

# Allianz UK & European Investment Funds

An open-ended investment company with variable capital incorporated with limited liability and registered in England and Wales under registered number IC 120

PROSPECTUS  
18 OCTOBER 2022

# Important Information

Allianz Global Investors GmbH (acting by its UK branch), the authorised corporate director of the Company, is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained herein does not contain any untrue or misleading statement or omit any matters required by the Collective Investment Schemes Sourcebook to be included in it. Allianz Global Investors GmbH (acting by its UK branch) accepts responsibility accordingly.

This document constitutes the Prospectus for Allianz UK & European Investment Funds which has been prepared in accordance with the Collective Investment Schemes Sourcebook.

This Prospectus is dated, and is valid as at 18 October 2022

Copies of this Prospectus have been sent to the FCA and the Depositary.

No person has been authorised by the Company to give any information or to make any representations in connection with the offering of Shares other than those contained in the Prospectus and, if given or made, such information or representations must not be relied on as having been made by the Company. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date hereof.

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted. Persons into whose possession this Prospectus comes are required by the Company to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The Shares may be offered in Chile on a private basis pursuant to General Regulation No. 336 of the Superintendence of Securities and Insurances of Chile (currently the Chilean Financial Markets Commission or "CFMC"). Shares in the Company are not and will not be registered in Chile with the Securities Registry or the Registry of Foreign Securities of the CFMC and are not and will not be subject to oversight by the CFMC. The Company is not obliged to publish information regarding the Shares in Chile. The Shares may not be offered to the public in Chile.

The Company is not and will not be registered in the United States of America under the Investment Company Act of 1940 as amended. The Shares of the Company have not been and will not be registered in the United States of America under the Securities Act of 1933 as amended (the "Securities Act") or under the securities laws of any state of the United States of America. The Shares made available under this offer may not be directly or indirectly offered or sold in the United States of America 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 Shares on behalf of any US Person nor acquiring Shares with the intent to sell them to a US Person. Should a shareholder become a US Person, they may be subject to US withholding taxes and tax reporting. The ACD has not been and will not be registered under the United States Investment Advisers Act of 1940.

Shares in the Company are not listed on any investment exchange.

Potential investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Shares.

The provisions of the Instrument of Incorporation are binding on each of its Shareholders (who are taken to have notice of them).

This Prospectus has been approved for the purpose of Section 21 of the Financial Services and Markets Act 2000 by Allianz Global Investors GmbH (acting by its UK branch).

This Prospectus is based on information, law and practice at the date hereof. The Company cannot be bound by an out of

date prospectus when it has issued a new prospectus and investors should check with the ACD that this is the most recently published prospectus.

**If you are in any doubt about the contents of this Prospectus you should consult your professional adviser.**

## **Implications of Brexit**

The UK left the European Union (the "EU") on 31 January 2020. However, under the terms of the Withdrawal Agreement concluded between the UK and the EU, a transition period was agreed during which most EU law continued to apply to the UK. This transition period came to an end at 11.00 pm (UK time) on 31 December 2020. In this Prospectus the time and date at which the transition period ended is referred to as the "Transition End Date".

On and after the Transition End Date, the European Union (Withdrawal) Act 2018 (as amended) (the "Withdrawal Act"), in general terms, preserves law which was previously (i.e. before the Transition End Date) directly applicable EU law and EU-derived domestic law in order to ensure the proper functioning of the UK legal regime. This preserved law is subject to amendments to address deficiencies that derived from the UK's exit from the EU. These amendments are set out principally in secondary legislation and rules made by the FCA and include (without limiting the generality of the foregoing) the amendments made by the Collective Investment Schemes (Amendment) (EU Exit) Regulations 2018.

Following the Transition End Date the Company continues to be an authorised investment fund that may be marketed to all investor types (including retail investors) in the UK. Whilst the Company is no longer a "UCITS" for the purposes of EU law it is categorised by the FCA as a "UK UCITS" for the purposes of its rules and requirements. It is the intention of the ACD that the Company (including its Funds) shall, in general terms and subject to the terms of this Prospectus, continue to be managed in the same way after the Transition End Date as it was before the Transition End Date.

Since the Company is no longer a "UCITS" for the purposes of the UCITS Directive, this means that for EU law purposes the Company is regarded as a non-EEA Alternative Investment Fund (AIF). Shareholders resident in the EEA may wish to consider or take advice on the extent to which this change of status may impact on their investment in the Company. The laws and requirements of certain EEA jurisdictions may mean that certain communications and activities relating to Shares are either restricted or prohibited in such jurisdictions.

Whilst the ACD is a company incorporated in Germany, it has notified the FCA that it wishes to be treated in accordance with regulation 8 of the EEA Passport Rights (Amendment etc. and Transitional Provisions) (EU Exit) Regulations 2018 (the "**TPR Regulations**"). The FCA has accordingly confirmed that from the Transition End Date and during the period during which that regulation 8 applies, the ACD will be treated as if it has permission under Part 4A of the Financial Services and Markets Act 2000 to carry on in the United Kingdom the regulated activities which, immediately before the Transition End Date, it was authorised to carry on in the United Kingdom under that Act. This means that the ACD shall for the time being continue to be responsible for managing and administering the Company's affairs and to act as authorised corporate director of the Company.

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# Definitions

## ACD

Allianz Global Investors GmbH (acting by its UK branch), the authorised corporate director of the Company

## Administrator

SS&C Financial Services Europe Limited, acting under a delegation from State Street Bank and Trust Company, London Branch

## Annual Management Charge

the annual fee which the ACD is entitled to take out of each Fund in payment for carrying out its duties and responsibilities, as defined in the “Fees and Expenses” section of this Prospectus

## Approved Investor

an investor approved by the ACD, including, but not limited to institutional investors, financial intermediaries, life companies, platform providers, distribution partners, independent financial advisers, organisations which provide fee-based investment advisory and/or discretionary services to underlying investors

## Base Currency

the base currency of the Company and each Fund is Pounds Sterling.

