

Sales Prospectus/Management Regulations 12 July 2017

# Allianz Volatility Strategy

Allianz Global Investors GmbH

# General Information

This sales prospectus is valid only if accompanied by the latest annual report published no more than sixteen months ago. If the latest annual report was published more than eight months ago, then the most recent semi-annual report must also be made available. In particular the annual and semi-annual reports as well as the sales prospectus, the management regulations, Key Investor Information as well as the subscription and redemption prices can be obtained without charge at the registered office of the Luxembourg branch of the Management Company, the Management Company, from the Information Agents or from the Depositary.

Information other than that contained in this sales prospectus as well as in the documents mentioned therein and accessible to the general public must not be given.

## Investment Restrictions applying to US Persons

The Fund is not and will not be registered in the United States of America (the “United States”) under the Investment Company Act of 1940 as amended. The United States includes its territories and possessions, any state of the United States, and the District of Columbia. Fund units have not been and will not be registered in the United States under the US Securities Act of 1933 as amended (the “United States Securities Act”) or under the securities laws of any state of the United States of America. The units made available under this offer may not be directly or indirectly offered or sold in the United States or to or for the benefit of any US Person (as defined in Rule 902 of Regulation S under the Securities Act). Applicants may be required to declare that they are not a US Person and are not applying for units on behalf of any US Person nor acquiring units with the intent to sell them to a US Person. Should a unitholder become a US Person, they may be subject to US withholding taxes and tax reporting.

## US Person

Any person who is a United States Person within the meaning of Rule 902 of Regulation S under the United States Securities Act of 1933 (the “Securities Act”), as the definition of such term may be changed from time to time by legislation, regulations or judicial or administrative agency interpretations.

A United States Person includes but is not limited to: i. any natural person resident in the United States; ii. any partnership or corporation organised or incorporated under the laws of the United States; iii. any estate of which any executor or administrator is a US Person; iv. any trust of which any trustee is a US Person; v. any agency or branch of a foreign entity located in the United States; vi. any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other asset manager for the benefit or account of a US Person; vii. any discretionary account or similar account (other than an estate or trust) held by a dealer or other asset manager organised, incorporated, or (if an individual) resident in the United States; and viii. any partnership or corporation if: (1) organised or incorporated under the laws of any foreign jurisdiction; and (2) formed by a US person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organised or incorporated, and owned, by authorised investors who are not natural persons, estates or trusts.

12 July 2017

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**Note:** This document is a translation of the original German text. Should there be any divergence please refer to the latter.

# Information on the Fund

Allianz Volatility Strategy was established in the Grand Duchy of Luxembourg on 27 March 2009 as a “fonds commun de placement” (FCP) under the law of the Grand Duchy of Luxembourg and falls within the scope of application of Part I of the Luxembourg Law on Undertakings for Collective Investment of 17 December 2010 (“Law”) and as such is an Undertaking for Collective Investment in Transferable Securities (“UCITS”) as defined by Directive 2009/65/EC. The base currency of the Fund is the Euro.

The Fund is managed in accordance with Luxembourg law by Allianz Global Investors GmbH, a subsidiary of Allianz Asset Management AG, Munich, Federal Republic of Germany, and a member of the Allianz Group, and is also distributed through this financial group. Allianz Global Investors GmbH implements the function of the central administration agent through its branch in Luxembourg (collectively referred to as “Management Company”).

This sales prospectus entered into force on 12 July 2017.

The original version of the Fund’s management regulations entered into force on 27 March 2009. The most recent amendment came into effect on 30 November 2016. A notice of lodging of the management regulations with the commercial register in the Grand Duchy of Luxembourg was published on 16 August 2016 in RESA, Recueil électronique des sociétés et associations (“RESA”).

## Investment Objective

The objective of the investment policy is to generate long-term capital growth. To this end, fund management will enter into derivatives on variance in the equity markets using a quantitative approach and a core portfolio with a risk/return profile similar in all other respects to the Euro money market. Depending on market conditions, the above-mentioned derivatives may have different weightings, expressed in terms of the nominal value, in the overall orientation of the Fund.

In general, the derivatives on variance that are used are variance swaps. Variance in this context is a measure of the volatility of an underlying instrument in the period under review.<sup>1</sup>

A variance swap results in a financial settlement between the parties at the end of the swap period. The amount of this settlement is the swap’s nominal value multiplied by the difference between the annualised realised variance and a reference value fixed for the variance at the start of the swap period (the strike variance, which generally corresponds to the expected variance for the respective swap period). The value of a variance swap does not depend 1:1 on the absolute performance of the underlying to which it refers; instead, it depends in particular on the change in the annualised realised variance of the respective underlying in the respective swap period. For this reason the value of a variance swap may even rise when the value of its underlying is dropping, or it may fall when the value of its underlying security is rising. The success of the investment strategy therefore depends particularly on the extent to which, within the quantitative approach, the change in the annualised realised variance of the respective underlying can be accurately forecast for a corresponding swap period.

<sup>1</sup> Variance is a statistical measure of the degree of “dispersion” of a variable (more precisely: a random variable in the mathematical sense), i.e. of the deviation of the variable from a reference value. It is calculated, for example, by adding the squares of the deviations of the samples from the mean and dividing that sum by the number of samples. In the case of derivatives on variance in the equity markets, the samples described above are the returns of the underlying equity market. Since in order to calculate the variance, the actual returns within the period under review are used as a basis, the term is also referred to as the realised variance or the annualised realised variance. The only difference between these two types of variance is that the annualised realised variance has a scaling factor (annualising factor). In a variance swap a somewhat divergent definition of variance is usually used. It is calculated as the annualised sum of the squared logarithmic returns. The logarithmic return is the logarithm of the quotient of the closing prices of the underlying on consecutive banking days.

Accordingly the annualised realised variance in a variance swap is generally defined as follows:

$$\sigma^2 = A \sum_{i=1}^T \left[ \ln \left( \frac{S_i}{S_{i-1}} \right) \right]^2$$

where  $S_i$  = closing price of the underlying on day  $i$ ,  $T$  = number of days between trading day and final maturity,  $A$  is an annualising factor that is chosen as a function of the number of trading days, and “ln” is the natural logarithm (logarithmus naturalis).

Depending on how the variance swap is structured, the potential loss from the variance swap may also be automatically limited for the Fund by fund management.

Fund management will use variance swaps related to equity markets. In particular, positions may be taken in variance swaps in relation to the equity markets of the United States of America, Europe, Germany and/or Japan as underlying.

Different variance swaps running in parallel are generally used. They may differ in terms of swap period, underlying security and strike variance.

Depending on the unit class, the net asset value per unit of a unit class may be converted into a different currency or, if applicable, the currency may also be hedged against another predetermined currency.

## Investment Principles

To this end, the Fund's assets are invested, in accordance with the principle of risk diversification, as follows:

- a) Interest-bearing securities, including zero-coupon bonds, in particular government bonds, mortgage bonds and similar foreign asset-backed securities issued by financial institutions, public-sector bonds, floating-rate notes, convertible bonds and bonds with warrants, corporate bonds, mortgage-backed securities and asset-backed securities, as well as other collateralised bonds may be acquired for the Fund. Index certificates and other certificates whose risk profile typically correlates with the assets listed in sentence 1 or with the investment markets to which these assets can be allocated may also be acquired for the Fund's assets. In this respect, up to 20% of the value of the Fund's assets may be invested in mortgage-backed securities and asset-backed securities.
- b) Subject in particular to letter k), assets as defined in letter a) sentence 1 that do not have an investment grade rating from a recognised rating agency or are not rated at all, but for which in the opinion of fund management, it can be assumed that they would not have an investment grade rating if they were to be rated (collectively called "high-yield" investments), may not be acquired. If an asset as defined in letter a) sentence 1 is rated as a high-yield investment after acquisition, fund management will seek to dispose of that asset within one year. The proportion of assets in accordance with sentence 2 may not, subject in particular to letter k), exceed 10% of the value of the assets of the Fund.
- c) Subject in particular to letter k), assets as defined in letter a) sentence 1 whose issuer has its registered office in a country not classified by the World Bank as "high gross national income per capita", i.e. is not classified as "developed", may not be acquired.
- d) **Deposits as defined in Article 4 No. 3 of the management regulations may also be held and money-market instruments as defined in Article 4 Nos. 1 and 5 as well as Article 5 of the management regulations may be acquired.**
- e) Certificates
  - on European equity indices or the equity indices of individual European countries,
  - on equities of companies that have their headquarters in Europe and
  - on equity baskets whose equities underlie companies that have their headquarters in Europe,

as well as equities and securities equivalent to equities of companies that have their headquarters in Europe, may also be acquired for the Fund's assets. Russia and Turkey are not considered European countries in this sense. The specific risks associated with equity markets are avoided through the use of techniques and instruments.

- f) UCITS or UCI, as defined by Article 4 No. 2 of the management regulations, may be invested up to 10% of the value of the Fund's assets in money-market funds and funds that follow an absolute return approach.

Money-market funds in which investments are made may either be broadly diversified money-market funds or money-market funds focused on specific groups of issuers and/or currencies. Any UCITS or UCI is a money-market fund as defined above if its risk profile typically correlates with that of one or more money markets.

Units may only be acquired in funds that are managed, directly or indirectly, by the Management Company itself or by any other company with which the Management Company is linked by a substantial direct or indirect investment. Units in other funds are acquired only as an exception and only if none of the aforementioned funds pursues the investment policy deemed necessary by fund management in particular cases, or if it involves units in UCITS or UCI based on tracking a securities index, which are admitted for official trading on one of the stock exchanges or regulated markets specified in Article 4 No. 1 of the management regulations.

- g) The Fund's assets may also be denominated in foreign currencies.

Transactions whereby a particular other currency is largely hedged may be executed in the context of unit classes. In this respect, assets that are not denominated in a currency are considered to be denominated in the currency of the country in which the registered office of the issuer is located (for certificates: the underlying instrument).

- h) The average cash-weighted residual term to maturity (duration) of the portion of the Fund's assets invested in interest-bearing securities, including zero-coupon bonds as defined in sentence 1 of letter a), as well as deposits and money-market instruments in accordance with letter d), including interest receivables attached to the aforementioned assets, must be between zero and 18 months. In making the calculations, derivatives on interest-bearing securities, interest and bond indices as well as interest rates are accounted for irrespective of the currency in which the underlying assets are denominated.

- i) In the framework of and taking into account the above restrictions, the Fund's assets may – depending on the market situation – focus on

- individual types of assets, and/or
- individual currencies, and/or
- individual sectors, and/or
- individual countries, and/or
- assets with shorter or longer (residual) maturities, and/or
- assets from issuers/debtors with specified characteristics (e.g. countries or companies),

or have a broad investment focus.

- j) The limits described in b), c), f) and h) may be disregarded if this occurs through changes in the value of assets held in the Fund, or through a change in the value of the Fund as a whole, as in the case of the issue or redemption of unit certificates ("passive violation of limits"). In such cases, fund management will seek to adhere to those limits within an appropriate time frame.

- k) The limits described in letters b) and c) may be disregarded as a result of the acquisition or sale of the corresponding assets if it is simultaneously ensured through the use of techniques and instruments that the respective market risk potential as a whole adheres to the limits.

For this purpose, the techniques and instruments will be counted using the delta-weighted value of the underlying instruments, preceded by a +/– sign as appropriate. Market-contrary techniques and instruments are also considered to be risk-reducing if their underlying instruments do not fully match the assets in the Fund.

- l) The Management Company may also use techniques and instruments for the purpose of efficient portfolio management (including transactions entered into for hedging purposes) and in particular for the purpose of representing the investment policy which is oriented towards variance as a major element (in accordance with Articles 8 and the following of the management regulations and the explanations in the sales prospectus under “The Use of Techniques and Instruments and Special Risks Associated with such Use”) as well as raise short-term loans in accordance with Article 11 of the management regulations.

Under no circumstances may the Fund deviate from its stated investment objectives when using such techniques and instruments.

Fund management will invest the Fund’s assets after thorough analysis of all the information available, subject to a careful evaluation of risks and opportunities, in securities and other approved assets. The performance of fund units, however, remains dependent on changes on the markets. Therefore, no warranty can be given that the objectives of the investment policy will be achieved.

Investors assume the risk of receiving a lesser amount than they originally invested.

## Limited Risk Diversification

Supplementary to Article 6 of the management regulations, the Management Company may invest, in accordance with the principle of risk diversification, up to 100% of the Fund’s net assets in securities and money-market instruments of different issues being offered or guaranteed by the European Union, the European Central Bank, a Member State of the EU or its central, regional or local authorities, by a Member State of the OECD, or by public international bodies to which one or more Member States of the EU belong, provided that such securities and money-market instruments have been offered within the framework of at least six different issues, with the securities and money-market instruments of a single issue not permitted to exceed 30% of the total amount of the Fund’s net assets.

## Ottawa and Oslo Convention

The Fund does not invest in securities of issuers who, in the view of the Management Company, are engaged in business operations that are prohibited under the Ottawa Convention banning anti-personnel mines and the Oslo Convention on cluster bombs. When determining whether a company is engaged in business operations of this type, the Management Company may draw on assessments that are based on

- (a) research analyses by institutions specialising in checking compliance with the above-mentioned conventions,
- (b) information that the company provided in the context of shareholders actively exercising their rights, and
- (c) information in the public domain

The Management Company may make these assessments either itself or obtain them from third parties (including other companies in the Allianz Group).

## Unit Classes

The Fund may offer several unit classes, which differ in their charges, fee structure, use of income, persons authorised to invest, minimum investment amount, reference currency, the possibility of a currency hedge in a unit class, the determination of the settlement date after orders are issued, the determination of the settlement procedure after settlement of an order and/or a distribution, or other characteristics. All units participate equally in income and liquidation proceeds of their unit classes.

Units of distributing and accumulating unit classes may be issued for the Fund. A, C, N, S, P, P2, R, I, X and W unit class types are distributing unit class types, while AT, CT, NT, ST, PT, PT2, RT, IT, XT and WT unit class types are accumulating unit class types, i.e. the income accruing to this unit class type is reinvested in the unit class.



The various unit class types may be issued in the reference currencies listed below:

CHF (Swiss Franc), CZK (Czech Koruna), DKK (Danish Krone), EUR (Euro), GBP (Pound Sterling), HKD (Hong Kong Dollar), HUF (Hungarian Forint), JPY (Japanese Yen), NOK (Norwegian Krone), PLN (Polish Zloty), SEK (Swedish Krona), SGD (Singapore Dollar) and USD (US Dollar).

The reference currency of a unit class is indicated by the code in parentheses after the unit class type [e.g. in the case of unit class type A and reference currency USD: A (USD)].

The above-mentioned unit classes may be supplemented with numbers from "2" to "10".

The conversion from one unit class to another unit class is precluded.

There is a required minimum investment amount for the acquisition of units of unit class types N, NT, P, PT, P2, PT2, I, IT, W and WT as indicated below (after deduction of any sales charge). In individual cases, the Management Company may accept a lower minimum investment at its own discretion. Additional investments at lesser amounts are allowed, if the total of the current value of the units of the same unit class already held by the investor at the time of the additional investment and the amount of the additional investment (after deduction of any sales charge) corresponds to at least the minimum investment amount of the unit class in question. This calculation only considers holdings of the investor held at the same location at which the additional investment is to be made. If the investor is acting as intermediary for third-party ultimate beneficiaries, then the units of the types of unit classes indicated may only be acquired if the conditions listed above are separately fulfilled for each of the ultimate beneficiaries. A condition may be set on the issue of units of these types of unit classes requiring the prior submission by the investor of a written guarantee to that effect.

Unit Class	N/NT	P/PT	P2/PT2	I/IT	W/WT
Minimum investment	CHF 400,000.00	CHF 200,000.00	CHF 100,000.00	CHF 2,000,000.00	CHF 20,000,000.00
	CZK 6,000,000.00	CZK 3,000,000.00	CZK 1,500,000.00	CZK 30,000,000.00	CZK 300,000,000.00
	DKK 2,000,000.00	DKK 1,000,000.00	DKK 500,000.00	DKK 10,000,000.00	DKK 100,000,000.00
	EUR 200,000.00	EUR 100,000.00	EUR 50,000.00	EUR 1,000,000.00	EUR 10,000,000.00
	JPY 40,000,000.00	JPY 20,000,000.00	JPY 10,000,000.00	JPY 200,000,000.00	JPY 2,000,000,000.00
	GBP 200,000.00	GBP 100,000.00	GBP 50,000.00	GBP 1,000,000.00	GBP 10,000,000.00
	HKD 2,000,000.00	HKD 1,000,000.00	HKD 500,000.00	HKD 10,000,000.00	HKD 100,000,000.00
	HUF 50,000,000.00	HUF 25,000,000.00	HUF 12,500,000.00	HUF 250,000,000.00	HUF 2,500,000,000.00
	NOK 1,600,000.00	NOK 800,000.00	NOK 400,000.00	NOK 8,000,000.00	NOK 80,000,000.00
	PLN 800,000.00	PLN 400,000.00	PLN 200,000.00	PLN 4,000,000.00	PLN 40,000,000.00
	SEK 2,000,000.00	SEK 1,000,000.00	SEK 500,000.00	SEK 10,000,000.00	SEK 100,000,000.00
	SGD 400,000.00	SGD 200,000.00	SGD 100,000.00	SGD 2,000,000.00	SGD 20,000,000.00
	USD 200,000.00	USD 100,000.00	USD 50,000.00	USD 1,000,000.00	USD 10,000,000.00

Units of unit class types C and CT may only be acquired within the scope of unit-linked insurance policies or professional asset management by investors who are either domiciled in or permanent residents of the Federal Republic of Germany.

Units of unit class types R and RT may only be acquired with the consent of the Management Company and, in addition, only by such sales partners that are not permitted to accept or retain ongoing distribution fees (portfolio commissions) due to statutory provisions or based on special remuneration agreements with the clients involved. No version of the R or RT unit classes pays remuneration to the sales partners.

Units of unit class types I, IT, X, XT, W and WT may not be acquired by natural persons, nor may they be acquired in situations in which the subscriber of the units is not a natural person, but is acting as intermediary for a third-party ultimate beneficiary who is. A condition may be set on the issue of units of these types of unit classes requiring the prior submission by the investor of a written guarantee to that effect.

For units of unit class types X and XT, no all-in fee is charged to the Fund at unit-class level; instead, the respective unitholder is directly charged a fee by the Management Company. Units of these types of unit class may only be issued with the approval of the Management Company and after conclusion of a special individual agreement between the unitholder and the Management Company. The Management Company may, at its own discretion, decide whether to approve the issue of units, whether it is prepared to conclude a special individual agreement and how any special individual agreement is to be structured.

For information on the all-in fee for other unit class types, and in relation to other charges, in particular any sales charge or redemption fee/divestment fee, please refer to the information table and the sections entitled “Charges”, “Issue of Units and Related Costs” and “Redemption of Units and Related Costs”.

Unit classes whose reference currency is not the base currency of the Fund may also be issued. In doing so, it is possible to issue unit classes aiming at currency hedging in favour of the reference currency, and unit classes in which this is not done. The costs of these currency hedge transactions are borne by the corresponding unit class.

If currency hedging in favour of the respective reference currency is aimed at for a unit class, an “H-” is prefixed to the name of the reference currency [e.g. in the case of unit class type A, reference currency USD and currency hedging being aimed at in respect of this reference currency: A (H-USD)]. When this sales prospectus refers to unit classes A, AT, C, CT, S, ST, N, NT, P, PT, P2, PT2, R, RT, I, IT, X, XT, W or WT without additional codes, it relates to the relevant unit class type.

The distributing unit classes A, C, N, S, P, P2, R, I, X and W may include an additional code “M”, which refers to monthly distribution. These unit classes may only be acquired by investors who are neither domiciled in nor permanent residents of the Federal Republic of Germany.

Information on the timing of the settlement procedure after settlement of an order can be found in the sections entitled “Issue of Units and Related Costs” and “Redemption of Units and Related Costs”.

The calculation of the net asset value per unit (in accordance with Article 15 Nos. 1, 2 and 3 of the management regulations) will be determined for each unit class by dividing the value of the net assets belonging to a unit class by the number of units of this unit class in circulation on the valuation day (for more information, see also the section entitled “NAV Calculation”). When distributions are made, the value of the net assets attributable to the units of the distributing unit classes is reduced by the amount of these distributions. If the Fund issues units, the value of the net assets of the respective unit class increases by the amount of the proceeds resulting from such issue, less any sales charge levied. If the Fund redeems units, the value of the net assets of the respective unit class is reduced by the amount of the net asset value attributable to the units redeemed.

Information on the distribution policy of each of the unit class types is included in the section entitled “Calculation and Use of Income”.

## Information Table

Unit Class	A/AT	C/CT	N/NT	S/ST	P/PT
Initial net asset value per unit	CHF 100.00 CZK 3,000.00 DKK 1,000.00 EUR 100.00 GBP 100.00 HKD 100.00 HUF 25,000.00 JPY 20,000.00 NOK 1,000.00 PLN 400.00 SEK 1,000.00 SGD 100.00 USD 100.00	CHF 100.00 CZK 3,000.00 DKK 1,000.00 EUR 100.00 GBP 100.00 HKD 100.00 HUF 25,000.00 JPY 20,000.00 NOK 1,000.00 PLN 400.00 SEK 1,000.00 SGD 100.00 USD 100.00	CHF 1,000.00 CZK 30,000.00 DKK 10,000.00 EUR 1,000.00 GBP 1,000.00 HKD 1,000.00 HUF 250,000.00 JPY 200,000.00 NOK 10,000.00 PLN 4,000.00 SEK 10,000.00 SGD 1,000.00 USD 1,000.00	CHF 100.00 CZK 3,000.00 DKK 1,000.00 EUR 100.00 GBP 100.00 HKD 100.00 HUF 25,000.00 JPY 20,000.00 NOK 1,000.00 PLN 400.00 SEK 1,000.00 SGD 100.00 USD 100.00	CHF 1,000.00 CZK 30,000.00 DKK 10,000.00 EUR 1,000.00 <sup>1)</sup> GBP 1,000.00 HKD 1,000.00 HUF 250,000.00 JPY 200,000.00 NOK 10,000.00 PLN 4,000.00 SEK 10,000.00 SGD 1,000.00 USD 1,000.00
Sales charge <sup>1)</sup>	6.00%	3.00%	–	7.00%	–
Redemption fee/divestment fee	No redemption fee or divestment fee is currently levied.				
All-in fee in accordance with the management regulations <sup>2)</sup>	2.30% p.a.	2.80% p.a. <sup>3)</sup>	1.50% p.a.	1.50% p.a.	0.70% p. a
Performance-related fee <sup>2)</sup>	No performance fee is currently levied.				
Taxe d'Abonnement	0.05% p.a.	0.05% p.a.	0.05% p.a.	0.05% p.a.	0.05 % p. a

<sup>1)</sup> Unit class P3 (EUR): EUR 100.00

Unit Class	P2/PT2	R/RT	I/IT	X/XT	W/WT
Initial net asset value per unit	CHF 1,000.00 CZK 30,000.00 DKK 10,000.00 EUR 1,000.00 GBP 1,000.00 HKD 1,000.00 HUF 250,000.00 JPY 200,000.00 NOK 10,000.00 PLN 4,000.00 SEK 10,000.00 SGD 1,000.00 USD 1,000.00	CHF 100.00 CZK 3,000.00 DKK 1,000.00 EUR 100.00 GBP 100.00 HKD 100.00 HUF 25,000.00 JPY 20,000.00 NOK 1,000.00 PLN 400.00 SEK 1,000.00 SGD 100.00 USD 100.00	CHF 1,000.00 CZK 30,000.00 DKK 10,000.00 EUR 1,000.00 GBP 1,000.00 HKD 1,000.00 HUF 250,000.00 JPY 200,000.00 NOK 10,000.00 PLN 4,000.00 SEK 10,000.00 SGD 1,000.00 USD 1,000.00	CHF 1,000.00 CZK 30,000.00 DKK 10,000.00 EUR 1,000.00 GBP 1,000.00 HKD 1,000.00 HUF 250,000.00 JPY 200,000.00 NOK 10,000.00 PLN 4,000.00 SEK 10,000.00 SGD 1,000.00 USD 1,000.00	CHF 1,000.00 CZK 30,000.00 DKK 10,000.00 EUR 1,000.00 GBP 1,000.00 HKD 1,000.00 HUF 250,000.00 JPY 200,000.00 NOK 10,000.00 PLN 4,000.00 SEK 10,000.00 SGD 1,000.00 USD 1,000.00
Sales charge <sup>1)</sup>	3.00%	–	–	–	–
Redemption fee/divestment fee	No redemption fee or divestment fee is currently levied.				
All-in fee in accordance with the management regulations <sup>2)</sup>	1.20% p. a.	2.00% p. a.	0.70% p.a.	1.50% p.a. <sup>4)</sup>	1.50% p.a.
Performance-related fee <sup>2)</sup>	No performance fee is currently levied.				
Taxe d'Abonnement	0.05% p.a.	0.05% p.a.	0.01% p.a.	0.01% p.a.	0.01% p.a.

