

**Item 1: Cover Page**

**Allianz Investment Management LLC**

**5701 Golden Hills Drive  
Minneapolis, MN 55416**

**January 29, 2021**

**FORM ADV PART 2  
BROCHURE**

This brochure provides information about the qualifications and business practices of Allianz Investment Management LLC (“AIM”). If you have any questions about the contents of this brochure, please contact us at 763-765-7016. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about AIM is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for AIM is 111925.

AIM is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training

## **Item 2: Material Changes**

Since the last annual update of this brochure dated March 24, 2020, the following material changes have occurred:

- Effective January 1, 2021, a newly established limited liability company (Allianz Investment Management U.S. LLC) formed in the State of Minnesota began providing investment management and hedging services to certain Allianz Group affiliates.
- Prior to January 1, 2021, the investment management and hedging services currently provided by Allianz Investment Management U.S. LLC, were provided to Allianz Group affiliates by Allianz Investment Management LLC.
- The establishment of Allianz Investment Management U.S. LLC has resulted in the following material changes detailed in this brochure:
  - In Item 4, we have removed asset liability management and strategic asset allocation as an advisory service currently offered. These services were previously provided under our Investment Strategy Services offerings.
  - In Item 4, the amount of client assets we manage on a discretionary basis was materially reduced from \$165,968,741,552 as of 12/31/2019 to \$21,173,781,942 as of 1/4/2021. This is due to the Allianz Group assets which are now managed by Allianz Investment Management U.S. LLC.
  - In Item 7, we have removed Pooled Investment Vehicles, Insurance Companies and Corporations from the list of the types of clients to whom we generally provide investment advice.
  - In Item 8, we have removed the methods of analysis and investment strategies related to Investment Strategy Services which are no longer offered.
  - In Item 10, we have amended conflicts which may be present with the establishment of Allianz Investment Management U.S. LLC.

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#### **Item 4: Advisory Business**

Allianz Investment Management LLC (“AIM”) is a Minnesota limited liability company that was formed on March 2, 2001. It is also an investment adviser that has been registered with the SEC since April 20, 2001. AIM is a wholly-owned subsidiary of Allianz Life Insurance Company of North America (“Allianz Life”). The ultimate parent of Allianz Life is Allianz SE, a diversified global financial institution headquartered in Munich, Germany.

AIM offers discretionary and non-discretionary management of assets and other investment related services for registered investment companies and other institutional investors.

Services offered include hedging and risk management services, advisory solutions management, including asset manager selection and monitoring, and performance reporting. Each service is tailored to the specific requirements, risk tolerance, and investment objectives of each client. Our services are offered in a modular fashion and can therefore be subscribed to on a stand-alone basis, or as a combination of multiple services to meet each client’s unique needs.

Our advisory services can be categorized more broadly into two main categories: 1) Hedging and Risk Management Services, and 2) Advisory Solutions Services:

##### **1) Hedging and Risk Management Services**

Hedging of certain market and product risks are executed by AIM through the use of derivatives. AIM has provided these types of services since 2007 and specializes in dynamic hedging, which is a strategy that involves rebalancing of hedge positions as market conditions change. The rebalancing of hedge positions is customized to client specific needs, including investment objectives and risk tolerances, and is managed through a proprietary management system. The services include preparing illustrative financial projections of hedging strategies selected by the client, placing hedge trades with brokers as agent for our clients, providing administrative support for the rebalancing of hedge positions, and rebalancing based upon market conditions. AIM tailors services to the needs of individual clients by collaborating with each client to develop an individualized strategy designed to align with each client’s individual risk tolerance and investment objectives. Investment objectives are memorialized in an investment policy statement and an investment services agreement, the terms of which are negotiated with each client.

AIM also provides hedge strategy services as an investment adviser or sub-adviser to mutual funds and ETFs. The strategy exercised for each fund is designed to meet a particular investment goal. In the case of advisory services, we select the underlying investments for the fund and manage hedge strategies for the various funds’ assets based on the investment goals and objectives as outlined in each of the funds’ offering documents. In the case of sub-advisory services, the primary adviser to the fund is generally responsible for the selection of underlying investments for the fund, and we manage hedge strategies for the various funds’

assets based on the investment goals and objectives as outlined in each of the funds' offering documents, such services often times will be provided by way of asset allocation or by constructing a derivatives overlay.

