***Soft Dollars***

Subject to the requirement of seeking best execution, AllianzGI US may, in circumstances in which two or more brokers or dealers are in a position to offer comparable price and execution, give preference to a broker or dealer that has provided brokerage or research services to AllianzGI US. In so doing, AllianzGI US may effect securities transactions which cause a client to pay an amount of commission in excess of the amount of commission another broker would have charged. In effecting trades through such brokers or dealers, AllianzGI US may generate credits ("Commission Credits") which may be used by AllianzGI US 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, AllianzGI US will make a good faith determination that the amount of commission is

reasonable in relation to the value of the brokerage services and research and investment information received, viewed in terms of either the specific transaction or AllianzGI US's overall responsibility to the accounts for which it exercises investment discretion. AllianzGI US regularly evaluates all commissions paid in order to ensure that the commission represents reasonable compensation for the brokerage and research services provided by such brokers.

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

Under a safe harbor from the Securities Exchange Act of 1934, as amended, 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, AllianzGI US may use a "step-out" trade mechanism. A "step-out" trade occurs when the executing broker-dealer agrees to "step out" a portion of a bunched execution, and that "stepped-out" portion is cleared through the 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.

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

In any case in which information and other services can be used for both brokerage or research and non-research or non-brokerage purposes, AllianzGI US makes an appropriate good faith allocation of those uses and pays directly for that portion of the services to be used for non-research or non-brokerage

purposes. This allocation can create a potential conflict of interest.

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

AllianzGI US has not made and will not make commitments to place orders with any particular broker or dealer or group of brokers or dealers, other than pursuant to client direction. Annually, AllianzGI US projects the amount of commission dollars it expects to generate from equity trading in the course of a year, and pursuant to an internal allocation procedure that entails the vote of certain equity portfolio managers and analysts as to the quality of research and investment information received from various brokers, dealers, or third-party research providers, establishes a budget of commission dollars to be directed to brokers, dealers or research providers 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 AllianzGI US believes it is not able to achieve best execution of a particular transaction. However,



AllianzGI US does endeavor to direct sufficient orders to such brokers or dealers to ensure the continued receipt of research services that AllianzGI US believes are useful. A substantial portion of brokerage commissions are paid to brokers, and dealers and to third party research providers (paid via Commission Credits) who supply research and brokerage services to AllianzGI US. Certain equity, ETF, and derivatives transactions that pay an explicit rate per share do not generate commission dollars and are excluded from the projections.

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

#### ***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 AllianzGI US gain access to Bundled Services without removing such Execution Only Accounts from the applicable bunched trades. As noted under “Trade Allocation and Aggregation” below, AllianzGI US will normally seek to bunch trades since it believes that bunched trades generally benefit its clients as a whole over time.

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

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

Where AllianzGI US 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 AllianzGI US even though it arises in connection with the Commission Credits of AllianzGI US’s clients. In such situations, AllianzGI US 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 AllianzGI US 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 AllianzGI US.

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 AllianzGI US for which AllianzGI US does not have authority to effect transactions or (iii) have instructed AllianzGI US 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 AllianzGI US 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.

#### ***Commission Sharing Arrangements***

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

#### ***MiFID II***

The European Union's Markets in Financial Instruments Directive (Directive 2014/65/EU) along with its accompanying regulation, the Markets in Financial Instruments Regulation ("MiFIR") (Regulation 600/2014/EU) (which are collectively known as "MiFID II") took effect on January 3, 2018. MiFID II restricts EU firms providing portfolio management services from receiving and retaining "inducements" from third parties. An EU investment firm may only receive "research" (which is considered an inducement) if: (i) the "research" is paid for directly out of its own resources; or (ii) if "research" is paid from a separate research payment account ("RPA") controlled by the investment manager and funded by a specific research charge to the client, provided that the conditions under MiFID II relating to the operation of such an RPA are met.

While AllianzGI US is not directly subject to MiFID II or the "research payment rules" noted above, AllianzGI US may be required to substantively comply with the "research payment rules" to the extent that AllianzGI US provides sub-advisory services to a MiFID-licensed investment firm (including an affiliate of AllianzGI US) or otherwise commercially by an EU client. As a result,

AllianzGI US may be restricted for certain accounts from utilizing soft dollar credits to purchase brokerage and research services to be used by AllianzGI US for the benefit of such clients.

If AllianzGI US acts as a sub-adviser to non-U.S. funds or accounts, AllianzGI US may only engage in soft dollar practices in compliance with an approved policy on soft dollars and the laws of the jurisdiction of the fund, the account and/or the investment manager to such portfolio. Research products or services provided by brokers may be used by AllianzGI US for the benefit of clients other than the client(s) that paid commissions to the broker providing such products or services.