## Benchmark Regulation

Regulation (EU) 2016/2011, as such regulation forms part of the domestic law of the United Kingdom

## Bond Connect

Bond Connect is a program launched in July 2017 for mutual bond market access between Hong Kong and Mainland China established by China Foreign Exchange Trade System & National Interbank Funding Centre (“CFETS”), China Central Depository & Clearing Co., Ltd, Shanghai Clearing House, and Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit.

## Business Day

any weekday excluding bank holidays, other public holidays or any day on which the London Stock Exchange is not open for trading

## CIBM

the China interbank bond market which is the over-the-counter market for bonds issued and traded in the PRC. A new scheme (the “CIBM Initiative”) was launched in 2016 for foreign institutional investors to access onshore bonds directly through CIBM, complementing existing schemes and “dim sum” bonds traded in Hong Kong. Under the CIBM Initiative, foreign institutions can trade bonds directly through settlement agent banks in the PRC. There are no specific quota limits imposed on the foreign institutional investor.

## Class or Classes

in relation to Shares, means all of the Shares (according to the context) related to a single Fund or a particular class or classes of Share related to a single Fund

## CNH

has the meaning ascribed to it in the definition of RMB

## CNY

has the meaning ascribed to it in the definition of RMB

## **COLL**

refers to the appropriate chapter or rule in the COLL Sourcebook

## **COLL Sourcebook**

the Collective Investment Schemes Sourcebook issued by the FCA as amended from time to time

## **Company**

Allianz UK & European Investment Funds

## **Continental Europe**

consists of mainland Europe, including the Nordic countries of Norway, Sweden, Denmark and Finland

## **Cut Off Point**

the dealing cut off point on any Dealing Day by when any Shares may be bought or sold via the ACD. For the Funds the dealing cut off point is normally 12 noon on any Dealing Day.

## **Dealing Day**

any day on which Shares may be bought and sold via the ACD. Should any Dealing Day not be a Business Day, dealing will take place on the next practicable Business Day.

## **Depository**

State Street Trustees Limited, the depository of the Company

## **Director or Directors**

the directors of the Company from time to time (including the ACD)

## **EEA**

the European Economic Area

## **EEA State**

a member state of the European Union and any other state which is within the EEA

## **Efficient Portfolio Management (EPM)**

investments, which may include the use of derivatives, securities lending, repurchase and reverse repurchase transactions used for one or more of the following purposes: reduction of risk, reduction of cost or generation of additional income with an acceptably low level of risk, as more fully described in Appendix III

## **Eligible Institution**

one of certain eligible institutions as defined in the glossary to FCA Handbook

## **EUWA**

the European Union (Withdrawal) Act 2018

## **FCA**

the Financial Conduct Authority or any successor regulatory body

## **FCA Handbook**

the FCA Handbook of Rules and Guidance

## **FCA Rules**

the rules contained in the COLL Sourcebook published by the FCA as part of the Handbook of rules made under the Act which shall, for the avoidance of doubt, not include guidance or evidential requirements contained in the said sourcebook

## **FSMA**

the Financial Services and Markets Act 2000 as amended or re-enacted from time to time

**Fund or Funds**

a sub-fund of the Company (being part of the Scheme Property of the Company which is pooled separately) to which specific assets and liabilities of the Company may be allocated and which is invested in accordance with the investment objective applicable to such sub-fund

**Index**

such index, if any, as may be specified in Appendix I for the relevant Fund

**Index Sponsor**

in respect of an Index, its sponsor

**Instrument of Incorporation**

the instrument of incorporation of the Company as amended from time to time

**Investment Funds Legislation**

the OEIC Regulations, the Protected Cell Regulations, COLL Sourcebook, and any other applicable provisions of the FCA Handbook, the UK UCITS Directive, UCITS V Level 2 and the UCITS Law, and any applicable provisions of FSMA, each as amended or re-enacted from time to time

**ISA Eligible**

refers to the availability of an ISA wrapper in relation to a specific share class within the Fund. Although all share classes are eligible for inclusion in an ISA, the ACD only offers an ISA wrapper for certain shares classes in the Fund. As such, the availability of an ISA wrapper will be specified in the Share Class Features table within Appendix 1 of the prospectus

**Key Investor Information Document**

a short document containing key investor information for investors on the essential elements of the Company, the relevant Fund and share class into which the investor is seeking to invest

**Net Asset Value (NAV)**

the value of the Scheme Property of the Company or of any Fund (as the context may require) less the liabilities of the Company (or of the Fund concerned) as calculated in accordance with the Instrument of Incorporation

**OEIC Regulations**

the Open-Ended Investment Companies Regulations 2001 as amended or re-enacted from time to time

**Ongoing Charge**

the charge a Shareholder will pay over a year for as long as the investment is held as detailed in the "Fees and Expenses" section of this Prospectus

**Outperformance Fee**

where applicable, the fee which the ACD is entitled to take out of the relevant Fund, as defined in the "Fees and Expenses" section of this Prospectus.

**Participation Rate**

where applicable, the percentage of the Differential Return (as defined in the "Fees and Expenses" section of this Prospectus) which shall be used to calculate the Outperformance Fee payable in respect of any Fund. This percentage shall be set out in the fund details for the relevant Fund in Appendix I.

**PBOC**

the People's Bank of China

**PRC**

the People's Republic of China

**Protected Cell Regulations**

the Open-Ended Investment Companies (Amendment) Regulations 2011 (SI 2011/3049) as amended or re-enacted from

time to time

### **Reference Currency**

the currency (other than Pounds Sterling) in which the price of a Share Class will be quoted and paid for.