For derivative overlays, AIM develops and manages these overlays to client specific investment objectives and guidelines. AIM has discretionary authority over the overlays which are designed to effectively manage the risk (volatility) of the entire client portfolio.

For ETFs, AIM performs the portfolio management including executing trades for creation and redemption of ETF units which is facilitated through these hedge services.

## 2) Advisory Solutions Services

In offering this advisory service, AIM implements a respective client's investment strategy through the selection and oversight of other asset managers.

For each client, depending on the selected investment strategy and asset class, AIM offers to perform searches for and provide recommendations for underlying investment mandates through our Advisory Solution Services. Services include the search, due diligence, selection, oversight, and reporting on underlying investment mandates, typically including either separately managed accounts, sub-advised funds, exchange traded funds (ETFs), mutual funds, or a combination thereof. The evaluation and due diligence of investment mandates is holistic and includes performance evaluation, style analysis, strategy consistency, organizational stability, manager tenures, size of asset base, fee schedules, and other applicable factors. AIM assists in the manager selection process and provides custom reporting as requested by clients.

Advisory Solutions manages the ETF program including management oversight, day-to-day management of fund operations including service provider oversight, and business development of new ETFs.

Clients should be aware that their restrictions can limit AIM'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.

AIM does not participate in any wrap fee programs.

As of 1/4/2021, AIM managed \$21,173,781,942 in client assets on a discretionary basis. AIM did not manage any client assets on a non-discretionary basis as of 1/4/2021.

## **Item 5: Fees and Compensation**

For all advisory services offered, AIM's fees are negotiable and are dependent on the type of services provided, the size and type of each client, the nature and complexity of each client's circumstances, and upon mutual agreement with the client.

AIM is generally paid based on assets under management ("AUM"). We may provide for "breakpoints" at which the fee is reduced if AUM exceeds certain agreed upon amounts. Fees are paid monthly in arrears and are based on the average of assets under management. In certain circumstances, AIM may charge a fixed fee or a minimum fee, and may enter into alternative fee arrangements on a case-by-case basis as mutually agreed upon with a respective client. In certain circumstances and upon written agreement with a respective client, AIM will coordinate with the client's custodian to automatically deduct AIM's fees from certain clients' accounts.

All fees paid to AIM for Advisory Management Services are separate and distinct from the fees and expenses charged by the underlying managers or funds. In the case of underlying mutual funds and ETFs, these fees and expenses are described in each fund's offering documents. These fees will generally include a management fee, other fund expenses, and a possible distribution fee (mutual funds and ETFs). If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a fund directly, without our services. In that case, the client would not receive the services we provide. Therefore, the client should review both the fees charged by the underlying manager or fund, any applicable mutual funds or ETFs, and our fees to fully understand total fees in context with the level of advisory services being provided.

In addition to our advisory fees and the fees noted above, clients may also be responsible for the fees and expenses charged by custodians and imposed by broker-dealers, including, but not limited to, any transaction charges imposed by a broker-dealer with which an independent investment manager effects transactions for the client's account(s). For ETFs which AIM advises, AIM pays fees and expenses related to the operations of the funds out of AIM's fund Management Fee. This fund Management fee is described in the respective fund's offering documents. Investors of shares of the respective fund indirectly pay these expenses as a percentage of the value of their investment.

Although AIM generally does not collect fees in advance from clients, individual clients may request to pay fees in advance, subject to the mutual agreement of AIM and the client. In such circumstances, a client generally will be eligible for a refund of any pre-paid fee in the event that the advisory relationship is terminated before the end of the billing period, as determined in accordance with the negotiated terms of the client's agreement.

AIM does not compensate supervised persons for the sale of securities or any other investment related products. AIM has engaged an affiliated entity, Allianz Life Insurance Company of North America, to solicit and refer clients to AIM. In such case, AIM complies with the applicable provisions of Section 206 of the Investment Advisers Act, and specifically Rule 206(4)-3 thereunder.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

AIM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7: Types of Clients**

AIM provides investment advice to a variety of clients including:

- Investment Companies
- Investment Advisers

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Additional risks apply to each advisory service AIM offers, which are discussed in more detail below.