AllianzGI US may be required by contract acting as a sub-adviser to an EU MiFID investment form to: (i) set a budget for the maximum research costs that the Portfolio will incur; and (ii) fully account for the research AllianzGI US receives in relation to the portfolio and the value of any research AllianzGI US receives in relation to the portfolio.

AllianzGI US may restrict, limit or reduce the amount of a portfolio's investment in a security where holdings in such a security by a portfolio, or across portfolios in the aggregate, exceed a certain ownership threshold or would otherwise result in significant cost to, or administrative burden on AllianzGI US. In these situations, AllianzGI US may also determine not to engage in an investment for an account, even where such investment would be beneficial to the account. For example, such limitations exist if a position or transaction could require a filing or a license or other regulatory or corporate consent, which could, among other things, result in additional cost and disclosure obligations for, or impose regulatory restrictions on, AllianzGI US or on other account, or may result in regulatory or other restrictions, including those under the recast European Union's Markets in Financial Instruments Directive (Directive 2014/65/EU) along with its accompanying regulation, the Markets in Financial Instruments Regulation ("MiFIR") (Regulation 600/2014/EU), which are collectively known as "MiFID II." In accordance with applicable guidance from the SEC staff and the firm's soft dollar policy, AllianzGI US may aggregate client orders under the firm's trade allocation and aggregation policy where some clients may pay different amounts for research because of requirements under MiFID II. While it is AllianzGI US's policy not to favor or disfavor consistently or consciously any clients or class of clients, there may be certain instances where some clients of AllianzGI US benefit from the research services utilized or purchased through soft dollar credits for the benefit of other clients.

#### ***Trade Aggregation and Allocation***

It is AllianzGI US's policy to inform all of its clients that it performs investment advisory and investment management services for various clients and may give advice and take action with respect to one client that differs from advice given or the timing or nature of action taken with respect to another client. It is, however, AllianzGI US's policy not to favor or disfavor consistently or consciously any clients or class of clients in the allocation of investment opportunities, with the result that, to the extent practicable, all investment opportunities will be allocated among clients over a period of time on a fair and equitable basis.

The general principles on which AllianzGI US's trade allocation procedures are based are: (a) fairness to advisory clients, both in priority of order execution and in the allocation of aggregated orders or trades; (b) timeliness and efficiency in the execution of orders; and (c) accuracy of the investment adviser's records both as to trade orders and maintenance of client account positions.

When AllianzGI US allocates investment opportunities, it takes into account the factors noted above, as applicable, and as a result, some or all of the eligible accounts may not receive a pro rata allocation, or any allocation.

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 AllianzGI US, some of which accounts may have similar investment objectives. In addition, AllianzGI US will aggregate trades for certain proprietary accounts with trades for AllianzGI US clients, and AllianzGI US may coordinate the execution of transactions for its clients with execution for transactions for the clients of the Allianz Advisory Affiliates, as more fully described below.

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

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

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

#### Executing Offices Trading Region

Hong Kong	Asia (including Japan)
Frankfurt	Europe (including U.K.)
New York	North and South America
San Francisco	North and South America
San Diego	North and South America

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

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

No order may be aggregated unless an authorized trader has determined that such aggregation is in the best interest of the participating accounts or clients

and is consistent with the duty to seek best execution. AllianzGI US may aggregate brokerage orders for clients to obtain lower average commission costs. When AllianzGI US gives the brokers instructions to execute orders representing multiple portfolios, orders that are fully executed will be allocated according to the current trade order instructions. Aggregated orders that remain only partially filled at the end of the trading day shall generally be allocated pro rata based on the size of the current order, subject to some minimum ticket or minimum trade sizes and adjustments for partially filled orders as described below. In addition, when executing sell orders, AllianzGI US will seek to avoid leaving small positions in a client account. Therefore, AllianzGI US may allocate a greater than pro rata share of a sell order for a security to an account if AllianzGI US intends to sell the account's entire position in such security.

AllianzGI US's general policy of allocating partially filled orders is pro rata, based on the size of the current order, but adjusted for, among other things, (a) available cash, (b) round lots, minimum trade size or certain minimum basis points holding as determined by an authorized trader, (c) the size of the account, (d) the necessity to obtain a certain level of holdings according to the specific benchmark of the client, or (e) compliance with the laws of a foreign jurisdiction, including MiFID II.

In accordance with applicable guidance from the SEC staff and the firm's soft dollar policy, AllianzGI US may aggregate client orders under the principles noted above where some clients may pay different amounts for research because of requirements under MiFID II. Each client in such an aggregated order shall, however, pay or receive the same average price for the purchase or sale of the underlying security and pay the same amount for execution. Notwithstanding the foregoing, there may be circumstances where AllianzGI US may be required by MiFID II to execute transactions on a "step-out" or "trade away" basis to the extent necessary to achieve best execution in compliance with applicable law.

Although AllianzGI US generally believes that aggregation of transactions may be consistent with its duty to seek best execution, AllianzGI US is not obligated to aggregate orders into larger transactions.