### **Register**

the register of Shareholders of the Company

### **Registrar**

SS&C Financial Services International Limited, acting under a delegation from State Street Bank and Trust Company, London Branch

### **Regulations**

the OEIC Regulations and the FCA Handbook

### **Scheme Property**

the property of the Company required under the COLL Sourcebook to be given for safe-keeping to the Depositary

### **Securities Financing Transaction**

means repurchase agreements, reverse repurchase agreements, securities lending agreements and any other transactions within the scope of the Securities Financing Transactions Regulation that a Fund is permitted to engage in

### **Securities Financing Transactions Regulation**

the Regulation (EU) 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, as may be amended, supplemented, consolidated, substituted in any form or otherwise modified from time to time as such regulation forms part of the domestic law of the United Kingdom

### **Securities Lending Agent**

the agent appointed by the ACD from time to time to carry out Securities Lending Services on behalf of the Company.

### **Securities Lending Services**

arranging, preparing and executing securities lending and/or repurchase/reverse repurchase transactions. For the avoidance of doubt, such services may be provided by the Securities Lending Agent or by the ACD itself.

### **Share or Shares**

a share or shares in the Company (including larger denomination Shares and fractions)

### **Shareholder**

a registered holder of Shares in the Company

### **UCITS**

a collective investment scheme established in accordance with the UCITS Directive in an EEA State

### **UCITS Directive**

Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the co-ordination of laws, regulations and administrative provisions relating to UCITS, as may be amended, extended, consolidated, substituted, re-issued or re-enacted from time to time

### **UCITS V Level 2**

means Commission Delegated Regulation (EU) of 17 December 2015 supplementing Directive 2009/65/EC with regard to obligations of depositaries, as such regulation forms part of the domestic law of the United Kingdom

### **UCITS Law**

means any United Kingdom legislation and FCA Rules enacted or introduced to transpose or otherwise effect EU law as it relates to UK UCITS as appropriate



**UK**

the United Kingdom

**UK UCITS**

has the meaning given to it in the FCA Handbook (as amended), being (in accordance with sections 236A and 237 of the Financial Services and Markets Act 2000) and subject to (iv) below, an undertaking which may consist of several sub-funds and:

- (i) Is an authorised unit trust scheme, an authorised contractual scheme or an investment company with variable capital:
  - (a) with the sole object of collective investment of capital raised from the public in transferable securities or other liquid financial assets specified in (ii) below, and operating on the principle of risk-spreading;
  - (b) with units which are, at the request of holders, repurchased or redeemed, directly or indirectly, out of those undertakings' assets (see also paragraph (iii) below); and
  - (c) which (in accordance with the rules in COLL 4.2) has identified itself as a UK UCITS in its prospectus and has been authorised accordingly by the FCA.
- (ii) The transferable securities or other liquid financial assets specified for the purposes of (i)(a) are those which are permitted by COLL 5.2.
- (iii) For the purposes of paragraph (i)(b), action taken by the undertaking to ensure that the price of its units on an investment exchange do not significantly vary from their net asset value is to be regarded as equivalent to such repurchase or redemption.
- (iv) The following undertakings are not a UK UCITS: (a) a collective investment undertaking of the closed-ended type; (b) a collective investment undertaking which raises capital without promoting the sale of its units to the public in the UK; (c) an open-ended investment company, or other collective investment undertaking, the units of which, under the fund rules or the instrument company, may be sold only to the public in countries or territories outside the UK.

**UK UCITS Directive**

the European Parliament and Council Directive of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (No 2009/65/EC) (as amended by Directive 2014/91/EU of the European Parliament and Council of 23 July 2014) as it forms part of the law of England, Wales, Scotland and Northern Ireland by virtue of section 3 of the EUWA, and any statutory instruments that the UK government makes to amend deficiencies in retained European Union law by virtue of section 8 of the EUWA (as may be amended from time to time) (including, without limitation, the Collective Investment Schemes (Amendment etc.) (EU Exit) Regulations 2019 SI 2019/325 incorporating European directives or other European legislation relating to undertakings for collective investment in transferable securities into UK domestic law following the UK's withdrawal from the European Union)

**United States**

the United States of America, its territories and possessions, any State of the United States, and the District of Columbia

**US Person**

any person that 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, rules, 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 organized 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 fiduciary 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 fiduciary organized, incorporated, or (if an individual) resident in the United States; and viii. any partnership or corporation if: (1) organized 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 organized or incorporated, and owned, by accredited investors who are not natural persons,

estates or trusts

### **Valuation Point**

the point, whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the Scheme Property for the Company or a Fund (as the case may be) for the purpose of determining the price at which shares may be issued, redeemed or cancelled. The valuation point is normally 12 noon on a Dealing Day

### **Value-at-Risk (VaR)**

a sophisticated risk measurement technique based on a statistical methodology that predicts, using historical data, the likely maximum daily loss that a Fund could suffer, calculated to a specific (e.g. 95%) confidence level

### **VAT**

value added tax

In this Prospectus the words and expressions set out above shall have the meanings set opposite them unless the context requires otherwise. Words and expressions contained in this Prospectus but not defined herein shall have the same meanings as in the FCA Handbook unless the contrary is stated. All references to "Pounds Sterling", "Sterling" and "£" are to the currency of the United Kingdom.

# Details of the Company

## The Company

Allianz UK & European Investment Funds is an open-ended investment company with variable capital incorporated in England and Wales under registered number IC 120 and authorised by the FCA with effect from 20 August 2001. The Company's FCA Product Reference Number ("PRN") is 195856. The Company is authorised by the FCA as a UK UCITS. The Company has an unlimited duration.

Shareholders are not liable for the debts of the Company.