### **1) Hedging and Risk Management Services**

For various reasons, our clients have market exposures that may require offsetting exposures through the use of derivatives. These market exposures can exist within the asset or liabilities of the client. In order to select the appropriate derivatives, we advise the client on their selection of an overall hedge strategy. Next, we use our proprietary systems to calculate the net client market exposures on a periodic basis. Based on the strategy chosen by the client, we offset the client market exposures by initiating derivative transactions on our client's behalf.

We identify the appropriate derivatives by determining the client's current net market exposure and comparing it to the desired net exposure. Any differences in exposure that exceed an agreed upon threshold are offset with new derivative transactions. This derivative portfolio re-balancing process occurs on a periodic basis, usually daily. The type of instruments utilized depends on the exposure and are agreed in advance with the client. In most cases, we also provide monitoring services such as exposure and gain/loss attribution reports on a daily basis.

Our investment strategies involve the application of hedging and investment techniques to manage the impact of market volatility. This results in the purchase or sale of futures, forwards, swaps, and options. The underlying market factors or securities include equity or fixed income indices, bonds, interest rates, currencies and volatility measures. Investment strategies are specifically tailored to each client, and as such the methods of analysis used and risks involved will vary from client to client.

Risk management for ETFs entails purchasing and selling the correct derivatives in the correct sizes given the respective creation or redemption order. Upon a respective ETF's anniversary,

it also involves “rolling the position” to the next year in order to reset the strikes and provide new buffers and caps. The current strategies are static, 1-year buy and hold strategies.

## 2) Advisory Solutions Services

Our Advisory Solutions Management due diligence and selection process is designed to identify recommended investment managers and funds for each asset class. As a foundation of this process, we evaluate and regularly monitor managers and capital markets to identify and recommend investment opportunities for our clients.

The manager due diligence process may include universe screens, performance and portfolio characteristic analysis, personnel interviews, office visits, reference calls, analysis of historical portfolio characteristics, review of press releases, news articles, periodicals, investment manager websites and industry publications, discussions with industry contacts, terms and documentation review, including, but not limited to, offering documents, financial statements, regulatory filings, partnership agreements, and declarations of trust.

Attributes examined in the selection process may include:

- Stability and consistency of the manager’s investment process
- Appropriateness of manager’s investment philosophy
- Current and historical portfolio characteristics
- Portfolio investment guidelines
- The manager’s risk management policies and procedures
- Client references
- Depth and breadth of the manager’s investment team
- Personnel turnover
- Growth of the manager’s business
- Performance analysis versus peer universes and applicable benchmarks
- Source of historical performance (attribution)
- Firm ownership and structure

We seek to recommend managers and funds that meet the respective client’s requirements in terms of investment strategy, allocation amounts, tolerance for return volatility, and other factors.

A risk of investing with an investment manager who has been successful in the past is that the manager may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager’s portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients.

Since we do not control the manager’s daily business and compliance operations, our processes may not uncover the potential lack of internal controls necessary to prevent business, regulatory, or reputational deficiencies.



We generally do not directly or indirectly control the underlying investments in an investment vehicle; therefore, managers of different vehicles held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value.

Our analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the security. This can impact a portfolio managed by a third-party investment manager.

A risk of using qualitative analysis to assess a manager is that our subjective judgment may prove incorrect.

For ETF's and mutual funds, AIM utilizes a thorough due diligence process to identify suitable investments for clients across a variety of investment vehicles. The process focuses on understanding the philosophy, process, people, and performance of potential investments to meet our standards. The process incorporates both qualitative and quantitative assessments in narrowing the investment universe.

When selecting ETFs and mutual funds, AIM reviews the following key characteristics:

Philosophy: Determining whether the manager has a well-defined, consistent, and sensible philosophy.

Process: Understanding how the fund invests to meet its objectives, including the targeted opportunity set, securities selection, portfolio construction, monitoring, tracking error and risk management techniques the portfolio engages in.