<sup>1)</sup> The Management Company may levy a lower sales charge at its own discretion.

<sup>2)</sup> The Management Company may levy a lower fee at its own discretion.

<sup>3)</sup> A separate distribution component is included for additional services of the distributor(s).

<sup>4)</sup> Unless another fee, which may include a performance-related component, is agreed based on a special individual agreement between the Management Company and the respective unitholder.

Launch date of the unit classes that have already been launched:

- Unit class I (EUR) (ISIN LU0417273579 / WKN A0RGFH): 7 April 2009
- Unit class P (EUR) (ISIN LU0417273223/ WKN A0RGFF): 27 April 2010
- Unit class IT (EUR) (ISIN LU0417273652/ WKN A0RGFJ): 13 January 2011
- Unit class P2 (EUR) (ISIN LU0671146552/ WKN A1JHRI): 22 November 2011
- Unit class P3 (EUR) (ISIN LU0417273496 / WKN A0RGFG): 26 August 2016
- Unit class PT2 (EUR) (ISIN LU0719861360/ WKN A1JRA5): 10 January 2012

## Calculation and Use of Income

The Management Company determines each year whether, when and in what amount a distribution in accordance with the current provisions in the Grand Duchy of Luxembourg will be made for a unit class.

For distributing unit classes, income that can be used for distributions is calculated by subtracting payable charges, fees, taxes and other expenses from accrued interest, dividends and income from target fund units as well as compensation for securities lending and securities repurchase agreements, while taking into account the corresponding income equalisation.

The current distribution policy for units of distributing unit classes provides for the annual distribution of essentially all income, less costs, that can be distributed as defined above from a corresponding time period. Nevertheless, the Management Company may decide to distribute realised capital gains and other income – taking into account the corresponding income equalisation – and unrealised capital gains and capital in accordance with Article 16 in conjunction with Article 23 of the Law. Annual distributions will be made on 15 July of each calendar year. If the distribution date falls on a weekend or bank holiday, the distribution will be made on the next banking day. The Management Company may also make interim distributions.

In the case of the distributing unit classes A, C, N, S, P, P2, R, I, X and W which include an additional code “M”, distribution is made on the 15th of each month. If the distribution date falls on a weekend or bank holiday, the distribution will be made on the next banking day.

Accumulating unit classes retain all income (interest, dividend income, income from target fund units, compensation for securities lending and securities repurchase agreements, other income and realised capital gains, while taking into account the corresponding income equalisation) less payable charges, fees, taxes and other expenses as at the end of the Fund’s financial year, and reinvest these amounts. For this reason, it should not be expected that distributions will be paid out to unitholders. Nevertheless, the Management Company may decide how income and realised capital gains (taking into account the corresponding income equalisation) are to be used, that capital may be distributed in accordance with Article 16 in conjunction with Article 23 of the Law and that distributions in the form of cash payments may be made. An annual accumulation is currently scheduled for 31 March of each calendar year.

Under no circumstances may distributions be made if doing so would result in the Fund’s net asset value falling below EUR 1,250,000.00.

Payments in connection with any distributions are made in the reference currency of the respective unit class, which is currently set as follows for:

- unit classes with reference currencies CZK, HKD, HUF, PLN or SGD normally within three valuation days after the distribution date;
- all other unit classes, normally within two valuation days after the distribution date;

although no later than ten valuation days after the respective distribution date in each case. The Registrar and Transfer Agent is only obliged to make payment if there are no legal provisions such as exchange control regulations or other circumstances beyond the Registrar and Transfer Agent’s control (e.g. holidays in countries in which investors or intermediaries/service providers engaged to process the payment are domiciled) forming an obstacle to transfer of the distribution.

Distributions which are not claimed within five years after the declaration of distribution is published revert to the unit class. Nevertheless, the Management Company is authorised to pay out to the unitholders from the unit class distributions which are claimed after expiry of this deadline.

## Income Equalisation Procedure

The Management Company uses an income equalisation procedure for the Fund’s unit classes. This means that the proportional income and realised capital gains/losses accruing during the financial year, which the acquirer of units must

pay as part of the subscription price and which the seller of units receives as payment as part of the redemption price, is continuously netted. The expenses incurred are taken into account in calculating the income equalisation.

The income equalisation procedure is used to adjust for fluctuations in the relationship between income and realised capital gains/losses on the one hand, and other assets on the other, that are caused through net inflows or outflows due to the sale or redemption of units. Otherwise, every net inflow of cash would reduce the proportion of income and realised capital gains/losses on the net asset value of the Fund and each outflow would increase it.

## Risk Factors

An investment in the Fund is associated with the following risk factors in particular:

### Interest-Rate Risk

If the Fund invests directly or indirectly in interest-bearing securities, it is exposed to interest-rate risk. If the market interest rate increases, the value of the interest-bearing assets held by the Fund may drop significantly. This applies to an even greater degree if the Fund also holds interest-bearing securities with a longer residual term to maturity and a lower nominal interest return.

### Risk of interest being charged on deposits

The Management Company invests the liquid assets of the Fund at the depositary or other banks for account of the Fund. Depending on changes in the market, in particular how the interest rate policy of the European Central Bank develops, short-, medium- and long-term bank deposits may be subject to interest charges. Such interest charges may adversely impact the performance of the Fund.

### Creditworthiness Risk

The creditworthiness (solvency and willingness to pay) of the issuer of a security or money-market instrument held directly or indirectly by the Fund may subsequently fall. This usually leads to drops in the price of the security, which surpass those caused by the general market fluctuations.

### General Market Risk

If the Fund invests directly or indirectly in securities and other assets, it is exposed to general trends and tendencies on the markets, especially the securities markets, which are based on manifold, sometimes irrational factors, and to general economic performance. Such factors may lead to more significant and longer-lasting declines in prices affecting the entire market. Securities from top-rated issuers are subject to essentially the same general market risk as other securities and assets.

### Company-Specific Risk

The price development of the securities and money-market instruments directly or indirectly held by the Fund is also dependent on company-specific factors, for example, the issuer's business situation. If the company-specific factors deteriorate, the price of the respective security may drop significantly and enduringly, without regard to any otherwise generally positive stock-market trend.

### Settlement Default Risk

The issuer of a security directly or indirectly held by the Fund or the debtor of a claim belonging to the Fund may become insolvent. This could result in the corresponding assets of the Fund becoming economically worthless.

### Counterparty Risk

To the extent that transactions for the Fund are not handled through a stock exchange or a regulated market ("OTC transactions"), there is the risk (above and beyond the general settlement default risk) that the counterparty to the transaction may default or not completely fulfil its obligations. This applies in particular to transactions involving techniques and instruments. Any default on the part of the counterparty may result in losses for the Fund. It is possible to reduce this risk to a substantial extent, however, by accepting collateral from the counterparty in accordance with the Fund's principles relating to collateral management as described below, particularly with regard to OTC derivatives.

### Currency Risk

If the Fund directly or indirectly holds assets denominated in a foreign currency, it is exposed to currency risk (if foreign currency positions have not been hedged). Any devaluation of the foreign currency against the base currency of the Fund would cause the value of the assets denominated in the foreign currency to fall.

### Concentration Risk

If the Fund focuses its investments on certain markets or types of investment, by definition this concentration does not allow the same scope of diversification of risks across different markets as would be possible if investments were not so concentrated. Consequently, the Fund is particularly dependent on the development of these investments as well as of individual or related markets or of companies included in those markets.

### Country and Region Risk

If the Fund focuses its investments on certain countries or regions, this also reduces risk diversification. Consequently, the Fund is particularly dependent on the development of individual or related countries and regions, or of companies based and/or operating in those countries or regions.

### Country and Transfer Risk

Economic or political instability in countries in which the Fund is invested may result in the Fund not receiving the full amount or any of the monies to which it is entitled despite the solvency of the issuer of the respective security or other assets. Currency or transfer restrictions or other legal changes, for example, may be of significance in this regard.

### Liquidity Risk

Even relatively small orders for purchases or sales of illiquid securities (securities that cannot be sold readily) can lead to significant price changes. If an asset is not liquid, there is the risk that the asset cannot be sold or can only be sold at a significant discount to the purchase price. The purchase of an illiquid asset may cause its purchase price to increase significantly.

### Custodial Risk

Custodial risk is the risk arising from the possibility that to the detriment of the Fund, the Fund could be denied access, in whole or in part, to investments held in custody in case of bankruptcy, negligence, wilful misconduct or fraudulent activity on the part of the Depositary or a sub-depositary.

### Specific Risks of High-Yield Investments

High-yield investments in the interest-bearing segment are those which either do not have an investment grade rating from a recognised rating agency or are not rated at all, but for which it can be assumed that they would not have an investment grade rating if they were to be rated. Such investments are subject to the same general risks of these asset classes, but the level of risk is greater. In particular, such investments are normally associated with increased creditworthiness risk, interest-rate risk, general market risk, company-specific risk and liquidity risk.

### Performance Risk

It cannot be guaranteed that the investment objectives of the Fund or the investment performance desired by the investor will be achieved. The net asset value of the Fund may also fluctuate, and in particular, may fall, causing investors to incur losses, especially in consideration of risks that assets acquired by the Fund are subject to in general and the risks that are entered into in the selection of individual assets in particular. Investors assume the risk of receiving a lesser amount than they originally invested. Neither the Management Company nor any third parties offer guarantees as to the specific performance of investments in the Fund.

### Fund Capital Risk

Because of the risks described here to which the valuation of the assets held in the Fund's capital/unit class is subject, there is the risk that the Fund's capital or the capital attributable to a unit class will decrease. Excessive redemption of fund units or an excessive distribution of returns on investments could have the same effect. A reduction in the fund capital or capital attributable to a unit class could make the management of the Fund or a unit class unprofitable, which could lead to the liquidation of the Fund or a unit class and to investor losses.

### Specific Risks of Asset-Backed Securities (ABS) and Mortgage-Backed Securities (MBS)

The scope of the income, performance and/or capital repayment of ABS and MBS depends on the income, performance, liquidity and credit rating of the relevant pool of reference assets (e.g. receivables, securities and/or credit derivatives) that is economically or legally underlying or is used as cover, as well as the individual assets included in the pool or the actual debtors/issuers behind them. If the performance of the assets in the pool turns out unfavourably for investors, depending on the structure of the ABS or MBS, investors can suffer losses and even total loss.

ABS or MBS may be issued either by a company established for this purpose (special-purpose company) or without such a special-purpose company. Special-purpose companies used to issue ABS or MBS normally do not engage in any other business besides issuing ABS or MBS; the pool underlying the ABS or MBS, which often consists of non-fungible assets, normally represents the only assets of the special-purpose company or the only assets from which the ABS or MBS are to be serviced. When ABS or MBS are issued without a special-purpose company, there is the risk that the liability of the issuer is restricted to the assets included in the pool. For the assets included in the pool, the principal risks that should be mentioned are the concentration risk, liquidity risk, interest-rate risk, creditworthiness risk, company-specific risk, general market risk, settlement default risk and counterparty risk.

There are also the additional general risks associated with investment in bonds and derivatives when ABS or MBS are issued either through or without a special-purpose company in relation to the investment instrument ABS and MBS, in particular the interest-rate risk, the creditworthiness risk, the company-specific risk, the general market risk, the settlement default risk, the counterparty risk and the liquidity risk.

### Risk of Restricted Flexibility

The redemption of fund units may be subject to restrictions. If redemption of units is suspended or delayed, investors cannot redeem their units and are compelled to remain invested in the Fund for a longer period of time than originally intended or desired and their investments continue to be subject to the risks inherent to the Fund. If the Fund is liquidated, or if the Management Company exercises the right to enforce redemption of units, investors no longer have the opportunity to remain invested in the Fund. The same applies if the Fund held by the investor merges with another fund, in which case the investors automatically become holders of units of the absorbing fund. The sales charge levied when units are acquired could in particular reduce or even eliminate any returns on an investment if the period of investment is short. If units are redeemed, the investor may, in addition to the costs already incurred (e.g. sales charge for the purchase of units), incur additional costs, such as a redemption fee for the fund units held or a sales charge for the purchase of other units. These events and circumstances may result in investor losses.

### Inflation Risk

Inflation risk is the risk that assets will lose value because of a decrease in the value of money. Inflation can reduce the purchasing power of income made on an investment in the Fund as well as the intrinsic value of the investment. Different currencies are subject to different levels of inflation risk.

### Risk of Changes in Underlying Conditions

Over time, the framework (e.g. economic, legal or tax) within which an investment is made may change. This could have a negative effect on the investment and on the treatment of the investment by the investor.

### Risk of taxation or any other charges due to local regulations with regard to the assets held by the Fund

Due to local regulations, taxes, duties, fees and other deductions regarding assets held by the Fund may apply now or in the future. This is especially true with respect to proceeds or profits from the sale, repayment or restructuring of the Fund's assets, to the cash flow-free restructuring of the Fund's assets, to changes related to sub-custody facilities, and to dividends, interest and other income received by the Fund. Certain taxes or charges, for example, all charges levied within the scope of FATCA (Foreign Account Tax Compliance Act, more details under "Taxation of the Fund"), may be levied in the form of a withholding tax or a deduction from the payment or transfer of payments.

### Risk of transferring the fund to another management company

The Management Company may transfer the fund to another management company. Any such transfer does not affect the fund or the position of investors. Within the context of the transfer, however, each investor must decide whether he

considers the new management company to be just as suitable as the previous one. If he does not wish to remain invested in the fund under new management, he must redeem his units. This may incur income taxes.

#### **Settlement Risk**

In particular when investments are made in unlisted securities, there is the risk that the settlement through a transfer system may not be executed as expected because of a delayed payment or delivery or because of a payment or delivery not agreed to contractually.

#### **Risk of Changes to the Management Regulations, Investment Policy and Other General Provisions of the Fund**

Unitholders are advised that the management regulations and investment policies of a fund, as well as the other general provisions of a fund, may be changed to the extent that it is permissible to do so. In particular, a change to the investment policy within the range of investments permitted for Directive-compliant funds may change the content of the risk associated with the respective fund.

#### **Key Personnel Risk**

The success of a fund which performs very positively over a certain period of time is partly due to the aptitude of the traders and so to the correct decisions of its management. Nonetheless, fund management personnel may change. New decision-makers may then possibly be less successful.

#### **Risk of Incurring Transaction Costs Resulting from Unit Movements at Fund Level**

At fund level, the issue of units may lead to investment of the cash inflow, while redemptions of units may lead to the disposal of investments to achieve the required liquidity. Such transactions give rise to costs that could have a substantial negative effect on the performance of the Fund, particularly if units issued and redeemed on a single day do not approximately offset one another.

#### **Specific Risks of Investing in Target Funds**

If a fund uses other funds (target funds) as an investment vehicle for its assets by acquiring units in such other funds, it assumes, in addition to the risks generally associated with investment policies of the other funds, the risks that result from the structure of the "fund" vehicle. As a result it is itself subject to the fund capital risk, the settlement risk, the risk of restricted flexibility, the risk of changes to underlying conditions, the risk of changes to terms and conditions, the investment policy and other general provisions of a fund, the key personnel risk, the risk of incurring transaction costs resulting from unit movements at fund level and, in general, the performance risk. If a target fund's investment policy is oriented towards investment strategies that expect markets to rise, the relevant positions should usually have a positive effect on the target fund's net assets when markets are rising, and normally a negative effect when the markets are falling. If a target fund's investment policy is oriented towards investment strategies that expect markets to fall, the relevant positions should usually have a positive effect on the target fund's net assets when markets are falling, and normally a negative effect when the markets are rising.

The target fund managers of different funds operate independently of one another. This may lead to several target funds assuming opportunities and risks in the same or related markets or assets, which concentrates the opportunities and risks of the fund holding these target funds on the same or related markets or assets. It could also have the effect of cancelling out the economic opportunities and risks assumed by the different target funds.

If a fund invests in target funds, costs are regularly incurred both at the level of the fund making the investment and at the level of the target funds, in particular management fees (fixed and/or performance-related), depositary fees and other costs; these result in increased charges to the investors in the fund making the investment.



## The Use of Techniques and Instruments and Special Risks Associated with such Use

The Management Company may use techniques and instruments as defined in Articles 8 and the following of the management regulations, in particular securities repurchase agreements and securities lending transactions as well as derivatives as defined in Article 4 No. 4 of the management regulations, in accordance with the investment restrictions of the Fund for the purpose of efficient portfolio management (including transactions entered into for hedging purposes and for speculative purposes). The Management Company may also in particular enter into market-contrary transactions, which could lead to gains for the Fund if the prices of the underlying securities fall, or to losses for the Fund if the prices rise.

The use of such investment strategies may be restricted by market conditions or as a result of regulatory restrictions, and there is no assurance that the pursuit of such strategies will in fact achieve the desired aim.

Techniques and instruments must be used for the purpose of efficient portfolio management, for which the following requirements must be met:

- a) They are economically appropriate such that they can be used cost-effectively;
- b) They are used with one or more of the following specific goals:
  - Risk reduction;
  - Cost reduction;
  - Generation of additional capital or income for the Fund with a risk corresponding to the risk profile of the UCITS and the risk diversification rules as defined in Article 6 Nos. 1 to 4 of the management regulations;
- c) Their risks are measured appropriately by the Fund's risk management system.

The use of techniques and instruments may not

- a) result in a change to the Fund's stated investment objective; or
- b) involve significant additional risks in comparison with the original risk strategy described in the prospectus.

Insofar as transactions for efficient portfolio management are undertaken on behalf of the Fund, they must be taken into account when developing the risk management process for liquidity risks in order to ensure that the Fund can comply with its repurchase commitments at all times.

### Derivatives

The Management Company may use a wide range of derivatives, which may also be combined with other assets when appropriate. In addition the Management Company may also acquire securities and money-market instruments in which one or more derivatives are embedded ("financial instruments with a derivative component"). Derivatives are based on underlying securities that may be acquired for the Fund. They may be permissible instruments as defined in Article 4 of the management regulations or financial indices, interest rates, exchange rates or currencies. Derivatives or financial instruments with derivative components include in particular futures, options, financial futures and swaps as well as combinations thereof, including equivalent instruments settled in cash, which are traded on a stock exchange or regulated market, and/or derivative financial instruments that are not traded on such markets ("OTC derivatives"), if the underlying securities are assets that may be acquired for the Fund or are financial indices within the meaning of Article 9 (1) of Directive 2007/16/EC, interest rates, exchange rates or currencies in which the Fund may invest in accordance with its investment objectives. The financial indices within this meaning include, specifically, currency, exchange-rate, interest-rate, price and total interest-rate return indices, as well as, in particular, the continued use of bond and equity indices and indices on the additional permissible instruments listed in Article 4 of the management regulations, as well as commodity futures, precious metal and commodity indices.

For the avoidance of doubt, no derivative transaction will be entered into which provides for physical delivery of any component of the commodity futures, precious metal and commodity indices acting as underlying securities.

In addition, the following conditions must also be fulfilled for OTC derivatives:

- a) The counterparties must be top-rated financial institutions specialised in such transactions, and additionally must hold a rating from a recognised rating agency (such as Moody's, S&P or Fitch) of at least Baa3 (Moody's), BBB- (S&P or Fitch). They must be subject to prudential supervision. There are no further restrictions relating to legal status or country of origin.
- b) The OTC derivatives must be subject to a reliable and verifiable valuation on a daily basis and may be sold, liquidated or closed out by an offsetting transaction at any time at a reasonable price.
- c) The transactions must be effected on the basis of standardised contracts.
- d) Transactions are subject to the Management Company's policy as described in the following chapter, "Principles relating to collateral management".
- e) The Management Company must deem the purchase or sale of such instruments, instead of instruments traded on a stock exchange or in a regulated market, to be advantageous for investors. The use of OTC derivatives is particularly advantageous if it facilitates a hedging of assets at matching maturities, thus being less expensive.

Examples of the functioning of selected derivatives, which the Fund and, if applicable, unit classes can use, depending on the form of the relevant investment guidelines:

#### **Options**

The purchase of a call or put option is the right to buy or sell a specific underlying security for a fixed price at a future time or within a specific period of time, or to enter into or cancel a specific contract. This requires payment of an option premium, which is incurred regardless of whether the option is exercised.

The writing of a call or put option, for which the writer (seller) receives an option premium, involves the obligation to buy or sell a specific underlying security for a fixed price at a future time or within a specific period of time, or to enter into or cancel a specific contract.

#### **Forward transactions**

A forward contract is a mutual agreement that entitles or obliges the contracting parties to buy or deliver a specific underlying security at a certain time at a pre-determined price, or to make an appropriate cash settlement. Only a fraction of the contract value generally needs to be put down immediately ("margin").

#### **Contracts for Difference**

A contract for difference is an agreement between the Management Company and a counterparty. The parties are typically described as "buyer" and "seller". The contract stipulates that the seller will pay to the buyer the difference between the current value of an asset and its value at contract time. (If the difference is negative, then instead the buyer pays the difference to the seller.) Contracts for difference may be used to take advantage of prices moving up (long positions) or prices moving down (short positions) on the underlying financial instruments in the fund and are often used to speculate on those markets. When applied to equities, for example, such a contract is an equity derivative that allows the fund manager to speculate on share price movements, without the need for ownership of the underlying shares.

#### **Swaps**

A swap is a type of transaction in which the securities underlying the transaction are exchanged among the contracting partners. The Management Company may in particular enter into interest-rate, currency, equity, bond and money market-related swap transactions as well as credit default swaps on behalf of the Fund within the framework of the investment principles. The payments due from the Management Company to the counterparty and vice versa are calculated by reference to the specific instrument and an agreed-upon nominal amount.

Credit default swaps are credit derivatives enabling any credit default risk to be transferred to other parties from an economic viewpoint. Credit default swaps may be used, among other things, to hedge creditworthiness risks arising from bonds acquired by the Fund (e.g. government or corporate bonds). Usually the contracting partner may be obliged to buy the underlying bond at an agreed price or pay a cash settlement when a previously defined event, such as the insolvency of the issuer, occurs. The buyer of the credit default swap pays a premium to the counterparty as consideration for accepting the risk of credit default.

### **Total Return Swaps**

Total return swaps must meet the requirements of Regulation 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No. 648/2012. Total return swaps are derivatives in which all the income and fluctuations in value of an underlying asset are swapped for an agreed fixed interest payment. One contracting partner, the total return payer, transfers the entire credit and market risk arising from the underlying asset to the other contracting partner, the total return receiver. In return, the total return payer pays a premium to the total return receiver. If total return swaps are used, the counterparties do not have any influence on the composition or management of the underlying asset.

**Up to 50% of the Fund's assets may be used for transactions of this type. The Management Company expects that, as a rule, not more than 1% of the Fund's assets will be subject to total return swaps. However, this is only an estimated figure that could be exceeded in particular cases. All the income obtained from total return swaps accrues to the Fund, after transaction costs have been deducted.**

### **OTC derivative transactions**

The Management Company may conduct both transactions in derivatives which are admitted to official trading at a stock exchange or included in another organised market, as well as over-the-counter transactions (OTC transactions). In OTC transactions, the counterparties conclude non-standardised agreements that are directly negotiated in each particular case, laying down the rights and obligations of the contracting partners. OTC derivatives are often only liquid to a limited extent and may be subject to relatively high price fluctuations.

The use of derivatives to hedge the Fund's assets is an attempt to reduce the economic risk inherent in an asset of the Fund to the greatest extent possible. At the same time, however, there is a possible risk that the Fund will no longer be able to participate in a positive development of the hedged asset.