In addition to the Aggregation Procedures, AllianzGI US also has adopted procedures intended to ensure that the allocation of shares received in an initial public offering ("IPO") is done in a manner that is fair and equitable to all clients over time. These procedures establish an allocation methodology for each product group managed by AllianzGI US (e.g., Large Cap, Mid-Cap, Technology, etc.) and a target allocation for each

client within each product group. Shares received in IPOs are first allocated to each product group consistent with AllianzGI US's procedures, and then to each client within that group based on specific target allocations. In regards to the allocation of shares received via a secondary offering, shares are normalized to the original percentage rather than allocated in a pro rata format across strategies.

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

In certain circumstances AllianzGI US or its affiliates will offer preferential allocations of private investment transactions to other of their affiliates in accordance with the investment allocation policy for such transactions.

In certain circumstances private investment transactions that are appropriate for clients managed by certain AllianzGI US designated investment teams may also be appropriate for clients of other investment teams of AllianzGI US or its affiliates. In such circumstances, each of the investment teams may make an independent bid to participate in the opportunity due to, among other things, the sourcing, structure and syndication of such investment opportunities. In the event that independent bids are placed, the amount of the investment opportunity allocable to each team will be determined by the relevant counterparty.

#### **Co-Investments**

AllianzGI US or its affiliates may, from time to time and subject to each applicable client's respective Governing documents, offer co-investment opportunities to one or more investors in a Private Fund and/or other third-party investors who AllianzGI US or its affiliates believe may provide a strategic or other benefit to the applicable fund or portfolio company. AllianzGI US and its affiliates are not obligated to arrange co-investment opportunities, and have sole discretion as to the amount (if any) of a co-investment opportunity that will be allocated to a particular Private Fund investor, and may allocate co-investment opportunities instead to investors in other Private Funds or to third parties. If AllianzGI US or its affiliates determine that an investment opportunity is too large for a Private Fund, they may, but will not be obligated to, make proprietary investments therein.

AllianzGI US or its affiliates may receive fees and/or allocations from co-investors, which may differ among co-investors and also may differ from the fees and/or allocations borne by a Private Fund.

#### ***Cross Transactions***

When AllianzGI US engages in client transactions involving securities that may be permissible investments for other accounts it manages, AllianzGI US may effect purchases or sales of these securities between clients (each a “Cross Transaction”). AllianzGI US will effect Cross Transactions in accordance with the following standards: all Cross Transactions must be (1) approved in advance by AllianzGI US’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. AllianzGI US has established compliance procedures designed to ensure that Cross Transactions are conducted in accordance with the above standards and applicable regulations.

#### ***Over the Counter (OTC) Trades***

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

#### ***Client Directed Brokerage***

AllianzGI US will also place orders with brokerage firms pursuant to direction received from investment management or investment advisory clients (“directed brokerage”). Directed brokerage is typically arranged by a client as a method whereby the brokerage commissions serve as compensation to the broker for goods and services provided directly to the client in an agreement negotiated between the client and the broker. Alternatively, the client may seek to negotiate a particular commission rate with that broker, or may use the direction of brokerage to accomplish unrelated objectives (e.g., the direction of brokerage to minority-owned brokerage firms, or to brokerage firms located

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

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

AllianzGI US ordinarily limits the amount of brokerage that any client may direct to a percentage of the total brokerage generated by that client, except as described above. AllianzGI US uses two methods to satisfy client requests for directed brokerage. First, AllianzGI US may execute the trade on behalf of that client with the broker-dealer selected by the client, which may or may not be the broker-dealer used by AllianzGI US for other trades in the same security during that period. Alternatively, AllianzGI US may step out trades to the client directed broker-dealer which may result in additional trading costs.

AllianzGI US believes that the potential benefits derived from any directed brokerage, expense reimbursement or commission recapture program may be offset by 1) clients unable to participate in certain block purchases or sales of securities, 2) the investment management team receiving less research, 3) the broker’s unwillingness to commit capital and 4) AllianzGI US’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.

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

### **Wrap Programs**

With respect to Wrap Programs, the Sponsor includes commissions and other trading costs in the Wrap Program fee and accordingly trading through the Sponsor is typically more cost effective to the Wrap Program client. If AllianzGI US determines that the Sponsor is not able to provide best execution, AllianzGI US, subject to its duty to seek best execution, may step out trades to an alternate broker-dealer which may result in additional trading costs. In the event AllianzGI US steps out trades for Discretionary Wrap Program Clients, such client accounts will bear transaction-specific commissions, commission equivalents or spreads on such trades (as applicable) in addition to the Wrap Program fees. These transaction fees or charges may be separately charged to the wrap program client account or reflected in the security net price paid or received. Transactions in mutual fund shares purchased for Accounts will typically be submitted directly to the transfer agent or distributor of the mutual fund.