People: Identifying key decision makers, the investment professionals and the firm capabilities and resources. These are all important components in executing a successful investment strategy.

Performance: Analyzing past performance is only one area of review; the investment performance is reviewed to seek validation of the philosophy, process, and people.

AIM selects ETFs which best provide exposure to the asset classes, regions, and market capitalization represented by the target allocations, as determined by client objectives and needs.

AIM's analysis methods rely on the assumption that the information provided to or obtained by AIM contains accurate and unbiased data. This information generally comes from the companies whose securities are bought and sold by investment managers, the rating agencies that review these securities, publicly available sources about these securities, as well as information from the investment managers on whom we conduct due diligence. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Clients who utilize derivatives for hedging purposes are proportionately subject to the risks related to

investments in derivatives. A derivative is a financial contract the value of which depends on, or is derived from, the value of an underlying asset, reference rate, or risk. Investors may use 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, such as interest rate or currency risk. Use of derivative instruments involves risks different from, and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of other risks, such as liquidity risk, interest rate risk, market risk, credit risk, and selection risk. Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value may not correlate perfectly with the underlying asset, rate, or index. Using derivatives may result in losses, possibly in excess of the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances. The other party to a derivatives contract could default.

AIM does not recommend primarily a particular type of security.

### **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of AIM's advisory business or the integrity of AIM's senior management.

### **Item 10: Other Financial Industry Activities and Affiliations**

Certain persons who are management persons of AIM are also registered representatives of Allianz Life Financial Services, LLC ("ALFS"), a registered broker-dealer affiliated with AIM. Otherwise, neither AIM nor any of its management persons are registered or have an application to register as a broker-dealer or a registered representative of a broker-dealer.

Neither AIM, nor any of its management persons, are registered or have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

AIM is affiliated with various financial services firms that are material to its business, as follows:

- AIM acts as investment adviser to the Allianz Variable Insurance Products Trust (the "VIP Funds"), the Allianz Variable Insurance Products Trust Fund of Funds (the "Underlying Funds"), and the AIM ETF Products Trust, which are considered affiliated companies for purposes of the Investment Company Act of 1940.
- The Underlying Funds may purchase shares of the VIP Funds or of other funds managed by affiliates, including Pacific Investment Management Company (PIMCO), and Allianz Global Investors (AGI). Each of the VIP Funds and Underlying Funds pays AIM a management fee. Also, AIM may invest in an underlying fund with a 12b-1 fee or a service fee in circumstances where an identical fund without such fees, or with lower fees, may be available. AIM could direct a larger portion of the Underlying Fund assets to the VIP Funds which may result in higher revenues for itself or to other affiliated funds. However, if AIM were to do so for reasons other than to

maximize fund performance, fund performance would suffer.

- The VIP Funds and the Underlying Funds are offered as funding vehicles for variable insurance products (the “Variable Products”) issued by AIM’s affiliates, Allianz Life Insurance Company of North America and Allianz Life Insurance Company of New York.
- Both the Variable Products and the VIP Funds and the Underlying Funds are distributed by Allianz Life Financial Services, LLC, a broker-dealer affiliated with AIM.
- The Variable Products are sold to the public on a retail basis by a number of broker-dealers.
- Persons who are management persons of AIM are also officers, directors, employees or registered representatives of Allianz Life Insurance Company of North America, Allianz Investment Management U.S. LLC, Allianz Life Insurance Company of New York, Allianz Life Financial Services, LLC, the VIP Funds or the Underlying Funds, all of which are affiliates of AIM. These individuals do not receive any commissions for serving in these positions.
- We receive certain administrative, operational, infrastructure and technical support, compliance, legal, and marketing services from our affiliates that may be material to our advisory business.

AIM does not receive compensation directly or indirectly from third-party asset managers with respect to client assets which would create a material conflict of interest. Except as identified above, AIM does not have any business relationships with the third-party asset managers which would create a material conflict of interest.