The Fund incurs additional risks by using derivatives to increase returns in pursuing the investment objective. These risks depend on the characteristics of both the respective derivative and the underlying security. Derivative positions may be subject to leverage effects, such that even a small investment in derivatives can have a substantial negative impact on the performance of the Fund.

Any exposure to derivatives is associated with investment risks and transaction costs to which the Fund would not be subject if these strategies had not been employed.

An investment in derivatives is associated with specific risks and there is no guarantee that a particular assumption on the part of fund management will actually apply or that an investment strategy using derivatives will be successful. The use of derivatives may be associated with considerable losses or, depending on the structure of the derivative used, theoretically even unlimited losses. The risks chiefly involve general market risk, performance risk, liquidity risk, creditworthiness risk, settlement risk, risk of changes in underlying conditions and counterparty risk. In this respect the following can be highlighted:

- Derivatives that are used may be flawed, or valued differently due to differing valuation methods.
- The correlation between the values of the derivatives used on the one hand and the price movements in the positions being hedged on the other, or the correlation of different markets/positions with derivative hedging using underlying securities that do not correspond exactly to the hedged position may be imperfect, with the result that complete hedging of risk is sometimes not possible.

- The possible absence of a liquid secondary market for a specific instrument at a pre-defined time may result in it not being possible to neutralise (close) a derivative position, even though it would have been sound and desirable to do so from an investment perspective.
- OTC markets may be particularly illiquid and subject to high fluctuations in price. For this reason, when OTC derivatives are used it may be the case that these derivatives cannot be sold or closed at a reasonable time and/or at a reasonable price.
- There may be the risk of not being able to buy or sell the securities underlying the derivative instruments at a time when it would be favourable to do so, or being compelled to buy or sell the underlying assets at a disadvantageous time.

#### Securities Repurchase Agreements, Securities Lending Transactions

Securities repurchase agreements and securities lending transactions must meet the requirements of CSSF Circular 08/356 dated 4 June 2008 and 13/559 dated 18 February 2013 and of Regulation 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012.

The Fund may enter into securities repurchase agreements both as buyer and seller as well as securities lending transactions as borrower or lender, provided that the counterparty is a financial institution specialising in such transactions, which has been rated by a recognised rating agency (e.g. Moody's, S&P or Fitch) of at least Baa3 (Moody's), BBB- (S&P or Fitch). There are no further restrictions and/or conditions relating to the legal status or country of origin of the counterparty.

In **securities repurchase agreements**, the borrower sells securities and money-market instruments to the lender, and either

- the lender and the borrower are already under the obligation to resell and repurchase, respectively, the securities or money-market instruments at a price fixed and within a period of time agreed to when the agreement was entered into, or
- the lender or the borrower retains the right to resell to the other party to the agreement or require the other party to the agreement to resell the securities or money-market instruments at a price fixed and within a period of time agreed to when the agreement was entered into.

Such securities and money-market instruments may not be sold during the term of the **securities repurchase agreement** and the Fund must at all times be in a position to comply with its repurchase commitment. If the Fund agrees a reverse repurchase transaction (Fund is borrower in a securities repurchase agreement), it must ensure that it can demand back the full cash amount at any time, or can terminate the reverse repurchase transaction either in the total amount accrued or at a mark-to-market value. If the cash amount can be demanded back at a mark-to-market value at any time, the mark-to-market value of the reverse repurchase transaction should be used for calculating the Fund's net asset value. If the Fund agrees a repurchase transaction (Fund is lender in a securities repurchase agreement), it must ensure that it can demand back the securities underlying the repurchase agreement at any time, or can terminate the agreed repurchase transaction. Securities repurchase agreements with a term not exceeding seven days are regarded as agreements in which the Fund can demand back the assets at any time. **The Fund's entire holdings of securities may be transferred to third parties by way of a securities repurchase agreement. The Management Company expects that, as a rule, not more than 0% of the Fund's assets will be subject to securities repurchase agreements. However, this is only an estimated figure that could be exceeded in particular cases.**

In the case of **securities lending transactions**, securities and money-market instruments are lent to a third party against a fee, under the condition that the third party must return an asset of the same type and quality at the end of the securities lending transaction. **The Fund's entire holdings may be transferred to one or more third parties for an indefinite period of time. The Management Company expects that, as a rule, not more than 0% of the Fund's assets will be subject to securities lending transactions. However, this is only an estimated figure that could be exceeded in particular cases.** The Fund must ensure that all the securities transferred in the course of securities lending can be transferred back at any time and all securities lending agreements that are entered into can be terminated at any time.

Securities repurchase agreements and securities lending transactions into which the Fund can enter subject to Article 9 of the management regulations basically hold the following risks:

- If the Fund lends securities or money-market instruments, it may not sell these assets during the period of securities lending. It participates fully in the market performance of the asset, without being able to end participation in market performance through selling the asset.

The same applies to the Fund's repurchase commitment with regard to securities and money-market instruments sold subject to repurchase agreements.

- If, in the course of a securities lending transaction, collateral granted in the form of cash is invested in other assets, this does not usually release the recipient from the obligation, at the end of the securities lending, to make a payment to the party granting collateral amounting to at least the cash granted as collateral, even if the investment had in the meantime resulted in losses.

This applies likewise to the liquidity received by the Fund and subsequently invested, if it sold securities and money-market instruments subject to repurchase agreements.

- If a security or money-market instrument is lent, the Fund receives in return an item of collateral, whose value corresponds at least to the lent assets at the time of concluding the transaction. Depending on its form, however, this collateral may lose so much value that, in the event of non-performance of the repurchase commitment by the borrower or default on it, the loss cannot be fully compensated by liquidating the collateral.

This applies likewise to securities and money-market instruments purchased under agreements to resell with regard to the repurchase price payable by the counterparty in the event of price losses on these securities and money-market instruments.

- If the Fund lends securities and money-market instruments, the borrower will generally resell them a short time later or had already resold them previously. The borrower will usually speculate that the prices of the securities and money-market instruments corresponding to those of the assets lent by the Fund will fall. As a result, a securities lending transaction conducted by the Fund may impact negatively on the performance of the security's price and consequently on the Fund's unit price to such an extent that it can no longer be offset by the securities lending income obtained from the transaction.

Buy/sell-back agreements and/or sell/buy-back agreements are not concluded for the Fund.

Lombard credits are not concluded for the Fund.

### Securities Financing Transactions

The Fund may enter into the following transactions:

- (i) Total return swaps as set out in this section; and
- (ii) securities repurchase agreements and securities lending transactions as borrower or lender, as set out in this section (hereinafter "Securities Financing Transactions").

The Fund may enter into total return swaps for investment purposes and for efficient portfolio management. It may only conduct Securities Financing Transactions for efficient portfolio management.

In this context, efficient portfolio management purposes include: the reduction of risk, the reduction of cost and the generation of additional capital or income for the Fund with a level of risk that is consistent with the risk profile of the Fund.

The Fund shall only enter into total return swaps and Securities Financing Transactions with counterparties that satisfy the criteria (including those relating to legal status, country of origin and minimum credit rating) as set out in this section.

The underlying securities of total return swaps are assets that may be acquired for the Fund or are financial indices within the meaning of Article 9 (1) of Directive 2007/16/EC, interest rates, exchange rates or currencies in which the Fund may invest in accordance with its investment objectives.

The categories of collateral which may be received by the Fund are set out in the chapter **“Principles relating to collateral management”** and include cash and non-cash assets such as equities, debt securities and money market instruments. Collateral received by the Funds will be valued in accordance with the valuation methodology set out under the section entitled “NAV Calculation”.

In the event that the Fund enters into securities lending transactions as a borrower, it will only borrow assets that may be acquired for the Fund in line with the investment policy.

Where the Fund receives collateral as a result of entering into total return swaps or Securities Financing Transactions, there is a risk that the collateral held by the Fund may decline in value or become illiquid. It is also not possible to ensure that the liquidation of any collateral provided to a Fund to secure a counterparty's obligations under a total return swap or Securities Financing Transaction would satisfy the counterparty's obligations in the event of a default by the counterparty. Where a Fund provides collateral as a result of entering into total return swaps or Securities Financing Transactions, it is exposed to the risk that the counterparty will be unable or unwilling to honour its obligations to return the collateral provided.

For a summary of certain other risks applicable to total return swaps and Securities Financing Transactions, see the section entitled **“Possible impact of the use of techniques and instruments on the Fund's performance”**.

The Fund may provide certain of its assets as collateral to counterparties in connection with total return swaps and Securities Financing Transactions. If the Fund has over-collateralised (i.e. provided excess collateral to the counterparty) in respect of such transactions, it may be an unsecured creditor in respect of such excess collateral in the event of the counterparty's insolvency. If the depositary or its sub-depositary or a third party holds collateral on behalf of the Fund, the Fund's Management Company may be an unsecured creditor in the event of the insolvency of such entity.

There are legal risks involved in entering into total return swaps or Securities Financing Transactions which may result in loss due to the unexpected application of a law or regulation or because contracts are not legally enforceable or documented correctly.

Subject to the restrictions laid down in the section entitled “Principles relating to collateral management”, the Fund may re-invest cash collateral that it receives. If cash collateral received by the Fund is re-invested, the Fund is exposed to the risk of loss on that investment. Should such a loss occur, the value of the collateral will be reduced and the Fund will have less protection if the counterparty defaults. The risks associated with the re-investment of cash collateral are substantially the same as the risks which apply to the other investments of the Fund.

Direct and indirect operational costs and fees arising from total return swaps or Securities Financing Transactions may be deducted from the revenue delivered to the Fund (e.g. as a result of revenue sharing arrangements). These costs and fees do not and should not include hidden revenue. All the revenues arising from such efficient portfolio management techniques, net of direct and indirect operational costs, will be returned to the Fund. The entities to which direct and indirect costs and fees may be paid include banks, investment firms, broker-dealers, securities lending agents or other financial institutions or intermediaries and may be related parties to the Management Company or the fund manager.

### Possible impact of the use of techniques and instruments on the Fund's performance

The use of techniques and instruments may have positive or negative effects on the Fund's performance.

The Fund may use derivatives for hedging purposes. This may be reflected in the Fund's risk profile in the form of lower opportunities and risks. Hedging can be used, in particular, to reflect the different currency-hedged unit classes and thus influence the risk profile of the respective unit class.

The Fund may also use derivatives in a speculative sense to increase returns in pursuing the investment objective, in particular to represent the Fund's risk profile and to increase the level of investment above the level of investment of a fund that is fully invested in securities. In representing the risk profile through derivatives, direct investments in securities, for example, are replaced by derivatives or – helping to shape the Fund's risk profile – certain components of the Fund's investment objectives and principles may even be realised on the basis of derivatives, e.g. by implementing currency positions through derivatives, which normally does not have a substantial effect on the Fund's risk profile. In particular, if the Fund's investment objective states that, with the objective of achieving additional returns, the fund manager may also assume separate foreign currency risks with regard to certain currencies and/or separate risks with regard to equities, bonds and/or commodity futures indices, precious metals indices or commodity indices, these components of the investment objectives and principles are predominantly derivative-based. If the Fund employs derivatives to increase the level of investment, it does so in order to achieve a medium- to long-term risk profile that may have considerably higher market risk in relation to a fund with a similar profile that does not invest in derivatives. The fund manager follows a risk-controlled approach in the use of derivatives.

The use of securities repurchase agreements and securities lending transactions results in additional income for the Fund as a lending fee is paid by the counterparty. The use of securities lending transactions also gives rise to certain risks for the Fund. These risks may result in losses for the Fund, e.g. on default of the counterparty to the securities lending transactions.

Securities repurchase agreements are used either for investment purposes or to obtain liquidity for the Fund, usually as a short-term measure in both cases. If the Fund enters into securities repurchase agreements as lender, it receives additional liquidity, which can be invested in full in line with the Fund's investment policy. In these circumstances, the Fund must comply with its repurchase commitment, regardless of whether the Fund made losses or gains when using the liquidity obtained through the securities repurchase agreements. If the Fund enters into securities repurchase agreements as borrower, it reduces its liquidity available for other investments.

### Strategy for direct and indirect operational expenses/fees for techniques for efficient portfolio management

Direct and indirect operational expenses and fees resulting from the techniques for efficient portfolio management or from securities repurchase agreements and securities lending transactions may be deducted from the income for the Fund obtained from the relevant transactions (e.g. as a result of revenue sharing agreements). These expenses and fees should not contain any hidden income. All the income from transactions of this type, less direct and indirect expenses and fees, is paid to the Fund. The companies to which direct and indirect expenses and fees may be paid include banks, investment advisors, brokers and dealers, securities lending agents or other financial institutions and intermediaries. They may also be companies affiliated with the Management Company or Depositary.

### Principles relating to collateral management

When entering into transactions involving OTC derivatives and when using techniques for efficient portfolio management, the Management Company observes the following principles in accordance with CSSF Circular 13/559 of 18 February 2013, insofar as collateral is used to reduce the counterparty risk. Unless it is absolutely essential from a legal viewpoint to collateralise transactions involving OTC derivatives, the amount of collateral required is at the discretion of the fund manager.

The risk positions that result for a counterparty from transactions involving OTC derivatives and techniques for efficient portfolio management must be combined when calculating the limits for the counterparty risk as defined in Article 6 nos. 1 to 4 of the management regulations.

All assets that the Fund receives in connection with techniques for efficient portfolio management shall be regarded as collateral for the purposes of the principles listed below, and must meet the criteria indicated therein.

- Liquidity: All collateral received that is not in the form of cash must be highly liquid and traded at a transparent price on a regulated market or within a multilateral trading system. This is to ensure that the collateral can be sold at short notice at a price close to the valuation established prior to the sale. The collateral received should also comply with the provisions of Article 6 no. 9 of the management regulations.
- Valuation: The collateral received must be valued at least every trading day. Assets, the price of which is highly volatile, may be accepted as collateral only if suitable conservative haircuts are applied.
- Credit rating of the issuer: The issuer of the collateral received must have a high credit rating.
- Maturity: The maturity of the collateral that may be received must be comparable with that of the interest-bearing securities that may be acquired for the Fund in line with the investment policy.
- Correlation: Collateral received should be issued by a legal entity that is independent of the counterparty and whose performance is not highly correlated to the performance of the counterparty.
- Diversification of the collateral (investment concentration): It must be ensured that the collateral is appropriately diversified with regard to countries, markets and issuers. The criterion of appropriate diversification in relation to issuer concentration is regarded as fulfilled if the Fund, when conducting efficient portfolio management or transactions involving OTC derivatives, receives from a counterparty a collateral basket in which the exposure to any particular issuer is no higher than 20% of the net fund assets. If the Fund has different counterparties, the various collateral baskets should be aggregated in order to calculate the 20% limit for exposure to any single issuer.
- The Fund should have the option of liquidating the collateral it has received, at any time, without referring to the counterparty or obtaining approval from the counterparty.
- Non-cash collateral received may not be sold, re-invested or pledged.
- Cash collateral received may only
  - be invested as collateral with legal entities as defined in Article 4 no. 3 of the management regulations;
  - be invested in high-quality government bonds;
  - be used for reverse repurchase transactions, provided these are transactions with financial institutions that are subject to supervision and the Fund may, at any time, demand back the full cash amount that has accrued; or
  - be invested in money-market funds with a short maturity structure as defined in CESR's "Guidelines on a common definition of European money market funds".

Reinvested cash collateral should be diversified in accordance with the requirements for risk diversification in non-cash collateral. The reinvestment of cash collateral does not release the Fund from repayment of the cash collateral received in its full amount. Thus potential losses arising from reinvestment are borne by the Fund.

Risks related to collateral management, e.g. operational and legal risks, must be identified, managed and reduced through risk management.

In the event of transfers of rights, the collateral received should be held in safekeeping by the Fund's Depositary. In the case of other types of collateral agreements, collateral can be held in safekeeping by a third party which is subject to supervision and is not affiliated with the collateral provider.

If the Fund holds collateral of at least 30% of the net fund assets, an appropriate stress test strategy is used to ensure that stress tests are carried out regularly, under both normal and exceptional liquidity conditions. The purpose of these tests is to make sure that the Fund can assess the liquidity risk associated with the collateral. The strategy for liquidity stress tests should include requirements relating to the following components as a minimum:

- a) Plan for stress test scenario analysis, including calibration, certification and sensitivity analysis;
- b) Empirical approach to impact assessment, including back-testing of liquidity risk assessments;
- c) Reporting frequency and notification limits/loss tolerance threshold(s);
- d) Measures to curb losses, including haircut strategy and gap-risk protection.



The Fund has a clearly defined haircut strategy, which is aligned with all types of assets received as collateral. The Management Company accepts only the asset classes below as collateral and applies a haircut (i.e., a percentage by which the market value of the relevant collateral is reduced) to each asset according to the range listed for the respective asset class:

Cash (no haircut); high-quality government bonds and bonds from central banks (haircut between 0.5% and 6% of market value); high-quality corporate bonds and covered bonds (haircut between 6% and 15% of market value) and equities (haircut between 15% and 30% of market value).

As a general rule, the higher haircuts are applied to bonds with longer residual maturities or time remaining before the next regular yield adjustment. Bonds with a residual maturity of more than ten years are generally not accepted. Equities are generally accepted as collateral only if they are included in major stock indices. Additive haircuts apply to securities received as collateral that are denominated in a currency other than the base currency of the Fund.

## Risk Profile of the Fund

Considering the above-mentioned circumstances and risks, the Fund (compared with other fund types) contains those opportunities and risks connected with the use of derivatives on variance in the equity markets as well as the bond and money-market-related position.

With regard to the special risks associated with the use of variance swaps and the use of other techniques and instruments, reference is made to the sections entitled “The Use of Techniques and Instruments and Special Risks associated with such Use” and “Possible Impact of the Use of Derivatives on the Fund’s Risk Profile”. The success of the investment strategy depends particularly on the extent to which, within the quantitative approach, the change in the annualised realised variance of the respective underlying can be accurately forecast for a corresponding swap period. The value of a variance swap does not depend 1:1 on the performance of the underlying to which it refers. For this reason it may fall when the value of its underlying security is rising. The net asset value per unit may fall sharply, particularly in highly volatile markets.

In this respect the liquidity risk and the risk of restricted flexibility also play a crucial role.

In addition, the risks in the bond and money markets, such as the interest-rate risk, the creditworthiness risk, the general market risk, the company-specific risk, the counterparty risk and the settlement default risk, the risk of interest being charged on deposits and to some extent the specific risks of asset-backed securities (ABS) and mortgage-backed securities (MBS), play a significant role.

In addition, the equity-market orientation of the variance swap, in particular the general market risk, the company-specific risk, the country and region risk, the creditworthiness risk, the counterparty risk and the settlement default risk play a role.

Significant currency risk exists with regard to the unit classes not specially hedged against a certain currency at the unit-class level. There is a high currency risk for an investor who does not operate in the currency against which the unit class he holds is hedged, as regards the unit classes specially hedged against a certain currency at unit-class level; this risk exists to a lesser extent for investors who operate in that currency.

In addition, investor attention is drawn to the concentration risk, the settlement risk, the country and transfer risk, the custodial risk, the specific risks of “high-yield” investments, the specific risks of investing in target funds, the fund capital risk, the inflation risk, the risk of changes to the management regulations, the investment policy and other general provisions of the Fund, the risk of incurring transaction costs resulting from unit movements at fund level, the key personnel risk, the risk of changes to underlying conditions, the risk of taxation or any other charges due to local regulations with regard to the assets held by the Fund, the risk of transferring the fund to another management company and the greatly increased performance risk.

**Fund units may be subject to significantly increased volatility.**

## Possible Impact of the Use of Derivatives on the Fund's Risk Profile

The Fund may employ derivatives – such as futures, options and swaps – for hedging purposes. This may lead to correspondingly lower opportunities and risks in the general fund profile. Hedging can be used in particular to reflect the different currency-hedged unit classes, and in this way to mould the profile of the respective unit class.

The Fund may also use derivatives in a speculative sense to increase returns in pursuing the investment objective, in particular, to represent the general fund profile and to increase the level of investment above the level of investment of a fund that is fully invested in securities. In representing the general fund profile through derivatives, the general fund profile will be implemented through, for example, derivatives replacing direct investments in securities, or – helping to shape the general fund profile – derivatives on variance in the equity markets being used. This will not normally have a substantial effect on the general fund profile. If the Fund employs derivatives to increase the level of investment, it does so in order to achieve a medium to long-term risk profile that has an additional very high market potential in relation to that of a fund with a comparable profile that does not invest in derivatives.

Fund management follows a risk-controlled approach in the use of derivatives.

## Investor Profile

The Fund particularly targets investors who, although the risk of loss cannot be calculated, seek long-term capital growth which – using a core portfolio with a risk/return profile similar in all other respects to the Euro money market – is based particularly on derivatives on variance in the equity markets. With respect to the unit classes that are largely hedged against a certain currency, the focus is on investors who operate in this currency.

Investment in the Fund requires an investment horizon that is at least medium to long-term.

## Management Company and Central Administration Agent

The Management Company is Allianz Global Investors GmbH, which has also assumed the functions of the Central Administration Agent. Allianz Global Investors GmbH implements the function of the central administration agent through its branch in Luxembourg.

Allianz Global Investors GmbH is an investment management company within the meaning of the German Investment Code, which was founded in 1955 under German law in the legal form of a limited liability company. The registered office of Allianz Global Investors GmbH is in Frankfurt/Main. The subscribed and paid-in capital of Allianz Global Investors GmbH was EUR 49,900,700 as at 31 December 2016. Allianz Global Investors GmbH has a functional organisational structure and, in addition to the head office in Germany, has numerous branches, including a branch in Luxembourg. In the branch office in Luxembourg, employees are currently active mainly in the following functions: risk management, product administration and operations (operational support of fund products and processes).

In its capacity as Management Company, Allianz Global Investors GmbH invests the capital raised by the Fund as specified in the management regulations and the sales prospectus.

Allianz Global Investors GmbH, acting through its Luxembourg branch, has also assumed the functions of the Central Administration Agent. In such capacity, it is responsible for all administrative duties required by Luxembourg law, in particular for the drawing-up of the distribution notifications, for the processing and shipment of the sales prospectuses, the Key Investor Information, the financial statements and all other documents which are prepared for the investors, for liaising with the administrative authorities, the investors and all other parties involved. Further examples of the Central Administration Agent's responsibilities are fund accounting and calculating the net asset value of the units, the function of Registrar and Transfer Agent and issuing statements, reports, notices and other documents to the unitholders, and supervising the mailing of such documentation.

Allianz Global Investors GmbH may delegate, under its responsibility, supervision and coordination, its duties as Management Company and Central Administration Agent in whole or in part to third parties specialised in the services required. The Management Company may also enter into transactions for a fund in which affiliated companies act as broker or act on the account of their customers. This also applies to cases in which affiliated companies or their customers act along the lines of transactions for this Fund.

Allianz Global Investors GmbH provides fund management services from its main office in Germany. Further details are provided in the section entitled “Fund Management”.

The Management Company may continue to delegate certain services in connection with currency monitoring and trading to third parties.

Allianz Global Investors GmbH has also, at its own expense, delegated the determination of key risk figures, performance figures and fund structure data to IDS GmbH – Analysis and Reporting Services, Munich, Federal Republic of Germany, as outsourcing company, which may make use of the services of third parties.

Furthermore, substantial functions of central administration and other duties have been transferred from Allianz Global Investors GmbH to State Street Bank Luxembourg S.C.A., Grand Duchy of Luxembourg, as outsourcing company, which may use the services of third parties. These outsourced areas are the subsequent monitoring of investment limits and restrictions, fund accounting and net asset value calculation. State Street Bank Luxembourg S.C.A. is also the Depositary.

The function of Registrar and Transfer Agent has been transferred by Allianz Global Investors GmbH to RBC Investor Services Bank S.A. (the “Registrar and Transfer Agent”). This includes the issue and redemption of units, keeping the register of unitholders and auxiliary services associated therewith.

## Fund Management

The task of the Management Company is the day-to-day business of asset management as well as providing other related services. These duties are carried out in accordance with the principles of the investment objectives and investment principles set forth in the sales prospectus and in the management regulations for the Fund, the investment restrictions and statutory restrictions.