### Registered and Head Office

199 Bishopsgate, London EC2M 3TY.

### Address for Service

The Registered Office is the address of the place in the United Kingdom for service on the Company of notices or other documents required or authorised to be served on it.

### Base Currency

The Base Currency of the Company and each Fund is Pounds Sterling.

### Share Capital

Maximum £100,000,000,000

Minimum £1,000,000

Shares have no par value. The share capital of the Company will at all times equal the sum of the Net Asset Values of each of the Funds.

The Company and/or the Administrator, for the purpose of FATCA compliance, may be required to disclose personal data relating to certain US persons and/or non-participant FFIs to the US Internal Revenue Service or local tax authorities.

# The Funds and their Investment Objectives and Policies

Each Fund is designated as a UK UCITS Scheme which complies with Chapter 5 of the COLL Sourcebook. The Company is structured as an umbrella company, in that different Funds may be established from time to time by the ACD with the approval of the FCA. On the introduction of any new Fund or Class, a revised or supplemental prospectus will be prepared setting out the relevant details of each Fund or Class.

The assets of each Fund will be treated as separate from those of every other Fund and will be invested in compliance with the COLL Sourcebook and in accordance with the investment objective and investment policy applicable to that Fund.

Details of the Funds, including their investment objectives and policies for each Fund are set out in Appendix I. When implementing the investment policies as described in Appendix I, a Fund's investment manager considers as part of its due diligence process all relevant financial risks, including all relevant sustainability risks that could have a significant negative impact on the return on an investment, in its investment decision and evaluates them on an ongoing basis. "Sustainability risks" in this context will be defined as follows: 'sustainability risk' means an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment.

The eligible securities markets and eligible derivatives markets on which the Funds may invest are set out in Appendix II.

A detailed statement of the general investment and borrowing restrictions in respect of each Fund and the extent to which each Fund may invest in derivatives is set out in the relevant part of Appendix III.

Each Fund has a specific portfolio to which that Fund's assets and liabilities are attributable. So far as the Shareholders are concerned each Fund is treated as a separate entity.

The assets of a Fund belong exclusively to that Fund and shall not be used to discharge directly or indirectly the liabilities of or claims against any other person or body including the Company and any other Fund and shall not be available for any such purpose.

Whilst the provisions of the OEIC Regulations provide for segregated liability between the Funds, these provisions are subject to the scrutiny of the courts and it is not free from doubt, in the context of claims brought by local creditors in foreign courts or under foreign law contracts, that the assets of a Fund will always be 'ring fenced' from the liabilities of other Funds of the Company.

Each Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund and within the Funds charges will be allocated between Classes in accordance with the terms of issue of Shares of those Classes. Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund may be allocated by the ACD in a manner which it believes is fair to the Shareholders generally. This will normally be pro rata to the Net Asset Value of the relevant Funds.

## Characteristics of Shares

Several Classes of Shares may be issued in respect of each Fund distinguished by their criteria for subscription and fee structure. The Classes of Shares currently available for each Fund are set out in Appendix I.

Where a Fund has different Classes, each Class may attract different charges and so monies may be deducted from Classes in unequal proportions. In these circumstances the proportionate interests of the Classes within a Fund will be adjusted accordingly.

### Foreign Currency Share Classes

Shares may be issued with a Reference Currency which is different to their Base Currency. The Reference Currency of a Share Class is indicated in the name of the Share Class (e.g. "Class S (EUR)" indicates Class S Shares with Euro as the Reference Currency).

Share Classes issued with a Reference Currency differ from other Share Classes in that their price, having been calculated initially in the Base Currency, will be quoted and paid for in the Reference Currency. Income distributions will also be paid in the Reference Currency. As at the date of this prospectus, no Share Classes are hedged.

If in the context of such foreign currency share classes, it is necessary to convert one currency into another, conversions shall be made at a rate of exchange as decided by the ACD as being a rate that is not likely to result in any material prejudice to the interest of Shareholders or potential Shareholders.

### Income and Accumulation Shares

Each Class of Shares may be available as both income Shares and accumulation Shares.

Holders of income Shares are entitled to be paid the income attributed to such Shares on the relevant interim and annual allocation dates, further details of which are set out under the "General Information" section of the Prospectus. Holders of accumulation Shares are not entitled to be paid the income attributed to such Shares, but that income is automatically transferred to (and retained as part of) the capital assets of the relevant Fund on the relevant annual accounting dates. This is reflected in the price of an accumulation Share.

The Instrument of Incorporation allows gross income and gross accumulation Shares to be issued as well as net income

and net accumulation Shares. Net Shares are Shares in respect of which income allocated to them is distributed periodically to the relevant Shareholders (in the case of income Shares) or credited periodically to capital (in the case of accumulation Shares), in either case in accordance with relevant tax law net of any tax deducted or accounted for by the Company. Gross Shares are income or accumulation Shares where, in accordance with relevant tax law, distribution or allocation of income is made without any tax being deducted or accounted for by the Company.

Shareholders will be entitled (subject to certain restrictions) to switch all or part of their Shares in a Class or a Fund for Shares in another Class within the same Fund or for Shares of the same or another Class within a different Fund of the Company. Details of this switching facility and the restrictions are set out under the "Buying, Redeeming and Switching Shares" section of the Prospectus.

## Buying, Redeeming, Switching and Converting Shares

The dealing office of the ACD is open from 9.00 am until 5.00 pm London time on each Dealing Day to receive requests for the buying, redemption, switching and conversion of Shares.

### Buying Shares

#### Procedure

Shares may be bought directly from the ACD or through your professional adviser or other intermediary. Any intermediary who recommends an investment in the Company to you may be entitled to receive commission from the ACD.

Certain Share classes are available for subscription in particular circumstances or by a particular category of investors. Please contact the ACD or your professional adviser if you are unsure which Class of Share you wish to buy.