#### **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

AIM has implemented a Code of Ethics (“COE”) intended to comply with the requirements of Section 204A of the Investment Advisers Act of 1940 and Section 17j of the Investment Company Act of 1940. The COE is based on the principle that AIM’s employees owe a fiduciary duty to AIM’s clients and it sets forth the standards of conduct expected of these individuals. Specifically, the COE requires such individuals to place the interests of AIM’s clients before their own interests at all times.

The COE defines two categories of Covered Persons:

- “Associated Persons” are defined as any director, officer, or employee of AIM (including interns and consultants) and any person designated by the Chief Compliance Officer who is an employee of an affiliate of AIM, and who regularly works in AIM’s principal business.
- “Access Persons” are defined as any director, officer, or employee of AIM (including interns and consultants) who, in connection with his or her regular functions or duties, participates in, or obtains information regarding, the holdings and/or purchase or sale of securities by any Client of AIM, or whose functions relate to the making of any recommendations with respect to such purchases or sales. This includes any individuals who are actively involved in oversight of the

investment activities of sub- advisers or investment managers to any AIM Client, those who conduct trading on behalf of any AIM Client, those who provide oversight regarding the management of any assets of any AIM Client, or who have or may have access to near contemporaneous portfolio and trading information of any AIM Client.

Copies of the Code of Ethics are available upon request for any client or prospective client and can be requested by contacting us at 763-765-7016.

To ensure that personal trading by Access Persons is adequately reviewed and monitored on an ongoing basis, the Code imposes certain requirements and restrictions.

Any personal securities transactions conducted by Access Persons must be conducted in such a way as to avoid any actual or potential conflict of interest or any abuse of the Access Person's position of trust and responsibility. Covered Persons are prohibited from trading while in possession of material non-public information. In addition, under the Code, certain classes of securities have been designated as exempt securities and certain classes of transactions have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interests of AIM's clients.

In some circumstances, whereby Access Persons are permitted to invest in the same securities as clients, there is a possibility that the Access Person may benefit from market activity within a client account. Personal trading on the part of the Access Persons is continually monitored for adherence to the Code in order to ensure that these individuals comply with its provisions and to ensure that the Code reasonably prevents conflicts of interest between AIM and its clients. Generally, AIM's procedures require the Covered Persons to report holdings and to pre-clear personal securities transactions that exceed a de minimis threshold as defined in the Code. Moreover, the procedures prohibit certain trading activity, including short-term trading, participation in IPO's, and engaging in private placement transactions without specific permission from AIM's Chief Compliance Officer ("CCO").

Covered Persons are prohibited from accepting any gift or other things of more than \$100 value from any person or entity that does business with, or desires to do business with AIM.

Covered Persons are prohibited from serving on the Board of Directors or Trustees of non-affiliated publicly-traded companies without prior written authorization from AIM.

Infringements of the Code must be reported to the CCO.

The Code enumerates certain specific responsibilities of the CCO and of the Board of Governors of AIM. In addition, the Code lists certain records that AIM is required to maintain.

Each Covered Person must acknowledge receipt of the Code and must certify annually that he or she is in compliance with it. Covered Persons who violate the Code are subject to sanctions including possible termination of employment.

The Firm has also established a Conflicts of Interest Committee ("Committee"). It is chaired by the CCO and members of senior management serve on the Committee. The Committee generally has the responsibility to identify, assess and manage potential and actual conflicts of interest. Employees have

the responsibility to escalate any potential or actual conflicts of interest immediately upon identifying them by notifying the CCO.

## **Item 12: Brokerage Practices**

AIM seeks to ensure that best execution is obtained for all of its client accounts. AIM evaluates best execution on the basis of price and other factors relevant including, but not limited to, the size of the transaction, the nature of the market for the security, the amount of the commission, if any, the timing of the transaction, the reputation, experience and stability of the broker-dealer involved. AIM may invest in an underlying fund with a 12b-1 fee or a service fee in circumstances where an identical fund without such fees, or with lower fees, may be available.

AIM does not receive research or services other than execution from any broker-dealer or third party in connection with client securities transactions (“soft dollar benefit”). AIM does not consider, in selecting or recommending a broker-dealer, whether AIM or a related person receives client referrals from the broker-dealer or a third-party.