Investment decision-making and order placement is the responsibility of the Management Company at its own discretion. The Management Company is authorised to select agents and brokers to handle the Fund’s transactions. The Management Company is entitled to be advised by third parties, particularly investment advisors, at its own expense and on its own responsibility, and to delegate some of its tasks to third parties. When the task of decision-making with regard to investments is assigned to third parties, the sales prospectus will indicate the name of the company to which this task of the fund manager has been transferred.

The Management Company bears all the expenses it incurs in conjunction with the services it provides to the Fund. Brokerage commissions, transaction fees and other transaction charges incurred in relation to the acquisition and disposal of the Fund’s assets are borne by the Fund.

## Supervisory Authority

The Management Company is subject to supervision by the Federal Financial Supervisory Authority, Marie-Curie-Str. 24-28, D-60439 Frankfurt/Main. The Fund is subject to supervision by the *Commission de Surveillance du Secteur Financier*, 283, route d’Arlon, L-1150 Luxembourg.

## Depositary

The Management Company has appointed State Street Bank Luxembourg S.C.A., whose business activities include Global Custody and Fund Services, to be the Depositary of its assets.

The Depositary was established on 19 January 1990 in the form of a société anonyme (joint-stock company) under Luxembourg law. Its registered office is at 49, Avenue J.F. Kennedy, L-1855 Luxembourg. Shareholders' equity as at 31 December 2015 amounted to EUR 65.0 million.

### Depositary's functions

The Depositary has been entrusted with following main functions:

- ensuring that the sale, issue, repurchase, redemption and cancellation of Units are carried out in accordance with applicable law and the management regulations.
- ensuring that the value of the Units is calculated in accordance with applicable law and the management regulations.
- carrying out the instructions of the Management Company unless they conflict with applicable law and the management regulations.
- ensuring that in transactions involving the assets of the Fund any consideration is remitted within the usual time limits.
- ensuring that the income of the Fund is applied in accordance with applicable law and the management regulations.
- monitoring of the Fund's cash and cash flows.
- safe-keeping of the Fund's assets, including the safekeeping of financial instruments to be held in custody and ownership verification and record keeping in relation to other assets.

### Depositary's liability

In carrying out its duties the Depositary shall act honestly, fairly, professionally, independently and solely in the interests of the Management Company and its Unitholders.

As stipulated in compliance with the UCITS Directive and in particular Article 18 of the Commission Delegated Regulation (EU) 2016/438 of 17 December 2015 supplementing Directive 2009/65/EC of the European Parliament and of the Council with regard to obligations of depositaries, in the event of loss of a financial instrument held in safekeeping, the Depositary shall return financial instruments of identical type or the corresponding amount for the Fund to the Management Company without undue delay.

Pursuant to the UCITS Directive the Depositary shall not be liable if it can prove that the loss of a financial instrument held in custody has arisen as a result of an external event beyond its control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

In case of a loss of financial instruments held in custody, the Unitholders may invoke the liability of the Depositary directly or indirectly through the Management Company provided that this does not lead to a duplication of redress or to unequal treatment of the Unitholders.

The Depositary will be liable to the Fund for all other losses suffered by the Fund as a result of the Depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the UCITS Directive.

The Depositary shall not be liable for consequential or indirect or special damage or losses arising out of or in connection with the performance or non-performance by the Depositary of its duties and obligations.

### Delegation

The Depositary has full authority to transfer its duties in connection with safekeeping, in full or in part. Its liability nevertheless remains unaffected by the fact that it has entrusted to a third party some or all of the assets that it had accepted for safekeeping. The Depositary's liability shall not be affected by any delegation of its safe-keeping functions under the Depositary Agreement.

The Depositary has delegated those safekeeping duties set out in Article 22(5)(a) of the UCITS Directive to State Street Bank and Trust Company with registered office at Copley Place 100, Huntington Avenue, Boston, Massachusetts 02116, USA, which it has appointed as its global sub-custodian. State Street Bank and Trust Company as global sub-custodian has appointed local sub-custodians within the State Street Global Custody Network. A list of delegates and sub-delegates is published on the Internet at <https://regulatory.allianzgi.com>.

Information about the safekeeping functions which have been delegated and the identification of the relevant delegates and sub-delegates are available at the registered office of the Management Company.

### Conflicts of interest

The Depositary is part of an international group of companies and businesses that, in the ordinary course of their business, act simultaneously for a large number of clients, as well as for their own account, which may result in actual or potential conflicts. Conflicts of interest arise where the Depositary or its affiliates engage in activities under the depositary agreement or under separate contractual or other arrangements. Such activities may include:

- (i) providing nominee, administration, registrar and transfer agency, research, agent securities lending, investment management, financial advice and/or other advisory services to the Management Company;
- (ii) engaging in banking, sales and trading transactions including foreign exchange, derivative, principal lending, broking, market making or other financial transactions with the Management Company either as principal and in the interests of itself, or for other clients.

In connection with the above activities the Depositary or its affiliates:

- (i) will seek to profit from such activities and are entitled to receive and retain any profits or compensation in any form and are not bound to disclose to, the Management Company, the nature or amount of any such profits or compensation including any fee, charge, commission, revenue share, spread, mark-up, mark-down, interest, rebate, discount, or other benefit received in connection with any such activities;
- (ii) may buy, sell, issue, deal with or hold, securities or other financial products or instruments as principal acting in its own interests, the interests of its affiliates or for its other clients;
- (iii) may trade in the same or opposite direction to the transactions undertaken, including based upon information in its possession that is not available to the Management Company;
- (iv) may provide the same or similar services to other clients including competitors of the Management Company;
- (v) may be granted creditors' rights by the Management Company which it may exercise.

The Management Company may use an affiliate of the Depositary to execute foreign exchange, spot or swap transactions for the account of the Fund. In such instances the affiliate shall be acting in a principal capacity and not as a broker, agent or fiduciary of the Management Company. The affiliate will seek to profit from these transactions and is entitled to retain

and not disclose any profit to the Management Company. The affiliate shall enter into such transactions on the terms and conditions agreed with the Management Company.

Where liquid assets belonging to the Fund are deposited with an affiliate that is a bank, a potential conflict arises in relation to the interest (if any) which the affiliate may pay or charge to such account and the fees or other benefits which it may derive from holding such liquid assets as a bank and not as a trustee. The Management Company may also be a client or counterparty of the Depositary or its affiliates.

Potential conflicts that may arise in the Depositary's use of sub-custodians include four broad categories:

- (i) conflicts from the sub-custodian selection and asset allocation among multiple sub-custodians influenced by (a) cost factors, including lowest fees charged, fee rebates or similar incentives and (b) broad two-way commercial relationships in which the Depositary may act based on the economic value of the broader relationship, in addition to objective evaluation criteria;
- (ii) sub-custodians, both affiliated and non-affiliated, act for other clients and in their own proprietary interest, which might conflict with clients' interests;
- (iii) sub-custodians, both affiliated and non-affiliated, have only indirect relationships with clients and look to the Depositary as its counterparty, which might create incentive for the Depositary to act in its self-interest, or other clients' interests to the detriment of clients; and
- (iv) sub-custodians may have market-based creditors' rights against client assets that they have an interest in enforcing if not paid for securities transactions.

In carrying out its duties the Depositary shall act honestly, fairly, professionally, independently and solely in the interests of the Fund and its Unitholders.

The Depositary has functionally and hierarchically separated the performance of its depositary tasks from its other potentially conflicting tasks. The system of internal controls, the different reporting lines, the allocation of tasks and the management reporting allow potential conflicts of interest and all depositary issues to be properly identified, managed and monitored.

Additionally, in the context of the Depositary's use of sub-custodians, the Depositary imposes contractual restrictions to address some of the potential conflicts and maintains due diligence and oversight of sub-custodians to ensure a high level of client service by those agents. The Depositary further provides frequent reporting on clients' activity and holdings, with the underlying functions subject to internal and external control audits. Finally, the Depositary internally separates the performance of its custodial tasks from its proprietary activity and follows a Standard of Conduct that requires employees to act ethically, fairly and transparently with clients.

Up-to-date information on the Depositary, its duties, any conflicts that may arise, the safekeeping functions delegated by the depositary, the list of delegates and sub-delegates and any conflicts of interest that may arise from such a delegation will be made available to Unitholders on request.

In addition to acting as Depositary, State Street Bank Luxembourg S.C.A., in its capacity as the outsourcing company for Allianz Global Investors GmbH, also assumes responsibility for the subsequent monitoring of investment limits and restrictions as well as substantial duties of central administration, namely fund accounting and NAV calculation.

## Distributors

The Management Company may enter into agreements with Distributors to market and place fund units in different countries worldwide. This does not apply to countries in which this type of activity is not permitted, as well as the USA (subject to a limited number of exceptional cases).

The Management Company and the Distributors will ensure that they fulfil all obligations imposed on them by laws, regulations and directives on combating money laundering, and in particular the provisions of the current version of CSSF Circular No. 12/02 dated 14 December 2012, and take steps that ensure that these obligations are met. For example, the Management Company will prepare its own money laundering risk analysis on an annual basis.

The Distributors appointed by the Management Company were listed in the “Directory” at the end of the sales prospectus when the sales prospectus was prepared. The Management Company may appoint additional Distributors at its own discretion.

## Performance

The performance to date of the Fund is available in the annual and semi-annual reports as well as the Key Investor Information. It should be noted that no predictions for the future can be derived from historical performance data. The future performance of the Fund may therefore be less favourable or more favourable than in the past.

## Risk-Management Procedure

The Management Company will use the commitment approach for the Fund.

## Conflicts of interest

The Management Company, the Depositary, the Registrar and Transfer Agent and all fund managers, investment advisors, Paying and Information Agents or distributors may, should the situation arise, act as managers, trustees, fund managers, administrators, registrar and transfer agent or distributor for funds that pursue investment objectives that are similar to those of the Fund, or otherwise hold a stake in such funds. As a result, it is certainly possible for one of these entities, in the course of its business operations, to become involved in a potential conflict of interest in relation to the Fund. In circumstances of this nature, they must each therefore ensure, at all times, that they comply with their obligations under the management agreement, the central administration agreement, the depositary agreement, the paying and information agent agreements, the investment management agreements, registrar and transfer agent agreements and distribution agreements, and that they will make every effort to find an appropriate solution for these conflicts of interest. The Management Company has set forth principles to ensure that an attempt is made to avoid conflicts of interest in all transactions as appropriate and, if they cannot be avoided, to deal with conflicts of interest such that the Funds and their unitholders are treated fairly.

Furthermore, the transactions indicated above may be executed with the Fund in the entity's own name or as an agent, provided these transactions are conducted under market conditions and in the best interest of the investors.

Transactions are deemed as executed under normal business conditions if: (1) a certified valuation of the transaction was obtained from a person who was recognised by the Depositary as independent and competent, (2) the transaction was executed under the best conditions on an organised stock exchange, in line with the rules applicable at that exchange or (3), if (1) and (2) cannot be complied with, the transaction was executed on terms which, in the opinion of the Depositary, were negotiated under normal business conditions and are customary in the market.

Conflicts of interest may arise as a result of transactions involving derivatives, OTC derivatives or techniques and instruments for efficient portfolio management. For example, counterparties of such transactions or representatives, intermediaries or other institutions that provide services in relation to these transactions, may be affiliated with the Management Company, the fund manager, investment advisor or with the Depositary. As a consequence, these institutions may generate profits, fees or other income, or they may avoid losses through these transactions. Conflicts of interest may also arise if the collateral provided by these institutions is subject to a valuation or haircut by an affiliated party.

The Management Company has set forth procedures to ensure that its service providers act in the best interest of the Fund when implementing trades and issuing orders on behalf of the Fund in the course of managing the fund portfolios. For these purposes, all appropriate steps must be taken to achieve the best possible outcome for the Fund. The following must

be taken into account in this respect: the price, the expenses, the probability of execution, the scope and nature of the order, the broker's research services for the fund manager or investment advisor, and all other factors that are relevant to execution of the order. Information on the Management Company's execution policy and all major amendments to this policy is available to unitholders on request, free of charge.

## Co-Management of Assets

For the purpose of efficient management, the Management Company may effect co-management of assets of certain funds subject to Luxembourg law that are under its management. In such event, assets of the various funds with the same Depositary are managed jointly. The assets under co-management are referred to as a "pool", whereby such pools are, however, used exclusively for internal management purposes. The pools are not separate entities and are not directly accessible to investors. The specific assets of each of the co-managed funds are allocated to it.

When combining assets from more than one fund in a pool, the assets attributable to each participating fund are initially determined applying the original allocation of assets of the fund to the said pool. They change if the fund adds assets to or removes them from the pool.

The entitlement of each participating fund to the co-managed assets applies with regard to each individual asset of such a pool.

Additional investments made on behalf of the co-managed funds are allocated to such funds according to their respective entitlements. Sold assets are charged similarly against the assets attributable to each participating fund.

## Securities Pursuant to Rule 144A United States Securities Act

To the extent permitted according to the laws and regulations of Luxembourg (subject to being otherwise compatible with the investment objective and investment principles of the Fund), the Fund may invest in securities which are not registered pursuant to the United States Securities Act of 1933 and amendments thereto (hereinafter referred to as "the 1933 Act"), but which may be sold according to Rule 144A of the 1933 Act to qualified institutional buyers ("securities pursuant to Rule 144A"). The term "qualified institutional buyer" is defined in the 1933 Act and includes those companies whose net assets exceed USD 100 million. Securities pursuant to Rule 144A qualify as securities as set out in Article 41(1) of the Law insofar as the bonds in question contain a registration right as prescribed in the 1933 Act, which states that there is a conversion right for securities registered and freely negotiable on the US OTC fixed-income market. Such conversion must be completed within one year of the purchase of 144A bonds because otherwise the investment limits set out in Article 41(2a) of the Law are applicable. The Fund may invest up to 10% of its net assets in securities pursuant to Rule 144A which do not qualify as securities within the meaning of Article 41(1) of the Law, provided that the total value of these investments together with other such securities and money-market instruments does not exceed 10%.

## Legal Position of Investors

Each unitholder holds an interest in the Fund's assets, which is reflected by the number of units held. All units issued confer the same rights. The unit certificates may be issued as bearer certificates and/or registered certificates, each of them representing one or more units. Fractional units are issued down to one thousandth of a unit. The unit certificates are transferable in line with the provisions of Articles 40 and 42 of the law relating to commercial companies of 10 August 1915 (as amended). With its transfer, the rights vested in a unit are passed. The Management Company and/or the Registrar and Transfer Agent regard(s) the holder of the unit certificate as the beneficiary in the case of a bearer certificate, while in the case of a registered certificate, the beneficiary is considered to be the person whose name is entered in the unitholder register maintained by the Registrar and Transfer Agent. At the discretion of the Management Company, the Registrar and Transfer Agent may issue a unit confirmation on the units acquired instead of a registered certificate. The units issued as bearer certificates are always vested in global certificates (collective custody). There is no claim on issue of physical securities.



Investors applying for the issue and/or redemption of units in registered form acknowledge that their personal data as supplied to the Registrar and Transfer Agent as well as their transaction data (jointly referred to as the “Data”) may be stored and processed by the Registrar and Transfer Agent and, if appropriate, transferred to other companies within the Allianz Global Investors Group for the purpose of administering and processing the client relationship and providing the services required by the investor. If the Data are not applicable or are incomplete, investors are entitled to review and correct the Data. Given the specific character of units in registered form, units in registered form may, by nature, not be issued to investors refusing to provide the Registrar and Transfer Agent with their personal data. The Data will be collected, kept, stored, processed, used and transferred, if applicable, in strict compliance with the Law of 2 August 2002 on the Protection of Persons with regard to the Processing of Personal Data, as amended.

The Management Company and/or the Registrar and Transfer Agent may, for the purpose of compliance with the Foreign Account Tax Compliance provisions of the US Hiring Incentives to Restore Employment Act (“FATCA”), be required to disclose personal data relating to certain US persons and/or non-participant FFI to the US Internal Revenue Service or local tax authorities.

The Management Company draws the investors’ attention to the fact that any investor will only be able to fully exercise his unitholder rights directly against the Fund if the investor is registered himself and in his own name in the Fund’s unitholder register. In cases where an investor invests in the Fund through an intermediary investing into the Fund in its own name but on behalf of the investor, it may not always be possible for the investor to exercise certain unitholder rights directly against the Fund. Investors are advised to take advice on their rights.

## NAV Calculation

The net asset value per unit of a unit class as well as the subscription and redemption prices are determined on each banking and exchange trading day in Frankfurt/Main and Luxembourg (“valuation day”).

1. The calculation of the net asset value will be made on each valuation day for each unit class by dividing the value of the net assets (value of the assets less liabilities) belonging to a unit class by the number of units of this unit class in circulation on the valuation day (hereinafter called the “net asset value per unit of a unit class”). Unless No. 2 or No. 3 applies, the:
  - assets that are officially listed on a stock exchange are valued at the latest available price paid;
  - assets that are not officially listed on a stock exchange, but are traded on a regulated market or on other organised markets, are also valued at the latest available price paid, provided that, at the time of valuation, the Depositary considers that price to be the best possible price at which the assets can be sold;
  - financial futures transactions relating to currencies, securities, financial indices, interest rates and other permissible financial instruments and options thereon and corresponding warrants are, if listed on a stock exchange, valued at the most recent price of the stock exchange in question. If there is no stock exchange listing, in particular with regard to all OTC transactions, valuation is made at the probable realisation value, determined prudently and in good faith;
  - interest-rate swaps are valued at their market value referring to the applicable interest-rate curve;
  - swaps linked to indices and to financial instruments are valued at their market value, which is determined by reference to the index concerned or the financial instrument concerned;
  - units of UCITS or UCI are valued at the latest redemption price determined and obtainable;
  - cash and time deposits are valued at their nominal value plus accrued interest;
  - assets not denominated in the specified currency of the Fund (hereinafter called the “base currency of the Fund”) are converted into the base currency of the Fund at the most current middle-market rate of exchange.
2. Assets whose trade prices are not fair market prices, as well as all other assets, are valued at the probable realisation value, determined prudently and in good faith.
3. At its discretion, the Management Company may authorise other valuation methods if, in its consideration, such other methods better represent the fair value of the assets.

The net asset value per unit of a unit class is the basis for determining the subscription and redemption prices (see sections “Issue of Units and Related Costs” and “Redemption of Units and Related Costs”).

The value of the assets comprised in the Fund on each valuation day generally, i.e. without considering unit classes, less the Fund's liabilities, is called the "net asset value".

## Temporary Suspension of Issue and Redemption of Units and, under certain Circumstances, also of NAV Calculation

The issue and redemption of units (unless already suspended under Article 32 of the management regulations) may be suspended temporarily by the Management Company if and as long as there are exceptional circumstances that make the suspension necessary and the suspension is justified taking into account the interests of the unitholders. Exceptional circumstances exist in particular if and as long as

- a stock exchange on which a considerable share of the Fund's assets is traded is closed (except for ordinary weekends and public holidays), or trading is restricted or suspended;
- the Management Company cannot obtain access to assets;
- the transaction values resulting from purchases as well as sales cannot be transferred;
- it is impossible to determine the net asset value per unit of a unit class in accordance with standard practice.

Insofar as the exceptional circumstances make it impossible to calculate the net asset value, the calculation may also be suspended.

Buy orders and redemption orders for units are executed once calculation of the net asset value is resumed, unless they have been revoked by this time to the Management Company in accordance with Article 14 No. 12 of the management regulations.

## Issue of Units and Related Costs

There is no general restriction regarding the number of units issued. Fund units can be acquired through the Registrar and Transfer Agent, at the Paying Agents listed in the Directory as well as through other banking institutions and financial services companies.

Buy orders are forwarded to the Registrar and Transfer Agent by the respective institutions maintaining the unitholder's securities account, the Distributors and Paying Agents on behalf of the respective subscriber.

The acquisition of units in certain unit classes whose acquisition is subject to particular conditions (e.g. status as institutional investor, etc.) is made dependent by the Management Company on the prior signing of a declaration by the end investor or the party that acquires the units for the account of, or on behalf of and for the account of the end investor, confirming that these conditions have been met by the end investor. The text of this declaration may be obtained from [distributionoperations@allianzgi.com](mailto:distributionoperations@allianzgi.com) and from the relevant Distributors and Paying Agents. Prior to acquisition of units, the declaration must be sent to the address indicated in the text and must also have been received at that address prior to acquisition of units.

Units in the Fund are issued by the Registrar and Transfer Agent on behalf of the Management Company on any valuation day at the subscription price of the respective unit class. The subscription price is the net asset value per unit of the respective unit class, plus any sales charge to cover issuing costs. The subscription price may be rounded up or down to the nearest unit of the corresponding currency, as specified by the Management Company. The sales charge accrues to the sales partners. Any stamp duties or other charges accruing in a country in which the units are offered are charged to the unitholder.

Sales charges are calculated as a percentage of the net asset value per unit of a unit class. The sales charge is 6.00% for units of unit class types A and AT, 3.00% for units of unit class types C, CT, P2 and PT2, and 7.00% for units of unit class types S and ST. The Management Company may levy a lower sales charge at its own discretion. There is currently no sales charge for units of unit class types N, NT, P, PT, R, RT, I, IT, X, XT, W and WT.

Buy orders for units received at the respective institutions maintaining the unitholder's securities account, the Distributors, Paying Agents or at the Registrar and Transfer Agent on a valuation day by 2.00 p.m. Central European Time ("CET") or Central European Summer Time ("CEST") are settled at the subscription price determined on the next valuation day, using the forward-pricing method. Buy orders for units received after this time are settled at the subscription price prevailing on the valuation day following the next valuation day, also using the forward-pricing method.

The subscription price is currently payable to the Registrar and Transfer Agent in the case of

- unit classes with reference currencies CZK, HKD, HUF, PLN or SGD, no later than three valuation days after the respective settlement date,
- all other unit classes no later than two valuation days after the respective settlement date,

in the reference currency of the respective unit class. The Management Company may accept a different value date for payment at its own discretion. However, this may not exceed ten valuation days after the respective settlement date.

The units are issued by the Registrar and Transfer Agent on behalf of the Management Company immediately following receipt of the subscription price at the Registrar and Transfer Agent and, if bearer certificates are issued, immediately credited in the corresponding amount to the securities account the details of which are to be provided by the subscriber.

When units are issued through Paying Agents in Italy, the Paying Agent may also charge a transaction fee of up to EUR 75.00 per transaction in addition to any sales charge; the Paying Agent may charge a lower transaction fee at its own discretion.

Particularly if the period of investment is short, the charges mentioned above may reduce or even eliminate any returns on an investment in the Fund's units; a longer investment period is therefore recommended. If units are acquired through agents other than the Registrar and Transfer Agent or the Paying Agents, additional costs may be incurred.

At its own discretion the Management Company may, upon application from a subscriber, issue units in return for a contribution in kind of securities or other assets, provided that such securities or other assets comply with the investment objectives and investment principles of the Fund. The Auditor of the Fund generates a valuation report. The costs of such contribution in kind are borne by the subscriber in question.

The Management Company reserves the right to reject buy orders for units in whole or in part (e.g. if it is suspected that the buy order is based on market timing). In this instance, payments already made will be reimbursed immediately. Fund units may not be acquired for purposes of market timing or similar practices. The Management Company explicitly reserves the right to take the necessary measures to protect other investors from market timing or similar practices.

The Management Company is also entitled to suspend the issue of units on a temporary or permanent basis at any time, without prior notification. In this instance, payments already made will be reimbursed immediately.

During the period in which the calculation of the net asset value per unit of a unit class is suspended by the Management Company in accordance with Article 16 of the management regulations, no units will be issued in any unit class. If the issue of units has been suspended, buy orders that have been received are settled on the first valuation day after termination of the suspension.

Every buy order for units is irrevocable, unless calculation of the net asset value per unit of a unit class is suspended in accordance with Article 16 of the management regulations, when it is revocable during such suspension.

### **Authority to Cancel a Buy Order in the Event of Failed Settlement**

If timely payment of the purchase price is not made, a buy order may lapse and be cancelled at the cost of the investors or their Distributors. If payment is not received by the settlement date, it may result in the Management Company initiating legal action against the defaulting investor or the distributor, or offsetting any costs or losses that the Fund or Management Company incurred against any existing holding by the investor in the Fund. In all cases, any confirmation of transaction and

any money returnable to the investor will be held by the Management Company without payment of interest pending receipt of the remittance.