Shares can be bought either by sending a completed application form to the Administrator at SS&C House, St. Nicholas Lane, Basildon, SS15 5FS or by telephoning the ACD on 0800 073 2001 (Freephone UK call only) or +44 (0)1268 443901 (From outside the UK). This service is only available to clients who can confirm that they have received the relevant Key Investor Information Document pre-sale, where relevant. Application forms may be obtained from the ACD, which shall contain a representation that you have received and read the Key Investor Information Document. In addition, the ACD may from time to time make arrangements to allow Shares to be bought online or through other communication media. At present, transfer of title by electronic communication is not accepted.

The ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant.

Any subscription monies remaining after a whole number of Shares has been issued will not be returned to the applicant. Instead, smaller denomination Shares will be issued. A smaller denomination Share is equivalent to one hundredth of a larger denomination Share.

An applicant has the right to cancel his application to buy Shares at any time during the 14 days after the date on which he receives a cancellation notice from the ACD. If an applicant decides to cancel the contract, and the value of the investment has fallen at the time the ACD receives the completed cancellation notice, he will not receive a full refund as an amount equal to any fall in value will be deducted from the sum originally invested.

#### Documents that a buyer will receive

A contract note giving details of the number and price of Shares bought will be issued no later than the end of the Business Day following the later of receipt of the application to buy Shares and the Valuation Point by reference to which the price is determined, together with, where appropriate, a notice of the applicant's right to cancel.

Settlement is due on receipt by the buyer of the contract note. An order for the purchase of Shares will only be deemed to

have been accepted by the ACD once it is in receipt of cleared funds for the application. If settlement is not made on or before the settlement date reasonably set by the ACD, then the ACD has the right to cancel any Shares issued in respect of the application. The Company may seek reimbursement from the applicant for any losses incurred as a result.

Share certificates will not be issued in respect of Shares. Ownership of Shares will be evidenced by an entry on the Register. Statements in respect of periodic distributions on Shares will show the number of Shares held by the recipient. Individual statements of a Shareholder's Shares (or, where Shares are jointly held, the first named holder's) will be issued automatically within 21 days of 5 April and 5 November of each year and will also be issued at any time on request by the registered Shareholder.

No bearer Shares may be issued by the Company.

### **Savings plan option**

Class A Shares and Class C Shares of any Fund may be bought through regular monthly payments subject to a minimum of £50 a month. To invest in this way, Shareholders will need to complete an application form (which shall contain a representation that they have received and read the Key Investor Information Document) and direct debit mandate and return them to the Administrator before contributions may begin. Monthly contributions may be increased (subject to the Company receiving confirmation that the Shareholder has received and read the Key Investor Information Document), decreased (subject to maintaining the minimum level of contribution) or stopped at any time by notifying the Administrator in writing. If, however, payments are not made for more than three months and the Shareholder holds less than the minimum holding for that Class, then the ACD reserves the right to redeem that Shareholder's entire holding in that Class. Contract notes will not be issued to Shareholders investing in this way.

### **Minimum subscriptions and holdings**

The minimum initial subscriptions, subsequent subscriptions and holdings for each Class of Share in a Fund are given in Appendix I.

The ACD may at its discretion accept subscriptions and/or holdings lower than the minimum amount(s) into any Class of Shares.

If, following a redemption, a holding in any Class of Share should fall below the minimum holding for that Class, the ACD has a discretion to require redemption of that Shareholder's entire holding in that Class of Share.

## **Redeeming Shares**

### **Procedure**

Every Shareholder has the right to require that the Company redeem his/her Shares on any Dealing Day unless the value of Shares which a Shareholder wishes to redeem will mean that the Shareholder will hold Shares with a value less than the required minimum holding in the relevant Class, in which case the Shareholder may be required to redeem his/her entire holding in that Class of Share in the relevant Fund. Shareholders should note that settlement proceeds as a result of deal cancellations or early redemptions will not be despatched until the investor's cheque(s) have cleared.

Requests to redeem Shares may be made to the ACD by telephone on 0800 073 2001 (Freephone UK call only) or +44 (0)1268 443901 (From outside the UK) or in writing to the Administrator at SS&C House, St. Nicholas Lane, Basildon, SS15 5FS. In addition, the ACD may from time to time make arrangements to allow Shares to be redeemed online or through other communication media.

### **Documents that a redeeming Shareholder will receive**

A contract note giving details of the number and price of Shares redeemed will be sent to the redeeming Shareholder (or the first named Shareholder, in the case of joint Shareholders) together with (if sufficient written instructions have not already been given) a form of renunciation for completion and execution by the Shareholder (or, in the case of a joint holding, by all the joint Shareholders) no later than the end of the Business Day following the later of the request to redeem Shares and the Valuation Point by reference to which the price is determined. Settlement of the redemption monies will be issued within four Business Days of the later of (a) receipt by the Administrator of the form of renunciation (or other sufficient written instructions) duly signed and completed by all the relevant Shareholders, together with any other appropriate evidence of title, or (b) the Valuation Point following receipt by the ACD of the request to redeem.

## Minimum redemption

Part of a Shareholder's holding may be redeemed but the ACD reserves the right to refuse a redemption request if the value of the Shares of any Fund to be redeemed is less than £250 in respect of any class of Shares.

## Switching

A Shareholder in a Fund may at any time switch all or some of his/her Shares of one Class or Fund ("the Original Shares") for Shares of another Class or Fund ("the New Shares") in the Company, providing the Share Classes to be switched are of the same currency (subject to meeting the relevant criteria for investment in the New Shares). The number of New Shares issued will be determined by reference to the respective prices of New Shares and Original Shares at the Valuation Point applicable at the time the Original Shares are redeemed and the New Shares are issued.