AIM does not routinely recommend, request or require that a client direct AIM to place transactions through a specified broker-dealer, however, AIM does permit a client to direct brokerage upon clear written instructions from the client. Using client-directed brokerage may result in AIM being unable to achieve the most favorable execution of client transactions and may cost the client more money in higher brokerage commissions or less favorable prices.

AIM will periodically engage in cross trades. Cross trades occur when AIM transfers, or directs an asset manager to transfer, securities from one client account to another client account in exchange for cash without the use of a broker-dealer to facilitate the transaction. AIM will typically use cross trades in an effort to eliminate or reduce transactional costs, including market impact, when AIM has clients buying and selling the same security at the same time and such transaction is in alignment with both clients' investment objectives and in both clients' best interest. When engaging in cross trades, AIM follows policies and procedures which are designed to ensure that:

- 1) Except as otherwise permitted by SEC exemptions or guidance, the transaction is a purchase or sale for no consideration other than cash payment against prompt delivery of a security for which market quotations are readily available;
- 2) The transaction is effected at the independent “current market price” of the security. The current market price will be:
  - a. If the security is a National Market System (“NMS”) stock, the last sale price with respect to such security reported in the consolidated transaction reporting system (“consolidated system”) or the average of the highest current independent bid and lowest current independent offer for such security (reported pursuant to 17 CFR 242.602) if there are no reported transactions in the consolidated system that day; or
  - b. If the security is not a reported security, and the principal market for such security is an

exchange, then the last sale on such exchange or the average of the highest current independent bid and lowest current independent offer on such exchange if there are no reported transactions on such exchange that day; or

- c. If the security is not a reported security and is quoted in the NASDAQ System, then the average of the highest current independent bid and lowest current independent offer reported on Level 1 of NASDAQ; or
  - d. For all other securities, a price which approximates the actual value of the security on secondary market, as determined by reasonable inquiry. Reasonable inquiry may include the following pricing methods:
    - i. AIM or the third party asset manager will seek to obtain independent bids and offers from three dealers known to be familiar with the security in question (or from two or single dealer(s) if such information is only available from two or single dealer(s)). The transaction will be effected at the average of the highest current independent bid and lowest current independent offer from the three (or two or single) dealer(s).
    - ii. If a determination is made that current independent bids and offers or other market quotations are not readily available or are not reliable based on the reasonable inquiry referenced above, AIM or the Third Party Asset Manager may use an independent pricing service to price a security. If the transaction involves a U.S. registered investment company ("RIC"), the pricing service used must be the same service that prices the security for purposes of determining the RIC's net asset value.
- 3) The transaction is consistent with the respective investment policies and investment restrictions of each participating account;
  - 4) No brokerage commission, fee (except for customary transfer fees), or other remuneration is paid in connection with the transaction;
  - 5) The transaction is in the best interest of both the selling and buying accounts, and;
  - 6) The transaction complies with AIM's duty to seek best execution for each account for which it serves as an investment adviser.

In such cases where AIM or a third party asset manager effect cross transactions in client accounts, AIM has a conflict of interest in that AIM represents both the seller and buyer in the transaction and therefore could favor one client over another. AIM attempts to mitigate such conflict through the policy and procedure detailed above.

AIM does not routinely recommend, request or require that a client direct AIM to place transactions through a specified broker-dealer; however, AIM does permit a client to Direct Brokerage upon clear written instructions from the client. Using client-directed brokerage may cost the client more money in

higher brokerage commissions or less favorable prices.

Transactions for clients with directed brokerage arrangements will generally be placed following the execution of portfolio transactions in other clients' accounts where AIM has full discretion to execute the trades. Once the fully discretionary trades have been placed, Directed Brokerage accounts will be placed into a rotation process that been developed and administered by AIM, for trade initiation. This rotation process is intended to equitably allocate transactions across AIM's directed brokerage client base, so that each of these clients can expect, over time, to receive trades placed at the beginning, middle and the end of the rotation.

Client's orders traded on a trading desk for the same security are typically aggregated or bunched to minimize transactional costs. Each account included in an aggregated order is allocated their requested allotment on an average cost basis.