Trades for Wrap Program client accounts in equity strategies are not traded together with trades for AllianzGI US's non-Wrap Program accounts in such strategies. Wrap Program transactions in such equity strategies are generally executed with the Sponsor or the Sponsor's designated broker because no separate commissions are charged. Where AllianzGI US would like to purchase or sell securities across client accounts in multiple Wrap Programs, several Sponsors or their designated broker-dealers will have to execute the trades.

To ensure that over time particular Wrap Program client accounts are not disadvantaged, AllianzGI US has implemented a single random trade rotation process for its discretionary Wrap Program and non-discretionary model Wrap Program client accounts. In accordance with such process, the order of priority in which trade instructions (or the updated model for the non-discretionary model Wrap Programs) are transmitted to each Sponsor is rotated based on a random computer-generated sequence. Nonetheless, market impact, liquidity constraints or other factors

could result in some Wrap Program client accounts receiving less favorable trading results than other Wrap Program client accounts. The random trade rotation seeks to allocate trading opportunities such that, over time, no Sponsor receives preferential treatment as a result of the timing of the receipt of its trade execution instructions.

Orders for the non-discretionary model Sponsors are transmitted without awaiting confirmation from the Sponsor that the implementation and execution of the model has occurred. Therefore, trades for non-discretionary model Wrap Program account may be executed after the orders in the same security for discretionary Wrap Program accounts have been completed. This may result in material performance dispersion between the Wrap Program discretionary accounts and non-discretionary model accounts.

### **FX Trades**

Upon client request, AllianzGI US can arrange for State Street Bank and Trust Company (“State Street”) to execute FX transactions for the settlement of foreign securities transactions. In this arrangement, State Street will net the currencies in each of our client accounts and will execute any outstanding values within a prescribed or fixed time of the trading day. FX transactions are accumulated throughout the trading day and will be priced on a net basis at a global firm level (including certain global affiliates) at each designated pricing time. State Street will apply a pre-agreed mark up or mark down to a benchmark bid or ask. All restricted currencies will continue to be executed by the client's custodian State Street will not execute FX transactions involving repatriations or corporate actions.

### **Private Placements**

AllianzGI US invests in private placements in certain of its client accounts. Generally, these are purchased directly from the issuer, so no broker is involved. In the event that a broker is used in the purchase of a private placement, the broker is paid by the seller or issuer of the private placement. It is AllianzGI US's practice to hold the private placements to maturity, but in the rare event that AllianzGI US would sell a private placement, every effort is made to obtain best execution.

### **Valuation**

AllianzGI US maintains a Pricing Committee comprised of representatives from different disciplines (and excludes the investment teams as voting members) and has adopted Pricing Policies and Procedures with respect to determining the value of securities held in funds or client accounts. In addition, AllianzGI US may engage independent third party pricing providers to



review pricing and valuations, as needed (e.g., for illiquid or hard to value assets).

### ITEM 13. REVIEW OF ACCOUNTS

#### Review of Accounts

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

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

#### Reports to Clients

AllianzGI US provides advisory clients who have separately managed accounts with written reports on a quarterly basis or more frequently upon agreement between AllianzGI US and the client. These reports generally include, among other things, all purchases and sales of securities made during the reporting period (market price, total cost/proceeds, original unit cost and realized gain/loss on sales) and include a summary of investments in the portfolio (unit cost, total cost, market price, total market value, yield and percentage of portfolio). In addition, through telephone calls and in-person meetings, client service representatives strive to keep clients regularly informed of the investment policy and strategy AllianzGI US is pursuing to achieve clients' investment objectives. In addition, AllianzGI US provides compliance and other reports requested by the Board of Directors of the Mutual Funds and Closed-End Funds it sub-advises.

**INVESTORS IN MUTUAL FUNDS AND/OR PRIVATE FUNDS RECEIVE REPORTS FROM THE FUNDS' TRANSFER AGENT, ADMINISTRATOR OR CUSTODIAN BANK. CLIENTS IN WRAP FEE PROGRAMS RECEIVE REPORTS FROM THE WRAP FEE PROGRAM SPONSOR.**

### ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

#### Compensation from Non-Clients

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

#### Referral Arrangements

AllianzGI US may, from time to time, pay compensation for client referrals. To the extent required by law, AllianzGI US 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 AllianzGI US opens an account for the prospective client. The separate disclosure document would provide the prospective client with information regarding the nature of AllianzGI US's relationship with the Referral Agent and any referral fees AllianzGI US pays to the Referral Agent. Referral fees and placement agent fees are paid entirely by AllianzGI US and not by AllianzGI US's clients.

AllianzGI US's employees and employees of affiliates of AllianzGI US may serve as Referral Agents and may be compensated for referral activities. However, in those cases, neither AllianzGI US nor its affiliated Referral Agent will provide the separate disclosure document noted above. In addition, there are circumstances where AllianzGI US may refer a client to an affiliated Sub-Adviser or other affiliated investment manager depending on the size and particulars of the account. In these cases, AllianzGI US may receive a fee from the relevant Sub-Adviser or affiliated investment manager for the client referral.