## Redemption of Units and Related Costs

Unitholders may request the redemption of units via the respective institutions maintaining their securities account, the Distributors, the Registrar and Transfer Agent or the Paying Agents at any time; the Management Company is accordingly obliged to redeem units at the redemption price for the account of the Fund on any valuation day. The redemption price is the net asset value per unit of the unit class less any redemption fee due to the Management Company and/or less any divestment fee in favour of the Fund as a whole. The redemption price may be rounded up or down to the nearest unit of the corresponding currency, as specified by the Management Company. The redemption price may be higher or lower than the subscription price originally paid.

Redemption fees and divestment fees are calculated as a percentage of the net asset value per unit of a unit class; redemption fees may be paid to sales partners; divestment fees are credited to the Fund as a whole. No redemption fee and no divestment fee is currently charged.

Redemption orders are forwarded to the Registrar and Transfer Agent by the respective institutions maintaining the unitholder's securities account, the Distributors and Paying Agents on behalf of the respective unitholder.

Redemption orders for units received at the respective institutions maintaining the unitholder's securities account, the Distributors, Paying Agents or at the Registrar and Transfer Agent on a valuation day by 2.00 p.m. CET or CEST are settled at the redemption price determined on the next valuation day, using the forward-pricing method. Unit redemption orders received after this time are settled at the redemption price prevailing on the valuation day following the next valuation day, also using the forward-pricing method.

Payments in connection with any redemption of units are made in the reference currency of the respective unit class, which is currently set as follows for:

- unit classes with reference currencies CZK, HKD, HUF, PLN or SGD, normally within three valuation days after the respective settlement date,
- all other unit classes, normally within two valuation days after the respective settlement date,

although no later than ten valuation days after the respective settlement date in each case. The Registrar and Transfer Agent is only obliged to make payment if there are no legal provisions such as exchange control regulations or other circumstances beyond the Registrar and Transfer Agent's control (e.g. holidays in countries in which investors or intermediaries/service providers engaged to process the payment are domiciled) forming an obstacle to transfer of the redemption price.

At the request of the unitholder, the redemption proceeds may be paid out in any other freely convertible currency; all exchange charges and expenses incurred in relation to the currency exchange are borne by the respective unitholder.

When redeeming units through Paying Agents in Italy, the Paying Agent may also charge a transaction fee of EUR 75.00 per transaction in addition to any redemption fee; the Paying Agent may charge a lower transaction fee at its own discretion.

Particularly if the period of investment is short, the charges mentioned above may reduce or even eliminate any returns on an investment in the Fund's units; a longer investment period is therefore recommended. If units are (also) redeemed through agents other than the Registrar and Transfer Agent or the Paying Agents, additional costs may be incurred.

At its own discretion, the Management Company may, with the consent of the unitholder, redeem units of the Fund in return for the transfer of securities or other assets from the assets of the Fund. The value of the assets to be transferred must be equivalent to the value of the units to be redeemed on the valuation day. The scope and nature of the securities or other assets to be transferred are determined on a reasonable basis without impairing the interests of other investors. Such valuation must be confirmed in a separate report by the Auditor. The costs of such transfers are borne by the unitholder in question.

If calculation of the net asset value per unit of a unit class is suspended by the Management Company in accordance with Article 16 of the management regulations, no units in a unit class of the Fund will be redeemed. If calculation of the net asset value has been suspended, unit redemption orders that have been received are settled on the first valuation day after termination of the suspension of calculation of the net asset value per unit.

In the event of massive demand for redemptions, the Management Company reserves the right, subject to prior approval of the Depositary, to redeem the units at the valid redemption price only when it has sold appropriate assets without delay, while however, safeguarding the interests of all unitholders (Article 14 No. 10 of the management regulations). A massive demand for redemptions in the above-mentioned sense exists if, on a valuation day, unitholders seek to redeem 10% or more of the fund units in circulation.

Every redemption application for units is irrevocable, unless calculation of the net asset value per unit of a unit class is suspended in accordance with Article 16 of the management regulations, when it is revocable during such suspension, and in the event of delayed redemption of units within the meaning of Article 14 No. 10 of the management regulations, when it is revocable during such delay in redemption.

## Exchange Listing

The Management Company may authorise units of the Fund for listing on the Luxembourg Stock Exchange or on other exchanges or for trading on organised markets; the Management Company has to date not made use of this possibility.

The Management Company is aware that – without its approval – units of the Fund may nonetheless be traded on certain markets at the time of the printing of the sales prospectus. A corresponding list can be found below for such an event. It cannot be ruled out that such trading will be suspended in the short term or that the trading of units will be introduced onto other markets (possibly even in the short term), or that units are already being traded.

The market price underlying exchange trading or trading on other markets is not determined exclusively by the value of the assets held in the Fund's net assets; the price is also determined by supply and demand. For this reason, this market price may deviate from the calculated net asset value per unit of a unit class.

Exchanges on which units of the Fund were being traded without the approval of the Management Company as at the date of printing the prospectus:

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Unit class	Exchange
P (EUR)	Munich

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## Publication of the Subscription and Redemption Price and Further Information

The Management Company provides for certain information to be published to unitholders in an adequate manner. This includes, in particular, the publication of unit prices on each valuation day in those countries in which units of the Fund are sold to the general public. The subscription and redemption prices can also be obtained from the Luxembourg branch of the Management Company, the Management Company, the Depositary and the Paying and Information Agents.

All notices to the investors in the Fund shall be made via <https://regulatory.allianzgi.com>, provided this is permitted under the laws and regulations of every jurisdiction in which the Fund is admitted for public distribution. Specifically, this shall not apply to the liquidation or merger of funds/unit classes, other measures that are listed in the Fund's management regulations and/or Luxembourg laws, or at the request of the CSSF.

The prices may also be retrieved via Reuters (REUTERS page ALLIANZGI01) and on the internet at <https://lu.allianzgi.com>.

Neither the Management Company, the Depositary nor the Paying and Information Agents are liable for any errors or omissions in the published prices.

For further information, please contact the advisor at your bank, your other financial advisor or contact directly the Information Agents listed in the “Directory” or the Management Company.

## Accounting

The Fund and its accounts are audited by a certified auditing firm appointed by the Management Company. The Management Company publishes audited annual reports for the Fund no later than four months after the end of each financial year. These reports also address, in particular, the requirements arising from CSSF Circular 13/559 of 18 February 2013. The Management Company publishes an unaudited semi-annual report for the Fund within two months of the end of the first six months of the financial year. The respective reports can be obtained from the Luxembourg branch of the Management Company, the Management Company, the Depositary and the Information Agents. The financial year of the Fund begins on 1 April and ends on 31 March.

## Taxation of the Fund

In the Grand Duchy of Luxembourg, the assets of the Fund are subject to a “Taxe d’Abonnement”, currently 0.05% p.a., which is levied upon the net assets reported at the end of each quarter, unless the assets are invested in Luxembourg funds which are themselves subject to a “Taxe d’Abonnement”. Units of unit class types I, IT, X, XT, W and WT as defined in Article 174(2) letter c) of the Law are subject to a “Taxe d’Abonnement” of 0.01% p.a. The Management Company ensures that units of unit class types I, IT, X, XT, W and WT are only acquired by legal entities. The income of the Fund is not subject to tax in the Grand Duchy of Luxembourg. However, it may be subject to possible withholding taxes in countries in which the Fund’s assets are invested. Neither the Management Company, the Depositary nor a fund manager collects receipts for such withholding taxes on behalf of individual or all unitholders.

At present, distributions and accumulations on units are not subject to any deductions of withholding tax in the Grand Duchy of Luxembourg, subject to the provisions of the following paragraph. The units held or income received by unitholders who are not resident in the Grand Duchy of Luxembourg, or who do not maintain a permanent business operation there, are not currently subject to income, gift, inheritance or any other taxes in the Grand Duchy of Luxembourg, but are subject to their respective national tax regulations as well as, if applicable, the tax regulations of the country in which the units are held in custody. If an investor is uncertain about his tax status, we recommend that he consult his legal or tax advisor.

## EU Savings Directive

The Council of the EU has adopted on 3 June 2003 a Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the “Savings Directive”). Under the Savings Directive, EU member states (the “Member States”) are required to provide the tax authorities of another Member State with information on payments of interest or other similar income (within the meaning of the Savings Directive) paid by a paying agent (within the meaning of the Savings Directive) to an individual beneficial owner who is a resident, or to certain residual entities (within the meaning of the Savings Directive) established, in that other Member State.

Under the Luxembourg law dated 21 June 2005 (the “2005 Law”), implementing the Savings Directive, as amended by the Law of 25 November 2014, and several agreements concluded between Luxembourg and certain dependent or associated territories of the EU (“Territories”), a Luxembourg based paying agent is required as from 1 January 2015 to report to the Luxembourg tax authorities (“LTA”) the payment of interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual or certain residual entities resident or established in another Member State or in the Territories, and certain personal details on the beneficial owner. Such details will be provided by the Luxembourg tax authorities to the competent foreign tax authorities of the state of residence of the beneficial owner (within the meaning of the Savings Directive).

Under Council Directive 2015/2060 repealing Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments of 3 June 2003, as amended by Council Directive 2014/48/EU, the Savings Directive has been repealed and will no longer apply once all the reporting obligations concerning year 2015 have been complied with.

Investors who are in doubt about their situation or who seek further information should contact their tax advisors.

### **The OECD Common Reporting Standard**

Luxembourg implemented the “Standard for Automatic Exchange of Financial Account Information”, also known as the Common Reporting Standard (“CRS”), into Luxembourgish law on 18 December 2015.

The CRS is a new, single global standard on Automatic Exchange of Information (“AEOI”) which was approved by the Council of the Organisation for Economic Cooperation and Development (“OECD”) in July 2014. It draws on earlier work of the OECD and the EU, global anti-money laundering standards and, in particular, the Model FATCA Intergovernmental Agreement. The CRS sets out details of the financial information to be exchanged, the financial institutions required to report, together with common due diligence standards to be followed by financial institutions.

Under the CRS, participating jurisdictions will be required to exchange certain information held by financial institutions regarding their non-resident customers. Over 90 jurisdictions have committed to exchanging information under the CRS and a group of over 40 countries, including Luxembourg, have committed to the early adoption of the CRS. For these early adopters, the first exchange of information in relation to accounts coming into existence from 1 January 2016 and individual high value accounts in existence at 31 December 2015 is expected take place by the end of September 2017, with information about individual low value accounts in existence at 31 December 2015 and entity accounts is expected to first be exchanged either by the end of September 2017 or September 2018 depending on when financial institutions identify them as reportable accounts.

Investors should note that the Fund principally will be required to disclose the name, address, jurisdiction(s) of tax residence, date and place of birth, account reference number, tax identification number(s) of each person who is considered to be an account holder for CRS and information relating to each Investor’s investment (including but not limited to the value of and any payments in respect of the investments) to the LTA who may in turn exchange this information with the tax authorities in territories who are participating jurisdictions for the purposes of the CRS. In order to comply with its obligations, the Fund may require additional information from Investors.

Investors refusing to provide the requisite information to the Fund may also be reported to the LTA.

The above description is based in part on draft regulations, guidance from the OECD and the CRS, all of which are subject to change or may be adopted in a materially different form. Each prospective Investor should consult its own professional advisers on the requirements applicable to it under these arrangements.

### **US Withholding Tax and Reporting under FATCA**

The FATCA provisions generally impose a US federal reporting and withholding tax regime with respect to certain income earned from US sources (including, among other types of income, dividends and interest) and gross revenues from the sale or other disposal of property that may generate this type of income earned from US sources. The rules are designed to require certain US persons’ direct and indirect ownership of certain non-US accounts and non-US entities to be reported to the US Internal Revenue Service. The Management Company may be required to withhold tax in respect of non-compliant unitholders at the rate of 30%, if there is a failure to provide certain required information. These rules generally apply to certain payments made on or after 1 July 2014.

Luxembourg has entered into an intergovernmental agreement with the United States of America (“IGA”). Under the IGA, FATCA compliance will be enforced under new local Luxembourg tax legislation and reporting rules and practices.

The Management Company will likely require additional information from unitholders in order to comply with these provisions. Each prospective unitholder should consult its own tax advisers on the requirements applicable to it under FATCA. The Management Company may disclose the information, certifications or other documentation that they receive



from (or concerning) their investors to the US Internal Revenue Service, non-US tax authorities, or other parties as necessary to comply with FATCA, related intergovernmental agreements or other applicable laws or regulations. Each prospective investor is urged to consult their tax adviser regarding the applicability of FATCA and any other reporting requirements with respect to the prospective investor's own situation.

## Charges

The all-in fee, which is paid from the Fund while taking account of the different unit classes, is 2.30% p.a. for units of unit class types A and AT, 2.80% p.a. for units of unit class types C and CT, 1.50% p.a. for units of unit class types N, NT, S, ST, W and WT, 0.70% p.a. for units of unit class types P, PT, I and IT, 1.20% p.a. for units of unit class types P2 and PT2 and 2.00% p.a. for units of unit class types R and RT, calculated on the basis of the net asset value determined on a daily basis. The Management Company may levy a lower fee at its own discretion. This fee is paid out monthly.

Normally, the Management Company passes on part of its all-in fee to intermediaries as commission; benefits of this type may be in other than monetary form. This is to pay for distribution and advisory services on a commission basis and to raise the quality of these services. The Management Company may also receive fees or non-monetary benefits from third parties. On request to the Management Company, details of the fees and benefits granted or received will be disclosed to the investor. The Management Company may also grant reimbursements to investors from the all-in fee.

The all-in fee covers the following fees and expenses, which are not charged separately to the Fund:

- fee for the management and central administration of the Fund;
- fee for distribution and advisory services;
- fee for the Depositary and expenses for sub-custody facilities;
- fee for the Registrar and Transfer Agent;
- costs for the preparation (including translation) and mailing of the sales prospectus, management regulations, Key Investor Information, annual, semi-annual and any interim reports as well as other reports and notifications to the unitholders;
- costs of publishing the sales prospectus, management regulations, Key Investor Information, annual, semi-annual and, if any, interim reports, other reports and notifications to unitholders, tax information, as well as subscription and redemption prices, and the official announcements made to the unitholders;
- costs of auditing the Fund by the Auditor;
- costs of registering the unit certificates for public distribution and/or the maintenance of such registration;
- costs for preparing the unit certificates and, if any, coupons and coupon renewals;
- paying agent and information agent fees;
- costs of assessing the Fund by nationally and internationally recognised rating agencies;
- expenses in connection with the establishment of the Fund.

For units of unit class types X and XT, no all-in fee is charged to the Fund at unit-class level; instead, for these types of unit class, the respective unitholder is directly charged these fees by the Management Company (Article 30 No. 2 of the management regulations). Should no other fee – or fee containing a performance-related component – be agreed for unit class types X and XT between the Management Company and the respective unitholder, the all-in fee taking into account the different unit classes will amount to 1.50% p.a., calculated on the basis of the net asset value determined on a daily basis. The Management Company may levy lower fees at its own discretion.

Apart from this fee, the following expenses are borne by the Fund:

- costs arising in connection with the purchase and sale of assets (including any research and analyst services made available in accordance with market practice) and the use of securities lending programmes and securities lending brokers;
- costs for assertion and enforcement of legal rights of the Fund or any existing unit class appearing to be justifiable and for defence against claims made against the Fund or any existing unit class that seem unjustified;



- costs and taxes (including but not limited to Taxe d'Abonnement) which may be incurred in connection with administration and custody;
- costs for examination, assertion and enforcement of any claims for reduction, offsetting or refund of withholding taxes or other taxes or fiscal levies.

As far as the Fund invests in target funds, these target funds are charged a management fee by their management companies. The weighted average management fee of the target fund units to be acquired shall not exceed 2.50% p.a.

If the Fund invests in target funds, investors not only directly bear the fees and costs described in this Prospectus; they also indirectly bear the fees and costs charged to the target fund in proportion to their holdings. The fees and costs charged to the target fund are determined by its constituting documents (for example, administrative regulations or articles of incorporation) and therefore cannot be predicted abstractly. Typically, however, it can be expected that the fees and costs charged to the fund described in this Prospectus are similar to those charged to target funds.

If the Fund acquires units of a UCITS or UCI that is managed directly or indirectly by the same Management Company or a different company associated with the Management Company by a substantial direct or indirect investment as defined by law, then neither the Management Company nor the associated company may charge fees for the subscription or repurchase of units or levy sales and redemption charges.

The costs incurred in managing the Fund and charged to the Fund (or, as the case may be, the respective unit class) during the preceding financial year (excluding transaction costs) are disclosed in the annual report and are also expressed as a ratio of the average volume of the Fund (or of the average volume of the respective unit class) ("Ongoing Expenses"). In addition to the all-in fee and the Taxe d'Abonnement, all other costs are considered except for the incurred transaction costs as well as any performance-related fees. Costs incurred will not be subject to cost compensation. The Ongoing Expenses of other UCITS or UCI are taken into account when calculating the Ongoing Expenses of the Fund if the Fund invests more than 20% of its assets in such other UCITS or UCI which publish ongoing expenses; however, if these UCITS or UCI do not publish their own ongoing expenses, then it is not possible to take into account the ongoing expenses of the other UCITS or UCI when calculating Ongoing Expenses. If a fund does not invest more than 20% of its assets in other UCITS or UCI, any costs that may be incurred at the level of these UCITS or UCI are not taken into consideration.

## Remuneration Policy

The main components of monetary remuneration are the basic salary, which typically reflects the duties, responsibilities and experience that are required for a particular function, and an annual variable remuneration based on specific discretionary principles. The variable remuneration usually includes both an annual bonus payment in cash after the end of each financial year and a deferred component for all employees whose variable remuneration exceeds a specified level.

The total amount of the variable remuneration payable throughout the Company depends on the performance of the business and on the Company's risk position. For this reason it fluctuates from year to year. In this respect the allocation of specific amounts to particular employees is based on the performance of the employee or his department during the period under review.

The level of pay awarded to employees is tied to both quantitative and qualitative performance indicators. Quantitative indicators are based on measurable targets. By contrast, qualitative indicators take into account employee actions reflecting the Company's core values of excellence, passion, integrity and respect. Assessment in the form of 360° feedback is part of the qualitative appraisal for all employees.

For investment professionals, whose decisions make a real difference to delivering successful outcomes for clients, quantitative indicators are aligned around sustainable investment performance. In particular for portfolio managers, the quantitative element is aligned with the benchmarks of the client portfolios they manage or with the client's stated investment outcome objective measured over a multi-year-framework.

For client-facing professionals, goals include independently measured client satisfaction.

In order to link individual performance with long-term value creation for our clients and shareholders, a significant portion of the annual variable remuneration of senior employees is deferred for three years, starting from a defined variable compensation level.

The deferred portions increase in line with the level of the variable remuneration. Half of the deferral is tied to the performance of the company, and the other half invested in the funds we manage. For investment professionals it is expected that they will invest in funds that they manage and support, further aligning their interests with those of the Company's clients.

The amounts ultimately distributed in the framework of the long-term incentive awards depend on the Company's business performance or the performance of certain investment funds over several years.

The remuneration of employees in controlling functions is not directly linked to the business performance of the departments monitored by the controlling function.

The Management Company has a comprehensive risk reporting system in place, which covers both current and future risks of business activities. Risks which exceed the organisation's risk appetite are presented to the Global Remuneration Committee which will decide, if necessary, on adjustments to the total remuneration pool.

Individual variable compensation may be reduced or withheld in full if employees violate Compliance policies or take excessive risks on behalf of the Company. The Risk and Compliance functions will jointly report such cases to the Global Remuneration Committee.

Multi-year targets and deferred parts of the variable compensation ensure long-term performance measuring. In particular, the performance of fund managers is measured to a large extent against quantitative return results over a multi-year-framework.

In addition, deferred parts of the variable compensation increase in line with the variable compensation amount and are paid out only after a three-year waiting period. The deferred compensation elements can be withdrawn under the plan and depend on the Company's and the fund's performance so that a considerable part of the total compensation depends on multi-year value added.

Further details of the Management Company's current remuneration policy are published on the Internet at <https://regulatory.allianzgi.com>. These include a description of the calculation methods for remuneration and benefits awarded to certain groups of employees, as well as details of the persons responsible for allocation, including members of the remuneration committee. On request, the information will be made available by the Company in hard copy without charge.

## Term and Liquidation of the Fund and Unit Classes

The Fund has been established for an indefinite period of time; however it may be liquidated by resolution of the Management Company at any time. The Fund may also be liquidated in the cases indicated in Article 22(1) and Article 24 of the Law.

The Management Company may terminate its management of the Fund, subject to at least three months' notice. Notice of termination will be published in RESA, as well as in at least two daily newspapers (to be specified at that time). One of these daily newspapers must be published in the Grand Duchy of Luxembourg. The right of the Management Company to manage the Fund lapses with such notice coming into force. In this case, the right of disposal with respect to the Fund is passed to the Depositary, which will wind it up and distribute the proceeds of the liquidation among the unitholders. During the liquidation period, the Depositary is entitled to claim the all-in fee in accordance with Article 17 of the management regulations. However, with the Supervisory Authority's approval, it may refrain from the liquidation and

distribution, and transfer the management of the Fund, in accordance with the management regulations, to another management company authorised under Directive 2009/65/EC.

If the Fund is liquidated, notice of liquidation will be published in the RESA, as well as in at least two daily newspapers (to be specified at that time). One of these daily newspapers must be published in the Grand Duchy of Luxembourg. On the day of the resolution being adopted with regard to the Fund's liquidation, units will cease to be issued. Until liquidation, it will be possible to redeem units if it is possible to ensure equal treatment of the unitholders. The assets will be sold and the Depositary will distribute the liquidation proceeds less liquidation costs and fees, upon instructions from the Management Company or, if appropriate, the liquidators appointed by the Management Company or by the Depositary in agreement with the Supervisory Authority, among the unitholders according to their respective claims. Liquidation proceeds not claimed by unitholders after completion of the liquidation proceedings will, if required by law, be converted into Euro and deposited by the Depositary for the account of the entitled unitholders at the *Caisse de Consignation* in the Grand Duchy of Luxembourg, where such amounts will be forfeited if not enforced within the statutory period.

The Management Company may also liquidate existing unit classes in accordance with Article 19 of the management regulations.

## Merger with other Funds and Unit Classes

The Management Company may decide to bring the Fund (the "Transferring Fund") into another Undertaking for Collective Investment in Transferable Securities ("UCITS") as defined by Directive 2009/65/EC that either already exists or is newly established through the merger procedure, or into a subfund of such fund that is managed by the same management company, or by another management company authorised under Directive 2009/65/EC (the "Absorbing Fund").

The merger is generally accomplished by way of liquidation of the Transferring Fund and simultaneous takeover of all liabilities and assets by the Absorbing Fund. It is also possible to transfer only the assets of the Transferring Fund into the Absorbing Fund. The liabilities remain in the Transferring Fund, which is accordingly not liquidated until these liabilities have been settled.

The resolution of the Management Company to merge funds shall be notified to the unitholders of the Transferring Fund and the Absorbing Fund in accordance with the Law and other Luxembourg legal and administrative provisions at least 30 days before the date on which the right lapses to demand, free of charge apart from divestment costs, the redemption or, as the case may be, the conversion of all or part of their units at the relevant net asset value per unit in accordance with the procedure described in Article 14 of the management regulations and taking account of the terms of Article 16 of the management regulations. If no decision is otherwise taken in the interests of all unitholders or in connection with their equal treatment, the right to redemption free of charge or conversion shall lapse five working days before the date on which the merger ratio is calculated. The units of unitholders who have not requested redemption of their units or, as the case may be, their conversion, will be replaced on the basis of the net asset values per unit on the effective date of the merger by units of the Absorbing Fund. Where required, unitholders shall receive settlement of fractional units in accordance with the Law.

In accordance with Article 20 of the management regulations, the Management Company may merge existing unit classes within the Fund or with another Undertaking for Collective Investment in Transferable Securities ("UCITS") as defined by Directive 2009/65/EC that either already exists or is newly established through the merger procedure, or into a subfund or unit class of such fund.