Switching may be effected either by telephone on 0800 073 2001 (Freephone UK call only) or +44 (0)1268 443901 (From outside the UK) or by writing to the Administrator SS&C House, St. Nicholas Lane, Basildon, SS15 5FS. In the case of telephone instructions, the Shareholder will be required to provide written instructions to the Administrator (which, in the case of joint Shareholders must be signed by all the joint Shareholders) before the switch is completed. Switching forms may be obtained from the Administrator.

The ACD may at its discretion make a charge on the switching of Shares between Funds or Classes. For details of the charges on switching currently payable please see chapter "Charges on Switching".

If the switch would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding in the Class concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of Original Shares to New Shares (and make a charge on switching on such conversion) or refuse to effect any switch of the Original Shares. No switch will be allowed during any period when the right of Shareholders to require the redemption of their Shares is suspended. Save as otherwise specifically set out, the general provisions on procedures relating to redemption will apply equally to a switch. A duly completed switching form must be received by the Administrator before the Valuation Point on a Dealing Day in the Fund or Funds concerned to be dealt with at the prices at the Valuation Point on that Dealing Day, or at such other date as may be approved by the ACD. Switching requests received after a valuation point will be held over until the next Business Day which is a Dealing Day in each of the relevant Fund or Funds.

The ACD may adjust the number of New Shares to be issued to reflect the application of any charge on switching together with any other charges or levies in respect of the application for the New Shares or redemption of the Original Shares as may be permitted pursuant to the COLL Sourcebook.

**Please note that a switch of Shares in one Fund for Shares in any other Fund is generally treated as a redemption of the Original Shares and a purchase of New Shares and will, for persons subject to United Kingdom taxation, be a realisation for the purposes of capital gains taxation. A switch of Shares between Classes in the same Fund may be treated as such a realisation depending on the circumstances.**

**A Shareholder who switches Shares in one Fund for Shares in any other Fund (or who switches between Classes of Shares) will not be given a right by law to withdraw from or cancel the transaction.**

**For details on switching into any other Allianz Global Investors authorised unit trust or open-ended investment company, please contact the ACD.**

## Conversions

Subject to the qualifications below, the ACD may in its absolute discretion at the request of a holder of Shares of one class in a Fund (the "Original Class"), at any time convert all or some Shares of the Original Class for Shares in another class (the "New Class") in the same Fund, providing the Share Classes to be converted are of the same currency. The number of Shares in the New Class created will be determined by reference to the respective prices of the Shares in the New Class and Shares in the Original Class at the valuation points applicable at the time the conversion is effected.

Conversions may be requested either by telephone on 0800 073 2001 (Freephone UK call only) or +44 (0)1268 443901 (From outside the UK) or in writing to the ACD.

Please note that such a conversion may be subject to a conversion charge (see "Fees and Expenses – Conversion Charge")

below). If the conversion would result in the Shareholder holding a number of Shares in the Original Class or New Class of a value which is less than the minimum holding in the Fund concerned, the ACD may, if it thinks fit, apply the conversion to the whole of the applicant's holding Shares in the Original Class to Shares in the New Class or refuse to effect any conversion of the Shares in the Original Class.

No conversion will be made during any period when the right of Shareholders to require the redemption of their Shares is suspended.

A duly completed conversion request (which shall contain a representation that you have received and read the Key Investor Information Document) must be received by the ACD before the valuation point on a Dealing Day in the Fund concerned, to be dealt with at the prices at that valuation point on that Dealing Day, or at such other date as may be approved by the ACD. Conversion requests received after a valuation point will be held over until the next day which is a Dealing Day in the Fund.

For persons subject to UK taxation, a conversion may constitute a disposal for the purposes of capital gains taxation, depending on the circumstances. Shareholders are advised to obtain independent tax advice if necessary in their country of residence.

The ACD may exercise its discretion to only allow conversions to occur on the date on which income distributions have been made in respect of the relevant Fund to ensure proper treatment of capital and income in accordance with the FCA Rules.

#### Mandatory Conversion of Shares

Subject to the provisions below the ACD may also, at its discretion, convert holdings of Shares of one class in a Fund (the "Original Class"), for Shares in another class (the "New Class") in the same Fund where it believes this to be in the best interests of Shareholders, providing the Share Classes to be converted are of the same currency. This may happen if a Fund has two share classes which have the same or similar features and after fund reviews the ACD concludes that it is not practical to maintain separate share classes and/or that Shareholders in the Original Class would otherwise benefit from holding Shares in the New Class instead. A mandatory conversion of Shares shall only take place where the ACD has provided the affected Shareholders with not less than 60 days' prior written notice of the planned mandatory conversion in accordance with FCA Guidance.

The number of Shares in the New Class created will be determined by reference to the respective prices of the Shares in the New Class and Shares in the Original Class at the valuation points applicable at the time the mandatory conversion is effected.

The value of a Shareholder's investment in the Fund will not be affected by any mandatory conversion. However the number of Shares and the price of each Share that is held may change. The ACD will not apply any fees where it carries out a mandatory conversion of Shares

Shareholders subject to UK tax should note that conversions may give rise to a disposal for the purposes of capital gains tax, depending on the circumstances. Shareholders are advised to obtain independent tax advice if necessary in their country of residence.

## Dealing Charges

The price per Share at which Shares are bought or redeemed is the Net Asset Value per Share. Any redemption charge or dilution levy is payable in addition to the price.

#### Redemption Charge

The ACD may make a charge on the redemption of Shares in each Class. At present no redemption charge is levied on Shares in any Class.

The ACD may introduce a redemption charge in accordance with the Regulations after it has made available a revised Prospectus to reflect the introduction and the date of its commencement. Any redemption charge introduced will apply only to Shares sold since its introduction but not to Shares previously in issue.