#### ITEM 15. CUSTODY

AllianzGI US does not maintain physical custody of client assets. Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains client investment assets. Pursuant to Rule 206(4)-2 under the Advisers Act, AllianzGI US may be deemed to have custody of certain Private Funds it manages because AllianzGI is the managing member of a limited liability company, the general partner of a limited partnership or in a comparable position for another type of pooled investment vehicle. Investors in Private Funds will receive financial statements of the Private Fund, audited by an independent public accounting firm, at least annually.

For separate account clients and Wrap Program clients, AllianzGI US does not select account custodians on behalf of clients or serve as the custodian of client account assets. For separate account clients and Wrap Program clients, AllianzGI US also does not recommend, request or require certain custodians.

AllianzGI US urges clients and investors to carefully review such statements and compare such official custodial records to the account statements that AllianzGI US provides to clients and investors. Account statements produced by AllianzGI US may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### ITEM 16. INVESTMENT DISCRETION

AllianzGI US 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. AllianzGI US also generally will receive discretionary authority to determine the brokers used and the commissions paid. In all such relationships, AllianzGI US will make investment decisions and direct the execution of all transactions without prior consultation with the client. Investment guidelines and restrictions must be provided to AllianzGI US in writing.

When selecting securities and determining amounts, AllianzGI US observes the investment policies, limitations and restrictions of the clients for which it advises. For Mutual Funds, AllianzGI US's authority to

trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Certain clients, however, may retain AllianzGI US on a non-discretionary basis. When AllianzGI US 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.

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

#### ITEM 17. VOTING CLIENT SECURITIES

AllianzGI may be granted by its clients the authority to vote proxies of the securities held in client accounts. AllianzGI US 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, AllianzGI US seeks to make voting decisions solely in the best interests of its clients and to enhance the economic value of the underlying portfolio securities held in its clients' accounts.

AllianzGI US has adopted the Allianz Global Investors Global Corporate Governance Guidelines and Proxy Voting Policy (the "Proxy Guidelines"), which are reasonably designed to ensure that the firm is voting in the best interest of its clients. For the purpose of voting proxies for all accounts of AllianzGI US, AllianzGI US uses the services of its affiliate, Allianz Global Investors GmbH ("AllianzGI GmbH"). The employees of AllianzGI GmbH who provide proxy voting services to AllianzGI US are considered "associated persons" as that term is defined in the Advisers Act.

The Proxy Guidelines provide a general framework for our proxy voting analysis and are intended to address the most significant and frequent voting issues that arise at our investee companies' shareholder meetings. However, the Proxy Guidelines are not intended to be rigid rules, and AllianzGI's consideration of the merits of a particular proposal may cause AllianzGI to vote in a manner that deviates from the approach set forth in the Proxy Guidelines.

AllianzGI has retained an unaffiliated third party proxy research and voting service provider ("Proxy Voting

Service”), to assist it in researching and voting proxies. With respect to each proxy received, the Proxy Voting Service researches the ballot proposals and provides a recommendation to AllianzGI as to how to vote on each proposal based on the Proxy Voting Service’s research of the individual facts and circumstances and the Proxy Voting Service’s application of its research findings to the Proxy Guidelines.

In some cases, a portfolio manager, research analyst or proxy analyst from the Global Environmental, Social and Governance (“ESG”) team may propose to override a policy recommendation made by the Proxy Voting Service. In such cases, AllianzGI will review the proxy to determine whether there is a material conflict between the interests of AllianzGI (including the employee proposing the vote) and the interests of AllianzGI’s clients. If a material conflict does exist, AllianzGI will seek to address the conflict in good faith and in the best interests of the applicable client accounts, as described more fully below. In the absence of a material conflict, the proxy will be reviewed by a proxy analyst and the relevant portfolio managers and/or research analysts and, from time to time as may be necessary, the Head of ESG Research (or equivalent), to determine how the proxy will be voted. Any deviations from the Proxy Guidelines will be documented and maintained in accordance with Rule 204-2 under the Advisers Act.

AllianzGI has adopted and implemented policies and procedures, including the procedures described in this document, which are reasonably designed to ensure that client account proxies are voted in the best interest of clients. Such policies and procedures are in part designed to identify and address material conflicts of interest that may arise between the interests of AllianzGI and its clients, as well as identify material conflicts of interest that portfolio managers, proxy analysts and research analysts may have, to ensure any such conflicted individuals refrain from participating in the proxy voting process or that the conflicts are otherwise mitigated. With respect to personal conflicts of interest, AllianzGI’s Code of Ethics requires all employees to conduct themselves with integrity and distinction, to put first the interests of the firm’s clients, and to take care to avoid even the appearance of impropriety. Portfolio managers, research analysts, proxy analysts, or Proxy Committee members with a personal conflict of interest regarding a particular proxy vote must recuse themselves and not participate in the voting decisions with respect to that proxy.