## The Management Regulations

The management regulations of the Fund form an integral part of this sales prospectus. The management regulations printed below are subdivided into a General Part and a Special Part. The General Part comprises the legal framework as well as the general investment guidelines. The Special Part of the management regulations contains the specific details and the investment objectives and investment principles of the Fund.

## Note for Investors in the Federal Republic of Germany

All payments to unitholders (proceeds from redemptions, any distributions and other payments) can be made through the German Paying Agent listed in the "Directory". Redemption orders may be submitted through the German Paying Agent.

With respect to sales in the Federal Republic of Germany, the subscription and redemption prices are published on the Internet at the website <https://de.allianzgi.com>. Any announcements to investors are published on the Internet at the website <https://de.allianzgi.com>. In the case of selected unit classes (e.g. unit classes intended exclusively for institutional investors or unit classes for which no bases of taxation are announced in the Federal Republic of Germany), the information may be published on the Internet at one of the following websites: <https://regulatory.allianzgi.com> or <https://lu.allianzgi.com>.

Investors in the Federal Republic of Germany as defined in Section 298 (2) of the German Investment Code (KAGB) shall also be informed in the following cases by means of a durable medium as defined in Section 167 KAGB:

- Suspension of redemption of the Fund's units,
- Termination of the management of the Fund or its liquidation,
- Changes to the management regulations that are not compatible with the previous investment principles, that relate to material investor rights or that refer to fees and expense reimbursements payable from the Fund, including the background to the changes and the rights of the investors,
- In the event of a merger of the Fund with another fund, the merger information required under Art. 43 of Council Directive 2009/65/EC,
- In the event of conversion of the Fund into a feeder fund or, if applicable, the changes to a master fund in the form of information required under Art. 64 of Council Directive 2009/65/EC.

The sales prospectus, management regulations, the current annual and semi-annual reports, the Key Investor Information as well as the subscription and redemption prices, may be obtained in hard copy without charge from the Information Agent listed in the "Directory" and without charge on the Internet at the website <https://de.allianzgi.com>. In the case of selected unit classes (e.g. unit classes intended exclusively for institutional investors or unit classes for which no bases of taxation are announced in the Federal Republic of Germany), the information may be published on the Internet at one of the following websites: <https://regulatory.allianzgi.com> or <https://lu.allianzgi.com>. The depositary agreement is available for inspection without charge at the offices of the Information Agent.

Neither the Management Company, the Depositary, the Registrar and Transfer Agent, the Distributor nor the Paying and Information Agents are liable for errors or omissions in the published prices.

## Risk of Change to Announced Bases of Taxation for Investors Subject to Taxes in the Federal Republic of Germany and Risk of Classification as an Investment Company for Tax Purposes

A change to incorrectly announced bases of taxation for the Fund for previous financial years may have as a consequence, in the case of a correction that has tax disadvantages for the investor, that the investor is responsible for the tax burden arising from the correction for previous financial years, although he might not have been invested in the Fund at that time. Similarly, the consequence may also arise for the investor that a correction that has tax advantages for the current and for previous financial years in which he was invested in the Fund may not benefit him because he redeemed or sold his units before the correction in question was implemented. In addition, a correction of tax information may result in income that is subject to taxation or tax advantages actually being assessed in a different tax assessment period from the appropriate period, and this could have a negative impact on the individual investor. In addition, a correction to tax data may result in the tax measurement basis for an investor matching or even exceeding the performance of the Fund. There may be changes in announced bases of taxation in particular when the German tax authorities or tax jurisdictions have different interpretations of the relevant tax regulations.

Under the rules of the German Investment Tax Act (Investmentsteuergesetz - InvStG), the Fund's tax status may change due to the composition of its portfolio, such that the Fund is no longer regarded as an investment fund from a tax

viewpoint within the meaning of the InvStG. In these instances, the taxation of the Fund is generally based on the principles applicable to investment companies as defined in the InvStG.

## Investment tax reform

The Investment Tax Reform Act was published on 26 July 2016 in Germany. One of its stipulations is that, starting from 2018, certain German sources of fund income (dividends / rent / capital gains from the sale of property) shall be taxed at fund level. The only exception is if particular tax-privileged institutions are investors, or the units are held within the framework of retirement provision or base pension agreements (Riester/Rürup). Until now the “transparency principle” has generally applied, i.e. taxes are first levied at the level of the investor.

In order to adjust for this, the new legislation provides that, if certain requirements are met, investors shall receive a flat-rate portion of the income generated by the fund, free of tax (partial exemption), as compensation for the tax liability at fund level. This mechanism nevertheless does not ensure that a full adjustment is made in each particular case.

## Information for Investors in the Republic of Austria

In accordance with Section 140 InvFG (Austrian Investment Fund Act), the Finanzmarktaufsicht (Vienna) (Austrian Financial Market Authority) was notified of the public distribution of units of the fund Allianz Volatility Strategy in the Republic of Austria.

Allianz Investmentbank AG acts as Paying and Information Agent in Austria in accordance with Section 141 (1) InvFG. Redemption orders for units of the above Fund can be submitted to the Austrian Paying and Information Agent.

In addition, all necessary investor information can be obtained free of charge at the Austrian Paying and Information Agent, such as the prospectus, the management regulations, the annual and semi-annual reports, the Key Investor Information as well as the subscription and redemption prices.

It is recommended that, before purchasing units of the (Sub)Fund(s), investors ascertain whether the income data required for tax purposes is published via the Österreichische Kontrollbank AG for the respective unit class.

## Notice for Investors in Switzerland

### 1. Representative and Paying Agent in Switzerland

BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, CH-8002 Zurich, is Representative and Paying Agent in Switzerland for the units distributed in Switzerland.

### 2. Place where the relevant documents may be obtained

The sales prospectus, the Key Investor Information, the management regulations as well as the annual and semi-annual reports can be obtained without charge from the Representative in Switzerland.

### 3. Publications

Publications in Switzerland are made at [www.fundinfo.com](http://www.fundinfo.com). In Switzerland, subscription and redemption prices and/or the net asset value (with the indication “commissions excluded”) of the units are published daily at [www.fundinfo.com](http://www.fundinfo.com).

### 4. Payment of retrocessions and rebates

#### Retrocessions:

The Management Company and its agents may pay retrocessions as remuneration for distribution activity in respect of units in or from Switzerland. This remuneration may be deemed payment for the following services in particular:

- setting up processes for subscribing, holding and safe custody of the units;
- keeping a supply of marketing and legal documents, and issuing the said documents;

- forwarding or providing access to legally required publications and other publications;
- performing due diligence delegated by the Management Company in areas such as money laundering, ascertaining client needs and distribution restrictions;
- mandating an authorised auditor to check compliance with certain duties of the Distributor, in particular with the Guidelines on the Distribution of Collective Investment Schemes issued by the Swiss Funds & Asset Management Association SFAMA;
- operating and maintaining an electronic distribution and/or information platform;
- clarifying and answering specific questions from investors pertaining to the funds or the Management Company or the Sub-Investment Manager;
- drawing up fund research material;
- central relationship management;
- subscribing for units as a "nominee" for several clients as mandated by the Management Company;
- training client advisors in collective investment schemes;
- mandating and monitoring additional distributors.

Retrocessions are not deemed to be rebates even if they are ultimately passed on, in full or in part, to the investors.

The recipients of the retrocessions must ensure transparent disclosure and inform the investor, unsolicited and free of charge, about the amount of remuneration they may receive for distribution.

On request, the recipients of retrocessions must disclose the amounts they actually receive for distributing the collective investment schemes of the investors concerned.

#### **Rebates:**

In the case of distribution activity in or from Switzerland, the Management Company and its agents may, upon request, pay rebates directly to investors. The purpose of rebates is to reduce the fees or costs incurred by the investor in question.

Rebates are permitted provided that:

- they are paid from fees received by the Management Company and therefore do not represent an additional charge on the fund assets;
- they are granted on the basis of objective criteria;
- all investors who meet the objective criteria and demand rebates are also granted these within the same timeframe and to the same extent.

The objective criteria for the granting of rebates by the Management Company are:

- the volume subscribed by the investor or the total volume they hold in the collective investment scheme or, where applicable, in the product range of the promoter;
- the amount of the fees generated by the investor;
- the investment behaviour shown by the investor (e.g. expected investment period);
- the investor's willingness to provide support in the launch phase of a collective investment scheme.

At the request of the investor, the Management Company must disclose the amounts of such rebates free of charge.

#### **5. Place of performance and jurisdiction**

The place of performance and jurisdiction for units distributed in and from Switzerland is at the registered office of the Representative in Switzerland.

## Note for Investors in the United Kingdom

The name and address of the “U.K. Distributor and Facilities Agent” is listed in the “Directory”.

Any buyer or unitholder may sell all or some of his units by instructing the U.K. Facilities Agent in writing.

The subscription and redemption prices may be obtained from the U.K. Facilities Agent.

Complaints regarding the Fund may be lodged with the U.K. Facilities Agent.

### Reporting status in the United Kingdom

The Management Company currently intends to apply for recognition of reporting status in the United Kingdom for the respective accounting periods of certain unit classes for tax purposes. At present, however, no guarantee can be given that such recognition will actually be granted.

### Distribution to private investors in the United Kingdom (UK Retail Distribution Review, RDR)

Intermediaries which are subject to supervision by the UK's Financial Conduct Authority (FCA), or which are the UK branch of a corporation subject to supervision by a member state of the European Economic Area (EEA), are subject to the FCA's RDR rules regarding investment advice for private investors from 31 December 2012 onwards.

Under RDR rules, an intermediary which distributes funds and (i) is subject to these rules and (ii) makes personal recommendations or advises private investors resident in the UK in relation to investments that were made after 31 December 2012 on behalf of these private investors, or in connection with services that are provided to private investors after that date, may not receive any commission from the fund provider.

Any potential investor who is subject to the RDR rules and makes personal recommendations or advises private investors resident in the UK must ensure that he invests only in suitable unit classes for these clients.

No advice-related commission applies to units of the various P (GBP) unit classes.

The above summary is not intended to be exhaustive and may not include all the considerations that are relevant to an investor in connection with RDR rules. Potential investors are strongly recommended to consult their legal adviser in this respect.

### Available documents

The prospectus, Key Investor Information, management regulations and the annual and semi-annual reports may be inspected at the offices of the U.K. Facilities Agent or obtained there free of charge.

# Management Regulations

The contractual rights and obligations of the Management Company, the Depositary and the unitholders with respect to the Fund are governed by the management regulations set out below. They are subdivided into the General Part, which is valid for multiple funds, and the Special Part, which may also contain, among other things, regulations that deviate from the General Part.

## General Part

### Article 1 General Information

1. The Fund is a separate pool of assets that does not represent an independent legal entity. Having been established as a “fonds commun de placement” under the law of the Grand Duchy of Luxembourg, the Fund comprises securities and other assets, and is managed by Allianz Global Investors GmbH, a limited liability company under German law (hereinafter called the “Management Company”), on its own behalf for the joint account of the investors (hereinafter called the “unitholders”). Allianz Global Investors GmbH implements the function of the central administration agent through its branch in Luxembourg (collectively referred to as “Management Company”).
2. The Management Company invests the Fund’s assets separately from its own assets in accordance with the principle of risk diversification. The resulting rights are vested in unit certificates or unit confirmations (both hereinafter called “unit certificates”) issued to the unitholders pursuant to Article 13 of the management regulations.
3. Each unitholder holds an interest in the Fund’s assets, which is reflected by the number of units held.
4. The acquisition of units by the unitholder constitutes acceptance of the management regulations as well as their approved and published amendments.
5. The original version of the management regulations and its amendments are lodged with the Commercial Register in Luxembourg. A notice of lodging is made in RESA, Recueil électronique des sociétés et associations (“RESA”).

### Article 2 Depositary

1. The Depositary is appointed by the Management Company. The functions of the Depositary are in compliance with the law, the management regulations and the depositary bank agreement. The Depositary acts independently of the Management Company and exclusively in the interest of the unitholders.
2. The Depositary keeps all securities and other assets of the Fund in safe custody in blocked accounts or securities accounts, with any disposals exclusively in accordance with the provisions of the management regulations. On its own responsibility and subject to approval by the Management Company, the Depositary is authorised to place assets of the fund in the custody of other banks or securities depositories, in observance of the Commission Delegated Regulation (EU) 2016/438 of 17 December 2015 supplementing Directive 2009/65/EC of the European Parliament and of the Council with regard to obligations of depositaries.
3. Debiting the blocked accounts of the Fund, the Depositary only withdraws those fees for the Management Company as stipulated in the management regulations, and, subject to approval of the Management Company, those fees and charges for itself being due to it in accordance with the management regulations. The provision in Article 17 of the management regulations on the charging of the Fund’s assets with other costs and fees remains unaffected.
4. If permitted by law, the Depositary is entitled and obliged, in its own name:
  - to assert claims of the unitholders against the Management Company or a former Depositary;
  - to make an objection against measures of third parties to levy execution, and to take action if any fund assets are executed against due to a claim for which the Fund’s assets cannot be held liable.
5. The Depositary and the Management Company are entitled to terminate the appointment of the Depositary at any time in writing, in accordance with the depositary agreement. Such termination will become effective if a bank, meeting the conditions of the Law on Undertakings for Collective Investment dated 17 December 2010 (the “Law”), assumes the obligations and functions as Depositary pursuant to the management regulations. In order to protect the interests of unitholders, the former depositary will perform its obligations and functions as depositary to the full extent until that date in accordance with Articles 18 and 20 of the Law and of the Commission Delegated Regulation (EU) 2016/438 of 17 December 2015 with regard to obligations of depositaries.
6. The Depositary is bound by the instructions of the Management Company, provided that those instructions are in accordance with the current versions of the Law, the sales prospectus and these management regulations of the Fund.

### Article 3 Fund Management

1. When performing its duties, the Management Company acts independently of the Depositary and exclusively on behalf of the unitholders. On its own responsibility and at its expense, it may consult investment advisors and/or take the advice of an investment committee and/or entrust a fund manager with day-to-day asset management. In addition, it may also use the services of third parties.
2. Pursuant to the provisions set out in the Special Part of the management regulations, the Management Company shall be entitled to acquire assets by means of funds invested by the unitholders, to dispose of such assets and invest the proceeds otherwise; it shall also be authorised with respect to any other legal actions associated with the management of the Fund’s assets.

### Article 4 General Investment Guidelines

The Management Company invests the Fund’s assets in the assets named below:

1. Securities and money-market instruments that
  - are traded on a stock exchange or another regulated market of an EU Member State or of a non-Member State, which operates regularly and is recognised and open to the public, or



- originate from new issues whose conditions of issue contain the obligation to apply for admission to official trading on a stock exchange or on another regulated market as defined in the first indent and the admission for which is obtained no later than one year after the issue.  
Money-market instruments are investments that are normally traded on the money market, that are liquid and whose value can be determined precisely at any time.
- 2. Units of Undertakings for Collective Investment in Transferable Securities (“UCITS”) as defined in Article 1(2) letters a) and b) of Directive 2009/65/EC, as authorised under Directive 2009/65/EC, regardless of whether their registered office is in a Member State of the European Union, or other Undertakings for Collective Investment (“UCI”), provided that
  - such other UCI are admitted in accordance with legal regulations which subject them to official supervision, which in the opinion of the *Commission de Surveillance du Secteur Financier* (“CSSF”) are equivalent to those of Community law, and adequate assurance of the co-operation between the government agencies exists;
  - the level of protection for the unitholders of the UCI is equivalent to the level of protection for the unitholders of a UCITS and, in particular, is equivalent to the requirements of Directive 2009/65/EC for the separate safekeeping of fund assets, borrowing, lending and short sales of securities and money-market instruments;
  - the business operations of the UCI are the subject of annual and semi-annual reports that make it possible to form a judgement concerning the assets and liabilities, the income and transactions in the reporting period;
  - the UCITS or other UCI, the units of which are to be acquired, may, according to their management regulations or Articles of Incorporation, invest a total of no more than 10% of their assets in units of other UCITS or other UCI.
- 3. Sight deposits or deposits subject to call with a maximum term to maturity of 12 months at financial institutions, provided that the financial institution in question has its registered office in a Member State of the European Union or if the registered office of the financial institution is located in a non-Member State, is subject to supervisory provisions, which in the opinion of the CSSF are equivalent to those of the Community. The deposits may be denominated in all currencies permitted by the Fund’s investment policy.
- 4. Derivative financial instruments (“derivatives”) i.e. in particular futures, forwards, options and swaps including equivalent instruments settled in cash, which are traded on one of the regulated markets described in No. 1, and/or derivative financial instruments that are not traded there (“OTC derivatives”), provided that the underlyings are instruments as defined in Article 4 of the management regulations, or financial indices, interest rates, exchange rates or currencies in which the Fund may invest in accordance with its investment principles. The financial indices within this meaning include, specifically, currency, exchange-rate, interest-rate, price and overall return indices, interest-rate indices, as well as, in particular, the continued use of bond, equity, commodity futures, precious metal and commodity indices and indices on the additional permissible instruments listed in this paragraph.  
In addition, the following conditions must also be fulfilled for OTC derivatives:
  - the counterparties in transactions must be top-rated financial institutions and specialised in such transactions and be institutions of the categories which are subject to a supervision admitted by the CSSF;
  - the OTC derivatives must be subject to a reliable and verifiable evaluation on a daily basis and may be sold, liquidated or closed out by an offsetting transaction at any time at the proper market value;
  - the transactions must be effected on the basis of standardised contracts;
  - the Management Company deems the purchase or sale of such instruments, instead of instruments traded on a stock exchange or in a regulated market, to be advantageous for unitholders. The use of OTC transactions is particularly advantageous if it facilitates a hedging of assets at matching maturities, thus being less expensive.
- 5. Money-market instruments that are not traded on a regulated market and do not fall under the definitions in No. 1, provided that the issue or the issuer of these instruments is itself subject to regulations concerning deposit and investor protection. The requirements for deposit and investor protection are fulfilled for money-market instruments if these instruments are rated at least investment grade by a recognised rating agency or the Management Company considers that the credit rating of the issuer corresponds to a rating of investment grade. These money-market instruments must also be
  - issued or guaranteed by a central governmental, regional or local body or the central bank of a Member State of the EU, the European Central Bank, the European Union or the European Investment Bank, a third country or if a federal state, a state of this federal state, or by public international bodies, to which at least one EU Member State belongs; or
  - issued by a company whose securities are traded on the regulated markets described in No. 1; or
  - issued or guaranteed by an institution that is subject to official supervision in accordance with criteria set down in Community law, or an institution that is subject to and adheres to supervisory provisions that in the opinion of the CSSF are equivalent to those of Community law; or
  - issued by other issuers who belong to a category that was admitted by the CSSF, provided that regulations for investor protection apply to investors in these instruments, which are equivalent to those of the first, second or third indent and provided that the issuer is either a company having a share capital of at least EUR 10 million, which prepares and publishes its annual financial statements according to the requirements of the Fourth Directive 78/660/EEC, or is a legal entity, which within a group of one or more listed companies, is responsible for the financing of this group, or is a legal entity, which is intended to finance the securitisation of debt by utilising a credit line granted by a financial institution.

#### Article 5 Unlisted Securities and Money-Market Instruments

The Management Company is permitted to invest up to 10% of the Fund’s assets in securities and money-market instruments other than those listed in Article 4 of the management regulations.

#### Article 6 Risk Diversification/Issuer Limits

1. On behalf of the Fund, the Management Company may purchase securities or money-market instruments of an issuer, provided that the value of such securities or money-market instruments and the value of securities issued by the same issuer which are already contained in the Fund does not exceed 10% of the Fund’s net assets at the time of purchase. The Fund may invest a maximum of 20% of its net assets in deposits at one institution as defined in Article 4 No. 3 of the management regulations. The default risk of the counterparties with OTC derivatives may not exceed 10% of its net assets if the counterparty is a financial institution in accordance with Article 4 No. 3 of the management regulations; for other cases, the maximum limit is 5% of the Fund’s net assets. The aggregate value of securities and money-market instruments of issuers where the Fund has invested more than 5% of its net assets in securities and money-market instruments of the same issuer may not exceed 40% of the Fund’s net assets. This restriction does not apply to deposits and to transactions with OTC derivatives that are carried out with financial institutions that are subject to government supervision.

Irrespective of the individual investment limits cited above, the Fund may invest a maximum of 20% of its net assets with a single institution in a combination consisting of

- securities or money-market instruments issued by that institution,
  - investments with this institution as defined in Article 4 No. 3 of the management regulations, and/or
  - enter into risks in OTC derivatives that exist with reference to the institution.
2. If the purchased securities or money-market instruments are issued or guaranteed by a Member State of the EU or its central, regional or local authorities, a third country, or by public international bodies to which one or more Member States of the EU belong, the restriction in No. 1 sentence 1 is increased from 10% to 35% of the Fund's net assets.
  3. For bonds issued by financial institutions domiciled in an EU Member State, where the respective issuers are subject to special official supervision due to statutory provisions protecting bondholders, the restrictions stated in No. 1 sentences 1 and 4 will be increased from 10% to 25% and 40% to 80%, respectively, provided that these financial institutions invest the issuing proceeds, pursuant to the respective statutory provisions, in assets which sufficiently cover the liabilities from bonds for their whole term to maturity, and which, as a matter of priority, are intended for capital and interest repayments becoming due on the issuer's default.
  4. The securities and money-market instruments cited in Nos. 2 and 3 are not considered when applying the 40% investment limit provided in No. 1 sentence 4. The restrictions in Nos. 1 to 3 do not apply on a cumulative basis. Therefore, investments in securities or money-market instruments of the same issuer or in deposits with this issuer or in derivatives of the same may not exceed 35% of the Fund's net assets. Companies that, with respect to the preparation of their consolidated financial statements in accordance with Directive 83/349/EEC or according to accepted international accounting standards, belong to the same group of companies, are regarded as one issuer when calculating the investment limits in Nos. 1 to 4. The Fund may invest up to 20% of its net assets in securities and money-market instruments of one group of companies.
  5. Investments in derivatives are included in the limits in the paragraphs listed above.
  6. In derogation of the limits of Nos. 1 to 4, the Management Company may invest, in accordance with the principle of risk diversification, up to 100% of the Fund's net assets in securities and money-market instruments of different issuers issued or guaranteed by the European Union, the European Central Bank, a Member State of the EU or its central, regional or local authorities, a Member State of the OECD, or by public international bodies to which one or more Member States of the EU belong, provided that such securities and money-market instruments have been issued within the framework of at least six different issues, with the securities and money-market instruments of a single issue not to exceed 30% of the net assets of the Fund. **If this Fund can make use of the possibility presented in this numbered point, this will be explicitly mentioned in the Special Part of the management regulations.**
  7. The Fund may purchase units of other UCITS or UCI as defined in Article 4 No. 2 of the management regulations if it does not invest more than 20% of its net assets in one UCITS or UCI. In applying this investment limit, each subfund of an umbrella fund as defined by Article 181 of the Law must be regarded as an independent fund if the principle of separate liability of each subfund to third parties applies. Investments in units of UCI other than UCITS may not exceed a total of 30% of the Fund's net assets. If the Fund has acquired units of a UCITS or a UCI, the investments of the UCITS or UCI are not considered with regard to the investment limits stated in Nos. 1 to 4. If the Fund acquires units of a UCITS or UCI that is managed directly or indirectly by the same Management Company or a different company associated with the Management Company by a substantial direct or indirect investment as defined by law, then neither the Management Company nor the associated company may charge fees for the subscription or repurchase of units or levy sales and redemption charges. The weighted average management fee of the target fund units to be acquired shall not exceed 2.50% p.a.
  8. Irrespective of the investment limits set down in No. 9 below, the limits stated in Nos. 1 to 4 for investments in equities and/or debt instruments of a single issuer amount to a maximum of 20% if the objective of the Fund's investment strategy is to replicate a specific equity or debt instrument index recognised by the CSSF; a precondition for this is that:
    - the composition of the index is adequately diversified;
    - the index represents an adequate benchmark for the market to which it refers;
    - the index is published in an appropriate manner.
 The limit set down in sentence 1 is 35% provided this is justified on the basis of exceptional market conditions, and in particular on regulated markets on which certain securities or money-market instruments are in a strongly dominant position. An investment up to this limit is only possible with a single issuer. The limit defined in No. 1 sentence 4 is not applicable. **If this Fund can make use of the possibility presented in this numbered point, this will be explicitly mentioned in the Special Part of the management regulations.**
  9. For none of its funds under management may the Management Company acquire voting shares carrying a voting right through which it would be permitted to exert a significant influence on the business policy of the issuer. It may acquire on behalf of the Fund a maximum of 10% of the non-voting shares, bonds and money-market instruments of a single issuer and a maximum of 25% of the units of a single UCITS or UCI. This limit is not required to be adhered to in the acquisition of bonds, money-market instruments and target fund units if the total amount issued or the net amount of the units issued cannot be calculated. It also does not apply if these securities and money-market instruments are issued or guaranteed by a Member State of the EU or its central, regional or local authorities or by a non-Member State, or are issued by public international bodies to which one or more Member States of the EU belong.
  10. It is necessary to ensure that more than 90% of the Fund's net assets are invested in assets that are permitted under the investment policy, and which are also assets as defined in Section 2 (4) of the German Investment Act. The proportion of unsecured loan receivables, including note loans and derivatives as defined in Article 4 and Article 8 of the management regulations, that are not derived from securities, money-market instruments, units in UCITS or other UCI within the meaning of Article 41(1) letter e of the Law, financial indices within the meaning of Article 41(1) letter g of the Law as well as Article 9 of the Grand Duchy's Regulation of 8 February 2008, interest rates, exchange rates or currencies in which the Fund may invest, may not exceed a total of 30% of the Fund's net assets (insofar as these assets are at all permissible within the scope of the investment policy).