A change to the rate or method of calculation of a current redemption charge of a Class which is adverse to Shareholders of that Class may be made in accordance with the Regulations and after the ACD has made available a revised Prospectus



showing the new charge and its commencement date.

### Charges on Switching

On the switching of Shares between Funds or Classes in the Company, the Instrument of Incorporation authorises the Company to impose a charge on switching. There is currently no charge for switching between share classes in the same fund. A redemption charge may be payable in respect of the Original Shares. The charge on switching is payable by the Shareholder to the ACD and the ACD reserves the right to discount switching charges at its complete discretion.

### Charges on Conversions

The ACD may impose an administrative charge on the conversion of Shares between Classes in a Fund within a range of £20 to £50 per transaction. The conversion charge is taken out of the value of the Shares in the Original Class before such Shares are converted to the New Class. The ACD may in its discretion waive part or all of such charges.

## Other Dealing Information

### Dilution levy and large deals

The basis on which the Company's investments are valued for the purpose of calculating the price of Shares as stipulated in the COLL Sourcebook and the Instrument of Incorporation is summarised in the "Valuation of the Company" section below. The actual cost of buying or redeeming a Fund's investments may be higher or lower than the mid-market value used in calculating the Share price - for example, due to dealing charges, or through dealing at prices other than the mid-market price. Under certain circumstances (for example, large volumes of deals) this may have a material adverse effect on the existing/continuing Shareholders' interest in the Fund. In order to prevent this effect, called "dilution", and in order to protect the interests of existing/continuing Shareholders and potential Shareholders, the ACD has the power to charge a "dilution levy" on the purchase and/or redemption of Shares. If charged, the dilution levy will be paid into the relevant Fund, not to the ACD, and will become part of the relevant Fund.

It is not possible to predict accurately whether dilution will occur at any Dealing Day. The need to charge a dilution levy will depend on the volume of net purchases or redemptions, as described below. The ACD may charge a discretionary dilution levy on any purchase or redemption of Shares if, in its opinion, the existing Shareholders (for purchases) or continuing Shareholders (for redemptions) might otherwise materially be adversely affected. In particular, the dilution levy may be charged in the following circumstances:

1. on a Fund experiencing large levels of net purchases (i.e. purchases less redemptions) relative to its size;
2. on a Fund experiencing large levels of net redemptions (i.e. redemptions less purchases) relative to its size;
3. on "large deals". A large deal is defined as a purchase or a redemption or a series of sales, redemptions, issues or cancellations from a single shareholder or a single intermediary in respect of the same Valuation Point. For these purposes, a large deal is a purchase or a redemption of 2% or more of the value of the Fund; and
4. in any other case where the ACD is of the opinion that the interests of existing/continuing Shareholders and potential Shareholders require the imposition of a dilution levy.

Historically, the ACD has not charged a dilution levy frequently. However, the ACD anticipates that a dilution levy may be charged with greater frequency in the coming years. The table below shows the estimated dilution levy rates for each Fund. Any rates charged may differ from these estimates. The estimated rates in the table below are based on the dealing costs during the previous quarter. These estimated rates are updated by the ACD quarterly. For the most up to date dilution levy rates, please contact the ACD.

Fund Name	Purchases (Offer) (%)	Redemptions (Bid) (%)
Allianz Continental European Fund	0.05	0.05
Allianz Gilt Yield Fund	0.05	0.05
Allianz Index-Linked Gilt Fund	0.15	0.15
Allianz Strategic Bond Fund	0.15	0.15
Allianz UK Listed Equity Income Fund	0.61	0.22
Allianz UK Listed Opportunities Fund	0.61	0.49

Allianz UK Mid-Cap Fund\*)

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This prospectus is updated from time to time and the information stated above may change. Any Shareholder or potential Shareholder should ensure they have the most recent prospectus.

\*) The Fund merged into the Allianz UK Listed Opportunities Fund effective from 26 August 2022 and will be terminated in the near future upon receipt of FCA approval. Therefore, no subscriptions are currently being accepted into this Fund.

## Transfers

Shareholders are entitled to transfer their Shares to another person or body. Unless carried out pursuant to the terms of an exchange approved by the ACD, all transfers must be in writing in the form of an instrument of transfer approved by the ACD for this purpose. As at the date of this prospectus, only shareholders who are members of an exchange approved by the ACD (and where such exchange permits electronic transfers) may effect a transfer on the authority of an electronic communication. Any electronic transfers must strictly adhere to the requirements (for example, as to specific form of electronic communication, timing, etc.) of the relevant approved exchange. For all other transfers, completed instruments of transfer must be returned to the Administrator in order for the transfer to be registered by the ACD.

## Market Timing Policy

The ACD does not knowingly allow investments which are associated with market timing activities, as these may adversely affect the interests of all Shareholders.

In general, market timing refers to the investment behaviour of a person or group of persons buying, selling or exchanging Shares on the basis of predetermined market indicators. Market timing may also be characterised by transactions that seem to follow a timing pattern or by frequent or large transactions in Shares.

Accordingly, the ACD reserves the right to reject any application for exchanging and/or subscription of Shares from investors whom it considers to be associated with market timing activity. In this connection the ACD may combine Shares which are under common ownership or control for the purposes of ascertaining whether investors can be deemed to be involved in such activities.

## Restrictions and Compulsory Transfer and Redemption

The ACD may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no Shares are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or which would result in the Company incurring any liability to taxation which the Company is not able to recoup itself or suffering any other adverse consequence. In this connection, the ACD may, inter alia, reject at its discretion any application for the purchase, redemption, transfer or switching of Shares.