With respect to the voting process, as described above, most votes are based on the independent recommendation of the unaffiliated, third party Proxy Voting Service, which recommendations are in turn

based on the Proxy Voting Service’s independent review and research of each proxy and its independent application of the Proxy Guidelines.

In those cases in which a proxy analyst, portfolio manager or research analyst proposes to override a policy recommendation made by the Proxy Voting Service or the Proxy Voting Service has not provided a recommendation, the proxy analyst and relevant portfolio managers and/or research analysts will review the proxy to ensure any recommendation appears based on a sound investment rationale and assess whether any business or other relationship, or any other potential conflict of interest, may be influencing the proposed vote on that company’s proxy. In the event a material conflict is identified, AllianzGI will convene the Proxy Committee to review the proxy and make a decision how to vote. Proposed votes that raise potential material conflicts of interest are promptly resolved by the Proxy Committee prior to the time AllianzGI casts its vote.

As a further safeguard, while AllianzGI includes members from different parts of the organization on the Proxy Committee, AllianzGI does not include individuals whose primary duties relate to client relationship management, marketing, or sales. Finally, any voting decision by the Proxy Committee must include a vote from a member of at least one of the Risk, Legal, or Compliance functions.

AllianzGI US may vote proxies in accordance with other relevant procedures that have been approved and implemented to address specific types of conflicts. For example, when a material conflict between the interests of AllianzGI US and its clients have been identified AllianzGI US may abstain from voting.

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

AllianzGI may abstain from voting client proxies if, based on its evaluation of relevant criteria, it determines that the costs associated with voting a proxy exceed the expected benefits to affected clients. The primary aim of this cost-benefit analysis is to determine whether it is in a client’s best economic interest to vote its proxies. If the costs associated with

voting a proxy outweigh the expected benefit to the client, AllianzGI may refrain from voting that proxy.

The circumstances under which AllianzGI may refrain from voting may include, but are not limited to, the following: (1) proxy statements and ballots being written in a foreign language, (2) untimely notice of a shareholder meeting, (3) requirements to vote proxies in person, (4) restrictions on a foreigner's ability to exercise votes, and (5) requirements to provide local agents with power of attorney to execute the voting instructions. Such proxies are voted on a best-efforts basis.

Proxy voting in certain countries requires "share blocking." To vote proxies in such countries, shareholders must deposit their shares shortly before the date of the meeting with a designated depository and the shares are then restricted from being sold until the meeting has taken place and the shares are returned to the shareholders' custodian banks. Absent compelling reasons, AllianzGI believes the benefit to its clients of exercising voting rights does not outweigh the effects of not being able to sell the shares. Therefore, if share blocking is required AllianzGI generally abstains from voting.

AllianzGI will be unable to vote securities on loan under securities lending arrangements into which AllianzGI's clients have entered. However, under rare circumstances such as voting issues that may have a significant impact on the investment, if the client holds a sufficient number of shares to have a material impact on the vote, AllianzGI may request that the client recall securities that are on loan if it determines that the benefit of voting outweighs the costs and potential lost revenue to the client and the administrative burden of retrieving the securities.

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

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

AllianzGI US 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 AllianzGI US's management of the account and expertise as an investment adviser. AllianzGI US therefore encourages its clients to rely on their legal counsel for advice on

whether or not to participate in class actions. AllianzGI US does not file proof of claim forms for its separate account clients. However, upon request and as a courtesy, AllianzGI US may provide relevant records and information in its possession that may be necessary or useful to the client or its custodian to file claim forms or other legal documents. In such cases it is the client's responsibility to (i) ensure that the custodian is capable of filing, and has the proper authorization to file, proofs of claim on the client's behalf and (ii) determine whether to file a request for exclusion from a particular class action settlement and take the necessary steps to do so. AllianzGI US is not responsible for a client's or custodian's failure to file claim forms or to request exclusion.

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

With respect to the AllianzGI Funds, AllianzGI US has hired Securities Class Action Services LLC, a wholly owned subsidiary of Institutional Shareholder Services Inc. ("ISS") to monitor securities class action suits and file claims on behalf of the AllianzGI Funds.