#### Article 7 Reduction

The restrictions stated in Articles 5 and 6 of the management regulations refer to the time the assets are acquired. If the percentages are exceeded subsequently as a result of price developments or due to reasons other than additional purchases, the Management Company must immediately strive to normalise this situation as a priority objective, taking into account the interests of the unitholders.

#### Article 8 Techniques and Instruments

1. The Management Company may use techniques and instruments, in particular securities lending transactions and securities repurchase agreements as well as derivatives as defined in Article 4 No. 4 of the management regulations in accordance with the investment restrictions of the Fund for the

purpose of efficient portfolio management (including transactions entered into for hedging purposes and for speculative purposes). The Management Company may also in particular enter into market-contrary transactions using techniques and instruments.

2. In particular, the Management Company may enter into any type of swap transactions such as credit default swaps. In particular, the Management Company may enter into those swaps in which the Management Company and the counterparty agree to swap the returns generated by investments, a security, a money-market instrument, a unit of a fund, a derivative, a financial index, or a basket of securities or indices for returns from another security, money-market instrument, unit of a fund, derivative, a financial index, a basket of securities or indices or other investments. The Management Company is also authorised to use such credit default swaps for purposes other than hedging.

The contracting partner for credit default swaps must be a top-rated financial institution specialised in such transactions. Both the securities underlying the credit default swap and the respective counterparty to the credit default swap must be taken into account with regard to the investment limits set out in Article 6 of the management regulations. Credit default swaps are valued on a regular basis using clear and transparent methods. The Management Company and the independent Auditor monitor the clarity and transparency of the valuation methods and their application. If differences are detected during monitoring activities, the Management Company will arrange to remedy the situation.

3. The Management Company may also acquire securities and money-market instruments in which one or more derivatives are embedded (structured products).

#### Article 9 Securities Repurchase Agreements, Securities Lending

The Management Company may enter into securities repurchase agreements and securities lending without limit, within the framework of the investment principles for the Fund while observing its obligation to redeem units on each valuation day.

The Fund may also enter into securities repurchase agreements on securities and money-market instruments both as borrower and as lender if the contracting partner is a top-rated financial institution specialised in such transactions. Securities and money-market instruments purchased under agreements to resell may only be sold during the life of the repurchase agreement if the Fund has other means of hedging. With regard to securities and money-market instruments sold under repurchase agreements, the Fund must be in a position to comply with its repurchase commitments at the end of the repurchase agreement's term.

Fund liquidity that arises from repurchase agreements at the same time as a subsequent repurchase obligation will not be included in the 10% limit for short-term loans in accordance with Article 11 of the management regulations and is, as such, not subject to a specific percentage limit. The liquidity that is obtained may be fully invested elsewhere by the Fund within the framework of the respective investment principles, regardless of the existence of the repurchase obligation.

In relation to exposure to securities lending transactions, the securities and money-market instruments held in the Fund may be lent, provided that the Management Company is entitled to terminate the securities lending agreement at any time and to reclaim the lent securities and money-market instruments. It is a precondition for entering into securities repurchase agreements and securities lending transactions that the Management Company be granted sufficient collateral for the Fund through the transfer of cash, securities or money-market instruments, the value of which at the time of arranging the loan corresponds to at least the value of the securities subject to repurchase agreements or lent securities/money-market instruments. Securities and money-market instruments may be accepted as collateral if they are issued or guaranteed by Member States of the OECD, their central, regional or local authorities, or international organisations or are rated at least investment grade by a recognised rating agency or the Management Company considers that the credit rating of the issuer corresponds to a rating of investment grade ("accepted collateral").

The Management Company may – unless provided for otherwise in the securities repurchase or securities lending agreement or in the investment principles of the respective fund – invest the collateral granted in the form of cash during the term of the securities repurchase or securities lending agreement fully in shares or units of money-market funds which calculate a net asset value on a daily basis and are rated AAA or equivalent, short-term cash at banks, money-market instruments as defined in Directive 2007/16/EC of 19 March 2007, short-term bonds issued or guaranteed by a Member State of the European Union, Switzerland, Canada, Japan or the United States, or central, regional or local authorities, or by supranational institutions or bodies of an EU, regional or global nature, bonds issued or guaranteed by top-rated issuers with appropriate liquidity, and repurchase agreements as borrower in line with the procedures described in these management regulations, insofar as it deems such action to be reasonable and customary on the basis of careful analysis. In executing such transactions, the Management Company will use recognised clearing organisations or top-rated financial institutions that specialise in such transactions (depending on the scope of application, securities repurchase or securities lending programmes). These institutions may receive for their services a portion of the earnings obtained from the transactions.

#### Article 10 Risk-Management Procedure

The Management Company will use a risk-management procedure that permits it to monitor and measure at all times the risks associated with its investments and their share in the overall risk profile of the investment portfolio; it will also use a procedure that permits a precise, independent measurement of the value of OTC derivatives.

The Management Company monitors the Fund in line with the applicable regulations. In this connection the Management Company is authorised to calculate the adjustment amounts for the investment restrictions set out in Article 6 Nos. 1 to 8 and No. 10 of the management regulations as part of the above-mentioned risk-management procedure, which may result in lower adjustment amounts versus the market value method.

#### Article 11 Borrowing

For the joint account of the unitholders, the Management Company is authorised to raise short-term loans of up to 10% of the Fund's net assets, provided that the Depositary agrees to the borrowing and the terms of the respective loan. Not included in this 10% limit, but permissible without the approval of the Depositary, are foreign currency loans in the form of back-to-back loans as well as the transactions listed under Article 9 of the management regulations.

#### Article 12 Prohibited Transactions

On behalf of the Fund, the Management Company may not:

1. assume liabilities in connection with the purchase of partly paid securities, the aggregate of which including loans as stipulated in Article 11 sentence 1 of the management regulations exceeds 10% of the Fund's net assets;
2. grant loans or act as guarantor on behalf of third parties;
3. acquire securities, the disposal of which is subject to any kinds of restrictions due to contractual provisions;
4. invest in property, whereby property-backed securities or money-market instruments or interest on such investments or investments in securities or money-market instruments issued by companies which invest in property (such as REITs), and interest on such investments are permitted;
5. acquire precious metals or certificates on precious metals;

6. pledge or otherwise encumber assets of the Fund, transfer them as collateral, or assign them as collateral, unless this is required within the framework of a transaction permitted under these management regulations. Such collateral agreements are applicable in particular to OTC transactions as stipulated by Article 4 No. 4 of the management regulations ("Collateral Management");
7. conduct uncovered sales of securities, money-market instruments or target fund units.

#### Article 13 Unit Certificates

1. The unit certificates may be issued as bearer certificates and/or registered certificates, each of them representing one or more units. Fractional units are issued down to one thousandth of a unit.
2. The unit certificates bear handwritten or facsimile signatures of the Management Company and the Depositary.
3. The unit certificates are transferable in line with the provisions of Articles 40 and 42 of the law relating to commercial companies of 10 August 1915 (as amended). With its transfer, the rights vested in a unit certificate are passed. The Management Company and/or the Registrar and Transfer Agent regard(s) the holder of the unit certificate as the beneficiary in the case of a bearer certificate, while in the case of a registered certificate, the beneficiary is considered to be the person whose name is entered in the unitholder register maintained by the Registrar and Transfer Agent.
4. At the discretion of the Management Company, the Registrar and Transfer Agent may issue a unit confirmation on the units acquired instead of a registered certificate.

#### Article 14 Issue and Redemption of Units

1. All fund units carry identical rights, unless the Management Company resolves to issue different unit classes; if different unit classes are issued, the units of a unit class carry identical rights. They may be issued on any valuation day. Unless otherwise stated in the Special Part of the management regulations, a valuation day is any banking and exchange trading day in Frankfurt/Main and Luxembourg.
2. Unless otherwise stated in the Special Part of the management regulations for the respective fund, buy orders for units received at the respective institutions maintaining the unitholder's securities account, the Distributors, Paying Agents or at the Registrar and Transfer Agent on a valuation day by 7.00 a.m. Central European Time ("CET") or Central European Summer Time ("CEST") are settled at the subscription price determined on that valuation day, using the forward-pricing method. Buy orders for units received after this time are settled at the subscription price of the next valuation day, also using the forward-pricing method. Unless otherwise stated in the Special Part of the management regulations, the subscription price is payable to the Registrar and Transfer Agent after two further valuation days.
3. The units are issued by the Registrar and Transfer Agent on behalf of the Management Company immediately following receipt of the subscription price at the Registrar and Transfer Agent and, if bearer certificates are issued, immediately credited in the corresponding amount to the securities account the details of which are to be provided by the subscriber.
4. There is no general restriction regarding the number of units issued. However, the Management Company reserves the right to reject a buy order for units in whole or in part, or to suspend the issue of units temporarily or permanently; any payments already made will in such instances be immediately refunded.
5. At its own discretion the Management Company may, upon application from a subscriber, issue units in return for a contribution in kind of securities or other assets, provided that such securities or other assets comply with the investment objectives and investment principles of the Fund. The Auditor of the Fund generates a valuation report. The costs of such contribution in kind are borne by the subscriber in question.
6. Unitholders may request the redemption of units via the respective institutions maintaining their securities account, the Distributors, the Registrar and Transfer Agent or the Paying Agents at any time. Subject to Article 14 No. 10 and Article 16 of the management regulations, the Management Company is obliged to redeem units for the account of the Fund on any valuation day.
7. Unless otherwise stated in the Special Part of the management regulations for the respective fund, redemption orders for units received at the respective institutions maintaining the unitholder's securities account, the Distributors, Paying Agents or at the Registrar and Transfer Agent on a valuation day by 7.00 a.m. CET or CEST are settled at the redemption price determined on that valuation day, using the forward-pricing method. Unit redemption orders received after this time are settled at the redemption price of the next valuation day, also using the forward-pricing method. The redemption price is then paid within ten valuation days after the settlement date, in the reference currency of the respective unit class.
8. The Registrar and Transfer Agent is only obliged to make payment if there are no legal provisions such as exchange control regulations or other circumstances beyond the Registrar and Transfer Agent's control (e.g. holidays in countries in which investors or intermediaries/service providers engaged to process the payment are domiciled) forming an obstacle to transfer of the redemption price.
9. At its own discretion, the Management Company may, with the consent of the unitholder, redeem units of a fund in return for the transfer of securities or other assets from the assets of the respective fund. The value of the assets to be transferred must be equivalent to the value of the units to be redeemed on the valuation day. The scope and nature of the securities or other assets to be transferred are determined on a reasonable basis without impairing the interests of other investors. Such valuation must be confirmed in a separate report by the Auditor. The costs of such transfers are borne by the unitholder in question.
10. In the event of massive demand for redemptions, the Management Company reserves the right, subject to prior approval of the Depositary, not to redeem the units at the valid redemption price until it has sold appropriate assets without delay, while safeguarding the interests of all unitholders.
11. The Special Part of the Fund's management regulations may provide that a Paying Agent may additionally levy a transaction fee for purchases or redemptions of units by the unitholder.
12. Every buy order or redemption order for units is irrevocable, unless calculation of the net asset value is suspended in accordance with Article 16 of the management regulations, when it is revocable during such suspension, and in the event of delayed redemption of units in accordance with Article 14 No. 10, when it is revocable during such delay in redemption.

#### Article 15 Subscription and Redemption Price/Income Equalisation

1. For the calculation of the subscription and redemption price of the Fund's units, the Management Company or third parties appointed by it, which are named in the sales prospectus, shall determine the value of the assets comprised in the Fund, less the Fund's liabilities (hereinafter called the "net asset value"), on every valuation day, dividing it by the number of units in circulation (hereinafter called the "net asset value per unit"). Unless No. 2 or No. 3 applies, the:
  - assets that are officially listed on a stock exchange are valued at the latest available price paid;
  - assets that are not officially listed on a stock exchange, but are traded on a regulated market or on other organised markets, are also valued at the latest available price paid, provided that, at the time of valuation, the Depositary considers that price to be the best possible price at which the assets can be sold;

- financial futures transactions relating to currencies, securities, financial indices, interest rates and other permissible financial instruments and options thereon and corresponding warrants are, if listed on a stock exchange, valued at the most recent price of the stock exchange in question. If there is no stock exchange listing, in particular with regard to all OTC transactions, valuation is made at the probable realisation value, determined prudently and in good faith;
  - interest-rate swaps are valued at their market value referring to the applicable interest-rate curve;
  - swaps linked to indices and to financial instruments are valued at their market value, which is determined by reference to the index concerned or the financial instrument concerned;
  - units of UCITS or UCI are valued at the latest redemption price determined and obtainable;
  - cash and time deposits are valued at their nominal value plus accrued interest;
  - assets not denominated in the base currency of the Fund (hereinafter called the “base currency of the Fund”) are converted into the base currency of the Fund at the most current middle-market rate of exchange.
2. Assets whose trade prices are not fair market prices, as well as all other assets, are valued at the probable realisation value, determined prudently and in good faith.
  3. At its discretion, the Management Company may authorise other valuation methods if, in its consideration, such other methods better represent the fair value of the assets.
  4. The Management Company uses an income equalisation procedure for the Fund and its unit classes. This means that the proportional income and realised capital gains/losses accruing during the financial year, which the acquirer of units must pay as part of the subscription price and which the seller of units receives as payment as part of the redemption price, is continuously netted. The expenses incurred are taken into account in calculating the income equalisation.
  5. The subscription price is the net asset value per unit as determined according to Article 15 Nos. 1, 2 and 3, plus any sales charge to cover issuing costs. The subscription price may be rounded up or down to the nearest unit of the corresponding currency, as specified by the Management Company. The level of the sales charge may differ depending on the unit class and is stipulated in the Special Part of the management regulations. The unitholder bears the cost of any stamp duties or other charges accruing in a country in which the units are issued.
  6. The redemption price is the net asset value per unit determined in accordance with Article 15 No. 1, 2 and 3, less any redemption fee due to the Management Company and/or less any divestment fee in favour of the Fund as a whole. The redemption price may be rounded up or down to the nearest unit of the corresponding currency, as specified by the Management Company. The level of the redemption fee or divestment fee may differ depending on the unit class and is stipulated in the Special Part of the management regulations.

#### Article 16 Suspension

1. The issue and redemption of units may be suspended temporarily by the Management Company if and as long as there are exceptional circumstances that make the suspension necessary and the suspension is justified taking into account the interests of the unitholders. Exceptional circumstances exist in particular if and as long as
  - a stock exchange on which a considerable share of the Fund’s assets is traded is closed (except for ordinary weekends and public holidays), or trading is restricted or suspended;
  - the Management Company cannot obtain access to assets;
  - the transaction values resulting from purchases as well as sales cannot be transferred;
  - it is impossible to determine the net asset value in accordance with standard practice.
 Insofar as the exceptional circumstances make it impossible to calculate the net asset value, the calculation may also be suspended. The Special Part of the management regulations may provide for further regulations on the suspension of the issue and redemption of units.
2. Buy orders and redemption orders for units are executed once calculation of the net asset value is resumed, unless they have been revoked by this time to the Management Company in accordance with Article 14 No. 12 of the management regulations.

#### Article 17 Administration Costs

1. The Management Company is entitled to an all-in fee payable from the Fund, unless this fee is charged directly to the respective unitholder within the framework of a particular unit class. In addition, the Special Part of the management regulations may provide that the Management Company is entitled to a performance-related fee from the Fund.  
The all-in fee covers the following fees and expenses, which are not charged separately to the Fund:
  - fee for the management and central administration of the Fund;
  - fee for distribution and advisory services;
  - fee for the Depositary and expenses for sub-custody facilities;
  - fee for the Registrar and Transfer Agent;
  - costs for the preparation (including translation) and mailing of sales prospectuses, management regulations, Key Investor Information as well as annual, semi-annual and any interim reports and other reports and notifications to the unitholders;
  - costs of publishing the sales prospectuses, management regulations, Key Investor Information, annual, semi-annual and, if any, interim reports, other reports and notifications to unitholders, tax information, as well as subscription and redemption prices, and the official announcements made to the unitholders;
  - costs of auditing the Fund by the Auditor;
  - costs of registering the unit certificates for public distribution and/or the maintenance of such registration;
  - costs of preparing the unit certificates and, if any, coupons and coupon renewals;
  - paying agent and information agent fees;
  - costs of assessing the Fund by nationally and internationally recognised rating agencies;
  - expenses in connection with the establishment of the Fund.
 Depending on the structure of the contractual relationship, the Depositary may receive a payment for processing each transaction conducted on behalf of the Management Company; this fee is payable from the Fund.
2. Apart from this fee, the following expenses are borne by the Fund:
  - costs arising in connection with the purchase and sale of assets (including any research and analyst services made available in accordance with market practice) and the use of securities lending programmes and securities lending brokers;

- costs for assertion and enforcement of legal rights of the Fund or any existing unit class appearing to be justifiable and for defence against claims made against the Fund or any existing unit class that seem unjustified;
- costs and taxes (including but not limited to Taxe d'Abonnement) which may be incurred in connection with administration and custody;
- costs for examination, assertion and enforcement of any claims for reduction, offsetting or refund of withholding taxes or other taxes or fiscal levies.

#### Article 18 Accounting

1. The Fund and its accounts are audited by a certified auditing firm appointed by the Management Company.
2. The Management Company publishes audited annual reports for the Fund no later than four months after the end of each financial year.
3. The Management Company publishes an unaudited semi-annual report for the Fund within two months of the end of the first six months of the financial year.
4. The respective reports can be obtained from the Management Company, the Depositary and the Paying and Information Agents.

#### Article 19 Duration and Liquidation of the Fund and Notice of Termination by the Management Company

1. Unless otherwise stated in the Special Part of the management regulations for the Fund, the Fund was established for an indefinite period of time. However, it may be liquidated by resolution of the Management Company at any time.
2. The Fund may also be liquidated in the cases indicated in Article 22(1) and Article 24 of the Law.
3. The Management Company may terminate its management of the Fund, subject to at least three months' notice. Notice of termination will be published in RESA, as well as in at least two daily newspapers (to be specified at that time). One of these daily newspapers must be published in the Grand Duchy of Luxembourg. The right of the Management Company to manage the Fund lapses with such notice coming into force. In this case, the right of disposal with respect to the Fund is passed to the Depositary, which will wind it up pursuant to Article 19 No. 4, and distribute the assets remaining after the liquidation among the unitholders. During the liquidation period, the Depositary is entitled to claim the all-in fee in accordance with Article 17 of the management regulations. However, with the Supervisory Authority's approval, it may refrain from the liquidation and distribution, and transfer the management of the Fund, in accordance with the management regulations, to another management company permitted under Directive 2009/65/EC.
4. If the Fund is liquidated, notice of liquidation will be published in RESA, as well as in at least two daily newspapers (to be specified at that time). One of these daily newspapers must be published in the Grand Duchy of Luxembourg. On the day of the resolution being adopted with regard to the Fund's liquidation, units will cease to be issued. Until liquidation, it will be possible to redeem units if it is possible to ensure equal treatment of the unitholders. The assets will be sold and the Depositary will distribute the liquidation proceeds less liquidation costs and fees, upon instructions from the Management Company or, if appropriate, the liquidators appointed by the Management Company or by the Depositary in agreement with the Supervisory Authority, among the unitholders according to their respective claims. Liquidation proceeds not collected by unitholders after completion of the liquidation proceedings will, if required by law, be converted into Euro and deposited by the Depositary for the account of the entitled unitholders at the *Caisse de Consignation* in the Grand Duchy of Luxembourg, where such amounts will be forfeited if not claimed within the statutory period.

#### Article 20 Merger

The Management Company may decide to bring the Fund (the "Transferring Fund") into another Undertaking for Collective Investment in Transferable Securities (UCITS) as defined by Directive 2009/65/EC that either exists or is newly established through the merger procedure, or into a subfund of such fund that is managed by the same management company, or by another management company authorised under Directive 2009/65/EC (the "Absorbing Fund").

The merger is generally accomplished by way of liquidation of the Transferring Fund and simultaneous takeover of all liabilities and assets by the Absorbing Fund. It is also possible to transfer only the assets of the Transferring Fund into the Absorbing Fund. The liabilities remain in the Transferring Fund, which is accordingly not liquidated until these liabilities have been settled.

The resolution of the Management Company to merge funds shall be notified to the unitholders of the Transferring Fund and the Absorbing Fund in accordance with the Law and other Luxembourg legal and administrative provisions at least 30 days before the date on which the right lapses to demand, free of charge apart from disinvestment costs, the redemption of all or part of their units at the relevant net asset value per unit in accordance with the procedure described in Article 11 of the management regulations and taking account of the terms of Article 10 of the management regulations or, as the case may be, to demand conversion of such units. If no decision is otherwise taken in the interests of all unitholders or in connection with their equal treatment, the right to redemption free of charge or conversion shall lapse five working days before the date on which the merger ratio is calculated. The units of unitholders who have not requested redemption of their units or, as the case may be, their conversion, will be replaced on the basis of the net asset values per unit on the effective date of the merger by units of the Absorbing Fund. Where required, the unitholders receive settlement of fractional units in accordance with the Law.

#### Article 21 Amendments to the Management Regulations

1. Subject to the approval of the Depositary, the Management Company may amend the management regulations at any time, in whole or in part.
2. Amendments to the management regulations are lodged with the Commercial Register in the Grand Duchy of Luxembourg. A reference to the deposit will be made in RESA.

#### Article 22 Limitation of Actions

Claims by unitholders against the Management Company or the Depositary can no longer be legally asserted in court once a period of five years has elapsed from the date of the claim.

#### Article 23 Place of Performance, Jurisdiction and Contract Language

1. Place of performance is the branch office of the Management Company in Luxembourg.
2. Legal disputes between unitholders, the Management Company and the Depositary are subject to the jurisdiction of the respective court in the Grand Duchy of Luxembourg. The Management Company and the Depositary are entitled to submit themselves and the Fund to the legal system and jurisdiction of other countries in which the units are distributed, if investors residing in such countries assert claims against the Management Company or the Depositary.
3. The contract language is German. On their own and the Fund's behalf, the Management Company and the Depositary may declare translations into languages of countries in which units are admitted for public distribution to be binding.



Supplementing and in derogation, the provisions shown below apply to Allianz Volatility Strategy.

## Special Part

### Article 24 Fund Name

The name of the Fund is Allianz Volatility Strategy.

### Article 25 Depositary

The Depositary is State Street Bank Luxembourg S.C.A., Grand Duchy of Luxembourg.

### Article 26 Investment Policy

#### Investment objective

The objective of the investment policy is to generate long-term capital growth. To this end, fund management will enter into derivatives on variance in the equity markets using a quantitative approach and a core portfolio with a risk/return profile similar in all other respects to the Euro money market. Depending on market conditions, the above-mentioned derivatives may have different weightings, expressed in terms of the nominal value, in the overall orientation of the Fund.