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

### **Item 13: Review of Accounts**

AIM's review of client accounts is an integral component of AIM's investment management process. Portfolio managers review each of their accounts on a regular basis and select investments for clients in accordance with each clients' investment objectives and consistent with the investment philosophy of AIM.

AIM monitors client portfolios for compliance with investment guidelines. Any potential violations that are detected are promptly remediated.

AIM provides advisory clients who have accounts with written reports on a quarterly basis or more frequently as agreed upon between AIM and the client. These reports generally include, among other things, purchases and sales of securities made during the reporting period, and will include a summary of investment in the portfolio. In addition, through telephone calls and in-person meetings, portfolio managers strive to keep clients regularly informed of the investment policy and strategy to achieve clients' investment objectives. In addition, AIM provides reports to both the Board of Governors of the Adviser and the Board of Trustees of the Funds.

### **Item 14: Client Referrals and Other Compensation**

No person who is not a client provides an economic benefit to AIM for providing investment advice or other advisory services to AIM's clients.

AIM has engaged an affiliated entity, Allianz Life Insurance Company of North America, to solicit and

refer clients to AIM. In such case, AIM complies with the applicable provisions of Section 206 of the Investment Advisers Act, and specifically Rule 206(4)-3 thereunder.

### **Item 15: Custody**

AIM does not maintain physical custody of client assets. Each client should receive at least quarterly statements from the broker-dealer, bank, or other qualified custodian that holds and maintains the client's investment assets. AIM may also send a client a separate account statement or invoice from AIM. If this is the case, then AIM urges the client to carefully review such statements and compare such official custodial records to the account statements that we may provide. AIM's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Pursuant to contractual arrangements, AIM has the right to have the client's custodian automatically deduct AIM's fees from certain clients' accounts. Thus, under Rule 206(4)-2 of the Investment Advisers Act of 1940, AIM is deemed to have legal custody of client assets for this limited purpose.

### **Item 16: Investment Discretion**

AIM generally receives investment discretionary authority from the client at the outset of an advisory relationship to select and identify the 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. AIM generally will receive discretionary authority to determine the brokers used and the commissions paid. In all such relationships, AIM will make investment decisions and direct the placement of all transactions without prior consultation with the client. Investment guidelines and restrictions must be provided to AIM in writing.

When selecting securities and determining amounts, AIM observes the investment policies, limitations and restrictions of the clients for which it advises. Certain clients, however, may retain AIM on a non-discretionary basis. When AIM is retained on a non-discretionary basis, it will make recommendations for the client's account but all investment decisions are made by the client and account transactions are executed only in accordance with the applicable investment management agreement.

### **Item 17: Voting Client Securities**

AIM generally delegates the responsibility of voting proxies to the respective sub-advisers/third-party asset managers. AIM endeavors to monitor the sub-advisers/third-party asset managers' proxy voting policies to ensure proxies are voted in a manner consistent with their adopted policies, procedures, guidelines, and to verify the sub-advisers' policies appropriately address any conflicts of interest. In the rare event that AIM received a proxy directly, AIM will act in the best interests of the clients when exercising proxy voting authority. AIM must cast proxy votes in a manner that AIM believes will advance the best interest of client. AIM will never put its own interests ahead of the client.



Clients may contact us at 763-765-7016 for information about how we voted their securities or to request a copy of our proxy voting policy and procedures.

AIM will retain certain records relating to proxy voting; a copy of each proxy statement that AIM receives regarding a client's security, a record of each vote cast by AIM on behalf of a client, a copy of any document created by AIM that was material in deciding how to vote proxies on a client's behalf or that articulates the basis for that decision, and a copy of each written request from clients asking for information regarding how AIM voted proxies on their behalf.

#### **Item 18: Financial Information**

AIM does not require or solicit prepayment of more than \$1,200 in fees per client.

Because AIM does not require or solicit prepayment of more than \$1,200 in fees per client, a balance sheet is not included.

AIM has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

AIM has not been the subject of a bankruptcy proceeding.

#### **Item 19: Requirements for State-Registered Advisers**

This Item is not applicable to AIM.