## **ITEM 18. FINANCIAL INFORMATION**

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

## **ITEM 19. PRIVACY NOTICE**

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 Distributors 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 these secure pages 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 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, 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. Clear GIFs (also known as Web Beacons) are typically transparent very small graphic images (usually 1 pixel x 1 pixel) that are placed on a website that may be included on our services provided via our website and typically work in conjunction with cookies to identify our users and user behavior. We may use cookies and automatically collected information to: (i) personalize our website and the services provided via our website, such as remembering your information so that you will not have to re-enter it during your use of, or the next time you use, our website and the services provided via our website; (ii) provide customized advertisements, content, and information; (iii) monitor and analyze the effectiveness of our website and the services provided via our website and third-party marketing activities; (iv) monitor aggregate site usage metrics such as total number of visitors and pages viewed; and (v) track your entries, submissions, and status in any promotions or other activities offered through our website and the services provided via our website. Tracking technology also helps us manage and improve the usability of our website, (i) detecting whether there has been any contact between your computer and us in the past and (ii) to identify the most popular sections of our website. 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.

### Use of Social Media Plugins

Our website uses the following Social Media Plugins ("Plugins"):

- Facebook Share Button operated by Facebook Inc., 1601 S. California Ave, Palo Alto, CA 94304, USA
- Tweet Button operated by Twitter Inc., 795 Folsom St., Suite 600, San Francisco, CA 94107, USA
- LinkedIn Share Button operated by LinkedIn Corporation, 2029 Stierlin Court, Mountain View, CA 94043, USA

All Plugins are marked with the brand of the respective operators Facebook, Twitter and LinkedIn ("Operators"). When you visit our website that

contains a social plugin, your browser establishes a direct connection to the servers of the Operator. The Operator directly transfers the plugin content to your browser which embeds the latter into our website, enabling the Operator to receive information about you having accessed the respective page of our website. Thus, AllianzGI US has no influence on the data gathered by the plugin and we inform you according to our state of knowledge: The embedded plugins provide the Operator with the information that you have accessed the corresponding page of our website. If you do not wish to have such data transferred to the Operators, you need to log out of your respective account before visiting our website. Please see the Operators' data privacy statements in order to get further information about purpose and scope of the data collection and the processing and use:

- Facebook: <https://de-de.facebook.com/about/privacy/>
- Twitter: <https://twitter.com/privacy>
- Linked In: <https://www.linkedin.com/legal/privacy-policy>

### 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).



## APPENDIX 1

### Separate Account Fee Schedules

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

#### U.S. Large Cap Equity (US Large Cap Select, US Large Cap Core US Focused Growth)

0.600% on the first \$25 Million  
0.500% on the next \$50 Million  
0.450% on the next \$100 Million  
0.400% on the balance of assets  
Minimum Separate Account: \$25 Million

#### Disciplined US Core

0.500% on the first \$20 Million  
0.400% on the next \$50 Million  
0.350% on the next \$100 Million  
0.300% on the balance of assets  
Minimum Separate Account: \$25 Million

#### Mid Cap Growth

0.700% on the first \$25 Million  
0.600% on the next \$50 Million  
0.550% on the next \$100 Million  
0.500% on the balance of assets  
Minimum Separate Account: \$25 Million

#### Global/International Small Cap Equity

0.950% on the first \$25 Million  
0.900% on the next \$50 Million  
0.850% on the next \$100 Million  
0.700% on the next \$250 Million  
Negotiable thereafter  
Minimum Separate Account: \$50 Million

#### Technology

0.750% on the first \$170 Million  
0.700% on the balance of assets  
Minimum Separate Account: \$25 Million

#### Sector Mandates (Global Agricultural Trends, Global Water, Global Artificial Intelligence, Biotechnology, Health Sciences)

0.900% on the first \$50 Million  
0.750% on the balance of assets  
Minimum Separate Account: \$25 Million

#### Global Natural Resources

0.650% on the first \$50 Million  
0.500% on the balance of assets  
Minimum Separate Account: \$25 Million

#### Single Country Asian Equity (China Equity, Taiwan Equity China A-Shares)

0.800% on the first \$50 Million  
0.700% on the next \$50 Million  
0.650% on the balance of assets  
Minimum Separate Account: \$50 Million

#### Best Styles (Global Developed, Global All Country, Global Managed Volatility, Europe, International, All Country International)

0.350% on the first \$250 Million  
0.320% on the first \$250 Million  
0.300% on the balance of assets  
Minimum Separate Account: \$100 Million

#### Best Styles US

0.280% on the first \$250 Million  
0.250% on the next \$250 Million  
0.220% on the balance of assets  
Minimum Separate Account: \$100 Million

#### Best Styles Emerging Markets

0.400% on the first \$250 Million  
0.370% on the next \$250 Million  
0.350% on the balance of assets  
Minimum Separate Account: \$100 Million

#### Global Sustainability

0.7500% on the first \$35 Million  
0.600% on the next \$50 Million  
0.550% on the next \$100 Million  
0.500% on the balance of assets  
Minimum Separate Account: \$35 Million

#### Green Bond

0.350% on the first \$50 Million  
0.250% from \$50M to \$100 Million  
0.150% on the balance of assets  
Minimum Separate Account: \$25 Million