In general, the derivatives on variance that are used are variance swaps. Variance in this context is a measure of the volatility of an underlying instrument in the period under review.<sup>2</sup>

A variance swap results in a financial settlement between the parties at the end of the swap period. The amount of this settlement is the swap's nominal value multiplied by the difference between the annualised realised variance and a reference value fixed for the variance at the start of the swap period (the strike variance, which generally corresponds to the expected variance for the respective swap period). The value of a variance swap does not depend 1:1 on the absolute performance of the underlying to which it refers; instead, it depends in particular on the change in the annualised realised variance of the respective underlying in the respective swap period. For this reason the value of a variance swap may even rise when the value of its underlying is dropping, or it may fall when the value of its underlying security is rising. The success of the investment strategy therefore depends particularly on the extent to which, within the quantitative approach, the change in the annualised realised variance of the respective underlying can be accurately forecast for a corresponding swap period.

Depending on how the variance swap is structured, the potential loss from the variance swap may also be automatically limited for the Fund by fund management.

Fund management will use variance swaps related to equity markets. In particular, positions may be taken in variance swaps in relation to the equity markets of the United States of America, Europe, Germany and/or Japan as underlying.

Different variance swaps running in parallel are generally used. They may differ in terms of swap period, underlying security and strike variance.

Depending on the unit class, the net asset value per unit of a unit class may be converted into a different currency or, if applicable, the currency may also be hedged against another predetermined currency.

#### Investment principles

To this end, the Fund's assets are invested, in accordance with the principle of risk diversification, as follows:

- a) Interest-bearing securities, including zero-coupon bonds, in particular government bonds, mortgage bonds and similar foreign asset-backed securities issued by financial institutions, public-sector bonds, floating-rate notes, convertible bonds and bonds with warrants, corporate bonds, mortgage-backed securities and asset-backed securities, as well as other collateralised bonds may be acquired for the Fund. Index certificates and other certificates whose risk profile typically correlates with the assets listed in sentence 1 or with the investment markets to which these assets can be allocated may also be acquired for the Fund's assets. In this respect, up to 20% of the value of the Fund's assets may be invested in mortgage-backed securities and asset-backed securities.
- b) Subject in particular to letter k), assets as defined in letter a) sentence 1 that do not have an investment grade rating from a recognised rating agency or are not rated at all, but for which in the opinion of fund management, it can be assumed that they would not have an investment grade rating if they were to be rated (collectively called "high-yield" investments), may not be acquired. If an asset as defined in letter a) sentence 1 is rated as a high-yield investment after acquisition, fund management will seek to dispose of that asset within one year. The proportion of assets in accordance with sentence 2 may not, subject in particular to letter k), exceed 10% of the value of the assets of the Fund.
- c) Subject in particular to letter k), assets as defined in letter a) sentence 1 whose issuer has its registered office in a country not classified by the World Bank as "high gross national income per capita", i.e. is not classified as "developed", may not be acquired.
- d) **Deposits as defined in Article 4 No. 3 of the management regulations may also be held and money-market instruments as defined in Article 4 Nos. 1 and 5 as well as Article 5 of the management regulations may be acquired.**

<sup>2</sup> Variance is a statistical measure of the degree of "dispersion" of a variable (more precisely: a random variable in the mathematical sense), i.e. of the deviation of the variable from a reference value. It is calculated, for example, by adding the squares of the deviations of the samples from the mean and dividing that sum by the number of samples. In the case of derivatives on variance in the equity markets, the samples described above are the returns of the underlying equity market. Since in order to calculate the variance, the actual returns within the period under review are used as a basis, the term is also referred to as the realised variance or the annualised realised variance. The only difference between these two types of variance is that the annualised realised variance has a scaling factor (annualising factor). In a variance swap a somewhat divergent definition of variance is usually used. It is calculated as the annualised sum of the squared logarithmic returns. The logarithmic return is the logarithm of the quotient of the closing prices of the underlying on consecutive banking days.

Accordingly the annualised realised variance in a variance swap is generally defined as follows:

$$\sigma^2 = A \sum_{i=1}^T \left[ \ln \left( \frac{S_i}{S_{i-1}} \right) \right]^2$$

where  $S_i$  = closing price of the underlying on day  $i$ ,  $T$  = number of days between trading day and final maturity,  $A$  is an annualising factor that is chosen as a function of the number of trading days, and "ln" is the natural logarithm (logarithmus naturalis).

- e) Certificates
- on European equity indices or the equity indices of individual European countries,
  - on equities of companies that have their headquarters in Europe and
  - on equity baskets whose equities underlie companies that have their headquarters in Europe,
- as well as equities and securities equivalent to equities of companies that have their headquarters in Europe, may also be acquired for the Fund's assets. Russia and Turkey are not considered European countries in this sense. The specific risks associated with equity markets are avoided through the use of techniques and instruments.
- f) UCITS or UCI, as defined by Article 4 No. 2 of the management regulations, may be invested up to 10% of the value of the Fund's assets in money-market funds and funds that follow an absolute return approach.
- Money-market funds in which investments are made may either be broadly diversified money-market funds or money-market funds focused on specific groups of issuers and/or currencies. Any UCITS or UCI is a money-market fund as defined above if its risk profile typically correlates with that of one or more money markets.
- Units may only be acquired in funds that are managed, directly or indirectly, by the Management Company itself or by any other company with which the Management Company is linked by a substantial direct or indirect investment. Units in other funds are acquired only as an exception and only if none of the aforementioned funds pursues the investment policy deemed necessary by fund management in particular cases, or if it involves units in UCITS or UCI based on tracking a securities index, which are admitted for official trading on one of the stock exchanges or regulated markets specified in Article 4 No. 1 of the management regulations.
- g) The Fund's assets may also be denominated in foreign currencies.
- Transactions whereby a particular other currency is largely hedged may be executed in the context of unit classes. In this respect, assets that are not denominated in a currency are considered to be denominated in the currency of the country in which the registered office of the issuer is located (for certificates: the underlying instrument).
- h) The average cash-weighted residual term to maturity (duration) of the portion of the Fund's assets invested in interest-bearing securities, including zero-coupon bonds as defined in sentence 1 of letter a), as well as deposits and money-market instruments in accordance with letter d), including interest receivables attached to the aforementioned assets, must be between zero and 18 months. In making the calculations, derivatives on interest-bearing securities, interest and bond indices as well as interest rates are accounted for irrespective of the currency in which the underlying assets are denominated.
- i) In the framework of and taking into account the above restrictions, the Fund's assets may – depending on the market situation – focus on
- individual types of assets, and/or
  - individual currencies, and/or
  - individual sectors, and/or
  - individual countries, and/or
  - assets with shorter or longer (residual) maturities, and/or
  - assets from issuers/debtors with specified characteristics (e.g. countries or companies), or have a broad investment focus.
- j) The limits described in b), c), f) and h) may be disregarded if this occurs through changes in the value of assets held in the Fund, or through a change in the value of the Fund as a whole, as in the case of the issue or redemption of unit certificates ("passive violation of limits"). In such cases, fund management will seek to adhere to those limits within an appropriate time frame.
- k) The limits described in letters b) and c) may be disregarded as a result of the acquisition or sale of the corresponding assets if it is simultaneously ensured through the use of techniques and instruments that the respective market risk potential as a whole adheres to the limits.
- For this purpose, the techniques and instruments will be counted using the delta-weighted value of the underlying instruments, preceded by a +/- sign as appropriate. Market-contrary techniques and instruments are also considered to be risk-reducing if their underlying instruments do not fully match the assets in the Fund.
- l) The Management Company may also use techniques and instruments for the purpose of efficient portfolio management (including transactions entered into for hedging purposes) and in particular for the purpose of representing the investment policy which is oriented towards variance as a major element (in accordance with Articles 8 and the following of the management regulations and the explanations in the sales prospectus under "The Use of Techniques and Instruments and Special Risks Associated with such Use") as well as raise short-term loans in accordance with Article 11 of the management regulations.

Under no circumstances may the Fund deviate from its stated investment objectives when using such techniques and instruments.

Fund management will invest the Fund's assets after thorough analysis of all the information available, subject to a careful evaluation of risks and opportunities, in securities and other approved assets.

The performance of fund units, however, remains dependent on changes on the markets. Therefore, no warranty can be given that the objectives of the investment policy will be achieved. Investors assume the risk of receiving a lesser amount than they originally invested.

#### Limited risk diversification

Supplementary to Article 6 of the management regulations, the Management Company may invest, in accordance with the principle of risk diversification, up to 100% of the Fund's net assets in securities and money-market instruments of different issues being offered or guaranteed by the European Union, the European Central Bank, a Member State of the EU or its central, regional or local authorities, by a Member State of the OECD, or by public international bodies to which one or more Member States of the EU belong, provided that such securities and money-market instruments have been offered within the framework of at least six different issues, with the securities and money-market instruments of a single issue not permitted to exceed 30% of the Fund's net assets.

#### Article 27 Unit Certificates

The units are vested in global certificates in the form of bearer certificates. There is no claim on issue of physical securities.

#### Article 28 Base Currency, Subscription and Redemption Price, Transaction Fee

1. The base currency of the Fund is the Euro.
2. The Management Company or third parties appointed by it and named in the sales prospectus determine the subscription and redemption price on every valuation day.



3. The subscription price is payable to the Registration and Transfer Agent for
  - unit classes with reference currencies CZK, HKD, HUF, PLN or SGD, no later than three valuation days after the respective settlement date,
  - all other unit classes, no later than two valuation days after the respective settlement date in the reference currency of the respective unit class. The Management Company may accept a different value date for payment at its own discretion. However, this may not exceed ten valuation days after the respective settlement date.
4. The sales charge to cover issuing costs (Article 15 No. 5 of the management regulations) is 6.00% of the net asset value per unit of the respective unit class for units of unit class types A and AT, 3.00% for units of unit class types C, CT, P2 and PT2, and 7.00% for units of unit class types S and ST. The Management Company may levy a lower sales charge at its own discretion. There is currently no sales charge for units of unit class types N, NT, P, PT, R, RT, I, IT, X, XT, W and WT.  
A redemption fee, which is at the disposal of the Management Company (Article 15 No. 6 of the management regulations) and a divestment fee in favour of the Fund (Article 15 No. 6 of the management regulations) is not charged at present.
5. If a Paying Agent in Italy is involved in the issue or redemption of units, the Paying Agent may also charge a transaction fee of EUR 75.00 per transaction in addition to a sales charge/redemption fee; the Paying Agent may charge a lower transaction fee at its own discretion.
6. The Management Company ensures the unit prices are published in an adequate manner in those countries in which the Fund is distributed to the general public. This may be effected through publication on the internet site of the Management Company.
7. In derogation of Article 14 No. 2 and No. 7 of the management regulations, buy orders and redemption orders for units received at the respective institutions maintaining the unitholder's securities account, the Distributors, Paying Agents or at the Registrar and Transfer Agent on a valuation day by 2.00 p.m. CET or CEST are settled at the subscription/redemption price determined on the next valuation day, using the forward-pricing method. Buy and redemption orders for units received after this time are settled at the subscription or redemption price prevailing on the valuation day following the next valuation day, also using the forward-pricing method.

### Section 29 Charges

1. The all-in fee, which is paid from the Fund while taking account of the different unit classes, is 2.30% p.a. for units of unit class types A and AT, 2.80% p.a. for units of unit class types C and CT, 1.50% p.a. for units of unit class types N, NT, S, ST, W and WT, 0.70% p.a. for units of unit class types P, PT, I and IT, 1.20% p.a. for units of unit class types P2 and PT2 and 2.00% p.a. for units of unit class types R and RT, calculated on the basis of the net asset value determined on a daily basis. The Management Company may levy a lower fee at its own discretion.
2. For units of unit class types X and XT, an all-in fee is not charged to the Fund at unit-class level; instead, for these types of unit class, the respective unitholder is directly charged a fee by the Management Company (Article 30 No. 2 of the management regulations). Unless for unit class types X and XT the Management Company and the respective unitholder have agreed to another fee (which may also include a performance-related component), the all-in fee for management and central administration as provided for in No. 1 totals 1.50% p.a., taking into account the different unit classes, and is calculated on the basis of the net asset value determined daily. The Management Company may levy a lower fee at its own discretion.
3. Payment of the fee is effected on a monthly basis, at the end of each month.

### Article 30 Unit Classes

1. The Fund may offer several unit classes, which differ in their charges, fee structure, use of income, persons authorised to invest, minimum investment amount, reference currency, the possibility of a currency hedge in a unit class, the determination of the settlement date after orders are issued, the determination of the settlement procedure after settlement of a subscription or redemption order and/or a distribution, or other characteristics. All units participate equally in income and liquidation proceeds of their unit classes.  
Units of distributing and accumulating unit classes may be issued for the Fund. A, C, N, S, P, P2, R, I, X and W unit class types are distributing unit class types, while AT, CT, NT, ST, PT, PT2, RT, IT, XT and WT unit class types are accumulating unit class types, i.e. the income accruing to this unit class type is reinvested in the unit class.  
The various unit class types may be issued in the reference currencies listed below:  
CHF (Swiss Franc), CZK (Czech Koruna), DKK (Danish Krone), EUR (Euro), GBP (Pound Sterling), HKD (Hong Kong Dollar), HUF (Hungarian Forint), JPY (Japanese Yen), NOK (Norwegian Krone), PLN (Polish Zloty), SEK (Swedish Krona), SGD (Singapore Dollar) and USD (US Dollar).  
The reference currency of a unit class is indicated by the code in parentheses after the unit class type [e.g. in the case of unit class type A and reference currency USD: A (USD)].  
The above-mentioned unit classes may be supplemented with numbers from "2" to "10".  
The conversion from one unit class to another unit class is precluded.
2. There is a required minimum investment amount for the acquisition of units of unit class types N, NT, P, PT, P2, PT2, I, IT, W and WT as indicated in the sales prospectus (after deduction of any sales charge). In individual cases, the Management Company may accept a lower minimum investment at its own discretion. Additional investments at lesser amounts are allowed, if the total of the current value of the units of the same unit class already held by the investor at the time of the additional investment and the amount of the additional investment (after deduction of any sales charge) corresponds to at least the minimum investment amount of the unit class in question. This calculation only considers holdings of the investor held at the same location at which the additional investment is to be made. If the investor is acting as intermediary for third-party ultimate beneficiaries, then the units of the types of unit classes indicated may only be acquired if the conditions listed above are separately fulfilled for each of the ultimate beneficiaries. A condition may be set on the issue of units of these types of unit classes requiring the prior submission by the investor of a written guarantee to that effect.  
Units of unit class types I, IT, X, XT, W and WT may not be acquired by natural persons, nor may they be acquired in situations in which the subscriber of the units is not a natural person, but is acting as intermediary for a third-party ultimate beneficiary who is. A condition may be set on the issue of units of these types of unit classes requiring the prior submission by the investor of a written guarantee to that effect.  
Units of unit class types X and XT may only be issued with the approval of the Management Company and after conclusion of a special individual agreement between the unitholder and the Management Company. The Management Company may, at its own discretion, decide whether to approve the issue of units, whether it is prepared to conclude a special individual agreement and how any special individual agreement is to be structured.
3. Unit classes whose reference currency is not the base currency of the Fund may also be issued. In doing so, it is possible to issue unit classes aiming at currency hedging in favour of the reference currency, and unit classes in which this is not done. The costs of these currency hedge transactions are borne by the corresponding unit class.  
If currency hedging in favour of the respective reference currency is aimed at for a unit class, an "H-" is prefixed to the name of the reference currency [e.g. in the case of unit class type A, reference currency USD and currency hedging being aimed at in respect of this reference currency: A (H-USD)].

The distributing unit classes A, C, N, S, P, P2, R, I, X and W may include an additional code "M", which refers to monthly distribution. These unit classes may only be acquired by investors who are neither domiciled in nor permanent residents of the Federal Republic of Germany.

4. The calculation of the net asset value per unit (in accordance with Article 15 Nos. 1, 2 and 3 of the management regulations) will be determined for each unit class by dividing the value of the net assets belonging to a unit class by the number of units of this unit class in circulation on the valuation day:
  - When distributions are made, the value of the net assets attributable to the units of the distributing unit classes is reduced by the amount of these distributions.
  - If the Fund issues units, the value of the net assets of the respective unit class increases by the amount of the proceeds resulting from such issue, less any sales charge levied.
  - If the Fund redeems units, the value of the net assets of the respective unit class is reduced by the amount of the net asset value attributable to the units redeemed.
5. The Management Company may liquidate existing unit classes in accordance with Articles 19 and 20 of the management regulations or merge them with other funds or unit classes.

#### Article 31 Use of Income

1. The Management Company determines each year whether, when and in what amount a distribution in accordance with the current provisions in the Grand Duchy of Luxembourg will be made for a unit class. The Management Company may also make interim distributions. Within the scope of legal requirements, the Fund's capital may be used for distributions.
2. A distribution is made on units of unit class types A, C, N, S, P, P2, R, I, X and W of the Fund in circulation on the distribution date. The income accruing to unit class types AT, CT, NT, ST, PT, PT2, RT, IT, XT and WT is not distributed but is invested within the framework of the unit class.
3. Distributions which are not claimed within five years after the declaration of distribution is published revert to the unit class. Nevertheless, the Management Company is authorised to pay out to the unitholders from the unit class distributions which are claimed after expiry of this deadline.

#### Article 32 Term and Liquidation of the Fund

The Fund has been established for an indefinite period of time; however, it may be liquidated by resolution of the Management Company at any time.

#### Article 33 Financial Year

The financial year of the Fund begins on 1 April and ends on 31 March.

#### Article 34 Effective Date

The original version of the management regulations entered into force on 27 March 2009. The most recent amendment came into effect on 31 July 2016.

# Funds managed by Allianz Global Investors GmbH under Luxembourg Law

At the time of printing this sales prospectus Allianz Global Investors GmbH managed the following funds:

Fund name	Fund name	Fund name
Allianz Corporate Bond Europa HiYield	Allianz PIMCO High Yield Income Fund	OLB-FondsConceptPlus Ertrag
Allianz Emerging Markets Equity Dividend	Allianz Rendite Plus 2017	OLB-FondsConceptPlus Wachstum
Allianz FinanzPlan 2015	Allianz Rendite Plus 2019	PremiumMandat Balance
Allianz FinanzPlan 2020	Allianz SAS	PremiumMandat Defensiv
Allianz FinanzPlan 2025	Allianz Stiftungsfonds Nachhaltigkeit	PremiumMandat Dynamik
Allianz FinanzPlan 2030	Allianz Strategic Absolute Return	Ras Lux Fund
Allianz FinanzPlan 2035	Allianz Strategie 2036 Plus	SK Europa
Allianz FinanzPlan 2040	Allianz Suisse – Strategy Fund	SK Themen
Allianz FinanzPlan 2045	Allianz Volatility Strategy	SK Welt
Allianz FinanzPlan 2050	Anlagestruktur 1	VermögensManagement AnlageStars Konservativ
Allianz FinanzPlan 2055	Best-in-One	VermögensManagement Anlagestrategie Defensiv
Allianz Global Investors Fund III	CB Fonds	VermögensManagement Balance
Allianz Global Strategy Dynamic	CB Geldmarkt Deutschland I	VermögensManagement Chance
Allianz High Yield Bond Extra 2017	Commerzbank Aktienportfolio Covered Plus	VermögensManagement RenditeStars
Allianz Laufzeitfonds Extra 2017	MetallRente FONDS PORTFOLIO	VermögensManagement Substanz
Allianz Money Market US \$	OLB VV-Optimum	VermögensManagement Wachstum
Allianz Pfandbrieffonds	OLB-FondsConceptPlus Chance	VermögensManagement Wachstumsländer Balance

as well as five investment companies in the legal form of a Société d'Investissement à Capital Variable (SICAV) and four “alternative investment funds” (AIF) in the legal form of a “Société d'Investissement à Capital Variable” (SICAV) – “fonds d'investissement spécialisé” (FIS). Allianz Global Investors GmbH also manages “Undertakings for Collective Investment in Transferable Securities” (UCITS) under German law, UCITS under French law, UCITS under Italian law and UCITS under the laws of the UK as well as Special AIF under German law and AIF under French and Luxembourg law.

# Directory

## Management Company and Central Administration Agent

Allianz Global Investors GmbH  
Bockenheimer Landstraße 42-44  
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Customer Service Centre Hof  
Telephone: +49 9281-72 20  
Fax: +49 9281-72 24 61 15  
+49 9281-72 24 61 16  
E-Mail: [info@allianzgi.de](mailto:info@allianzgi.de)

Allianz Global Investors GmbH implements the function of the central administration agent through its branch in Luxembourg:

6A, route de Trèves  
L-2633 Senningerberg  
Internet: <https://lu.allianzgi.com>  
E-Mail: [info-lux@allianzgi.com](mailto:info-lux@allianzgi.com)

## Supervisory Board

Dr. Christian Finckh  
Chief HR Officer  
Allianz SE  
Munich

Alexandra Auer  
Allianz Asset Management AG  
Business Division Head Asset Management and US Life Insurance  
Munich

Stefan Baumjohann  
Member of the works council  
Allianz Global Investors GmbH  
Frankfurt/Main

Dr. Bettina Corves-Wunderer  
CFO Allianz S.p.A  
Trieste

Prof. Dr. Michael Hüther  
Director and Member of the Board  
Institut der deutschen Wirtschaft  
Cologne

Laure Poussin  
Member of the works council  
Allianz Global Investors GmbH, Succursale Française  
Paris

## Board of Management

George McKay (Chairman)  
Thorsten Heymann  
Dr. Markus Kobler  
Michael Peters  
Dr. Wolfram Peters  
Tobias C. Pross  
Birte Trenkner  
Andreas Utermann

## Depositary, Subsequent Monitoring of Investment Limits and Restrictions, Fund Accounting, NAV Calculation

State Street Bank Luxembourg S.C.A.  
49, Avenue J.F. Kennedy  
L-1855 Luxembourg  
Shareholders' equity: EUR 65.0 million  
As at 31 December 2015

## Registrar and Transfer Agent

RBC Investor Services Bank S.A.  
14, Porte de France  
L-4360 Esch-sur-Alzette

## Information Agent in the Federal Republic of Germany

Allianz Global Investors GmbH  
Bockenheimer Landstrasse 42-44  
D-60323 Frankfurt/Main  
E-mail: [info@allianzgi.de](mailto:info@allianzgi.de)

## Paying Agent in the Federal Republic of Germany

Commerzbank AG  
Kaiserplatz  
D-60261 Frankfurt/Main

## Paying and Information Agent in the Grand Duchy of Luxembourg

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## in France

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Hietzinger Kai 101–105  
A-1130 Vienna

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Selnaustrasse 16  
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## Distributors

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Sucursal en España  
Ramírez de Arellano, 35, Planta 4ª  
E-28043 Madrid

## in the United Kingdom

Allianz Global Investors GmbH  
UK Branch  
199 Bishopsgate  
London EC2M 3TY  
United Kingdom

## Representative in Switzerland

BNP Paribas Securities Services, Paris succursale de Zurich  
Selnaustrasse 16  
CH-8002 Zurich

## Appointment of Austrian Representative to the Tax Authorities in the Republic of Austria

The following financial institution has been appointed the Austrian Representative to the tax authorities for certification of income equivalent to distributions as defined in Section 186(2) line 2 InvFG:

Allianz Investmentbank AG  
Hietzinger Kai 101–105  
A-1130 Vienna

## Facilities Agent in the United Kingdom

Allianz Global Investors GmbH, acting through the UK Branch

199 Bishopsgate  
London EC2M 3TY  
United Kingdom

The sales prospectus, Key Investor Information, management regulations, the current annual and semi-annual reports, the subscription and redemption prices and information on redeeming units may be obtained without charge from the above address.

Any complaints may be sent to the Complaints Officer at the above address. A description of our complaints process is available on request. Complainants may also refer their complaint to the Ombudsman if they are not satisfied with the final response from Allianz Global Investors GmbH, acting through the UK Branch.

## Main Distributor in Switzerland

BNP Paribas Securities Services, Paris  
succursale de Zurich  
Selnaustrasse 16  
CH-8002 Zurich

## Auditor

KPMG Luxembourg, Société  
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Cabinet de révision agréé  
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