#### Europe Equity Growth Select

0.650% on the first \$50 Million  
0.500% on the next \$50 Million  
0.450% on the next \$100 Million  
0.400% on the balance of assets  
Minimum Separate Account: \$30 Million

#### International Growth

0.750% on the first \$25 Million  
0.650% on the next \$25 Million  
0.550% on the next \$50 Million  
0.500% on the balance of assets  
Minimum Separate Account: \$30 Million

#### Dynamic Multi-Asset Plus

0.600% on the first \$500 Million  
0.550% on the next \$500 Million  
0.500% on the balance of assets

Minimum Separate Account: \$250 Million

**Dynamic Multi-Asset Plus Risk Management Overlay**

0.250% on the first \$500 Million  
 0.240% on the next \$500 Million  
 0.230% on the next \$1 Billion  
 0.200% on the balance of assets  
 Minimum Separate Account: \$500 Million

**Asset Allocation Advisory**

0.225% on the first \$500 Million  
 0.200% on the next \$500 Million  
 0.175% on the next \$1 Billion  
 0.150% on the balance of assets  
 Minimum Separate Account: \$250 Million

**Emerging Markets Systematic**

0.800% on the first \$50 Million  
 0.750% on the next \$100 Million  
 0.7000% on the next \$100 Million  
 0.600% on the balance of assets  
 Minimum Separate Account: \$25 Million

**Emerging Markets Consumer**

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

**Emerging Markets Small Cap**

1.000% on the first \$25 Million  
 0.950% on the next \$25 Million  
 0.900% on the balance of assets  
 Minimum Separate Account: \$25 Million

**US Micro Cap Opportunities**

1.100% on the first \$25 Million  
 1.000% on the next \$25 Million  
 0.950% on the balance of assets  
 Minimum Separate Account: \$20 Million

**Global/ International Small Cap Opportunities**

0.900% on the first \$50 Million  
 0.800% on the next \$50 Million  
 0.700% on the balance of assets  
 Minimum Separate Account: \$25 Million

**US Convertibles**

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

**US High Yield**

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

**US Short Duration High Income**

0.500% on the first \$50 Million  
 0.450% on the next \$50 Million  
 Negotiable on the balance of assets  
 Minimum Separate Account: \$50 Million

**Advanced Fixed Income Global Aggregate**

0.250% on the first \$150 Million  
 0.200% on the next \$100 Million  
 0.150% on the balance of assets  
 Minimum Separate Account: \$150 Million

**US Systematic Small Cap Growth / US Systematic Small Cap**

0.800% on the first \$25 Million  
 0.700% on the next \$25 Million  
 0.650% on the balance of assets  
 Minimum Separate Account: \$20 Million

**Credit Solutions**

1.500% on invested capital

**Emerging Markets Debt**

0.450% on the first \$50 Million  
 0.350% on the next \$50 Million  
 0.300% on the balance of assets  
 Minimum Separate Account: \$50 Million

**Emerging Market Local Currency Debt**

0.450% on the first \$50 Million  
 0.350% on the next \$50 Million  
 0.300% on the balance of assets  
 Minimum Separate Account: \$50 Million

**Infrastructure Debt/Equity**

As negotiated based on size of the account

**Structured Alpha U.S. Equity 250**

30% of quarterly performance over S&P 500 Index  
 Minimum Separate Account Size: \$250 Million

**Global Aggregate**

0.200% on the first \$50 Million  
 0.150% on the balance of assets  
 Minimum Separate Account: \$50 Million

**Global Government/Sovereign Bonds**

0.250% on the first \$50 Million  
 0.150% on the balance of assets  
 Minimum Separate Account: \$50 Million

**Global High Yield/Selective Global High Yield**

0.450% on the first \$50 Million  
 0.350% on the next \$50 Million  
 0.300% on the balance of assets  
 Minimum Separate Account: \$50 Million

## Allianz Global Investors U.S. LLC

### Global Credit

0.250% on the first \$50 Million  
0.200% on the next \$50 Million  
0.150% on the balance of assets  
Minimum Separate Account: \$50 Million

### Short Duration Global Real Estate

0.250% on all assets  
Minimum Separate Account: \$50 Million

### Global Multi Asset Credit

0.350% on the first \$50 Million  
0.300% on the next \$50 Million  
0.250% on the balance of assets  
Minimum Separate Account: \$50 Million

### Total Return

0.300% on the first \$100 Million  
0.250% on the balance of assets  
Minimum Separate Account: \$50 Million

### US Core Fixed Income-Core Strategy

0.20% on the first \$150,000,000  
0.14% on the next \$100,000,000  
0.12% on the next \$250,000,000  
Negotiable on the balance of assets  
Minimum Separate Account: \$150 Million

### US Core Fixed Income-Core Plus Strategy

0.25% on the first \$150,000,000  
0.17% on the next \$100,000,000  
0.14% on the next \$250,000,000  
Negotiable on the balance of assets  
Minimum Separate Account: \$150 Million