If it comes to the notice of the ACD that any Shares ("affected Shares"):

- (i) are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- (ii) would result in the Company incurring any liability to taxation which the Company would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); or
- (iii) are held in any manner by virtue of which the Shareholder or Shareholders in question is/are not qualified to hold such Shares or if the ACD reasonably believes this to be the case;

the ACD may give notice to the Shareholder(s) of the affected Shares requiring the transfer of such Shares to a person who is qualified or entitled to own them or that a request in writing be given for the redemption of such Shares in accordance with the COLL Sourcebook. If any Shareholder upon whom such a notice is served does not within thirty days after the date of such notice transfer his/her affected Shares to a person qualified to own them or submit a written request for their redemption to the Administrator or establish to the satisfaction of the ACD (whose judgement is final and binding) that

he/she or the beneficial owner is qualified and entitled to own the affected Shares, he/she shall be deemed upon the expiry of that thirty day period to have given a request in writing for the redemption or cancellation (at the discretion of the ACD) of all the affected Shares.

A Shareholder who becomes aware that he/she is holding or owns affected Shares shall immediately, unless he/she has already received a notice as set out above, either transfer all his/her affected Shares to a person qualified to own them or submit a request in writing to the Administrator for the redemption of all his/her affected Shares.

Where a request in writing is given or deemed to be given for the redemption of affected Shares, such redemption will be effected in the same manner as provided for under the COLL Sourcebook.

## Issue of Shares in exchange for in specie assets

The ACD may arrange for the Company to issue Shares in exchange for assets other than cash, but will only do so where the Depositary has taken reasonable care to determine that the Company's acquisition of those assets in exchange for the Shares concerned is not likely to result in any material prejudice to the interests of Shareholders.

The ACD will ensure that the beneficial interest in the assets is transferred to the Company with effect from the issue of the Shares.

The ACD will not issue Shares in any Fund in exchange for assets the holding of which would be inconsistent with the investment objective of that Fund.

## In specie redemptions

If a Shareholder requests the redemption of Shares the ACD may (at its complete discretion), where it considers the deal to be sufficiently large in relation to the total size of the Fund concerned or in some way detrimental to the Fund, or where it considers an in specie redemption to be in some way advantageous to the Fund, arrange, having given prior notice in writing to the Shareholder, that in place of payment for the Shares in cash, the Company transfers property or, if required by the Shareholder, the net proceeds of sale of the relevant property, to the Shareholder.

The ACD will select the property to be transferred in consultation with the Depositary. The Depositary must be satisfied that the property concerned would not be likely to result in any material prejudice to the interests of Shareholders.

## Money laundering

Applications are subject to the provisions of the Money Laundering Regulations, Proceeds of Crime Act 2002 and all other applicable legal and regulatory requirements, as amended from time to time (together the "Money Laundering Requirements").

To satisfy these Money Laundering Requirements, investors may need to provide documentary evidence of their identity and address. This can be done by completing an identity verification certificate and returning it, along with your application form and certain personal identity documents. For investors investing on the recommendation of a financial adviser, their adviser may complete the identity verification procedures on their behalf.

There may be circumstances when the ACD or its agents will request additional proof of identity from investors. Whilst this does not usually cause any delay in processing instructions, any failure by investor to provide the information requested may lead the ACD or its agents to refuse to act on any instruction to open or transfer accounts, to issue or redeem any shares, or to release any redemption proceeds held. The ACD or its agents will not be liable for any movement in share prices until the Money Laundering Requirements have been satisfied.

To assist in confirming your identity the ACD or its agent may make searches at credit reference agencies who will supply information in addition to that which they obtain from the Electoral Register etc. The agencies may record details of the searches. The ACD or its agents may also pass information to law enforcement agencies.

The ACD or its agents may refuse, without liability, to honour payment instructions if the ACD or its agents have reason to believe that a transaction may be unlawful.

## Suspension of dealings in the Company

The ACD may, with the prior agreement of the Depositary, and must without delay if the Depositary so requires temporarily suspend the issue, cancellation, sale and redemption of Shares in any or all of the Funds where due to exceptional circumstances it is in the interests of all the Shareholders in the relevant Fund or Funds.

The ACD and the Depositary must ensure that the suspension is only allowed to continue for as long as is justified having regard to the interests of Shareholders.

The ACD will notify Shareholders as soon as is practicable after the commencement of the suspension, including in a clear, fair and not misleading way, details of the exceptional circumstances which have led to the suspension, and details of how to find further information about the suspensions.

Where such suspension takes place, the ACD will publish details on its website or other general means, sufficient details to keep Shareholders appropriately informed about the suspension, including, if known, its possible duration.

During the suspension none of the obligations in COLL 6.2 (Dealing) will apply but the ACD will comply with as much of COLL 6.3 (Valuation and Pricing) during the period of suspension as is practicable in light of the suspension.

Suspension will cease as soon as practicable after the exceptional circumstances leading to the suspension have ceased but the ACD and the Depositary will formally review the suspension at least every 28 days and will inform the FCA of the review and any change to the information given to Shareholders.

The ACD may, however, during the period in which the issue, redemption and switch of Shares is suspended, agree to issue, redeem or switch Shares at prices calculated by reference to the first Valuation Point after resumption of issue and redemption.

## Governing law

All deals in Shares are governed by English law.

# Valuation of the Company

The price of a Share is calculated by reference to the Net Asset Value of the Fund to which it relates. The Net Asset Value per Share of a Share Class is calculated in the Base Currency of the Fund. If Shares are issued with a Reference Currency, the Net Asset Value, having been calculated initially in the Base Currency, will be published in the Reference Currency. Net Asset Value per Share of a Fund is in normal circumstances calculated at 12 noon on each Dealing Day although may be calculated at 10:00 a.m. on the Business Day preceding Christmas Day and New Year's Day, and any other day when the London Stock Exchange closes early.

The ACD may at any time during a Business Day carry out an additional valuation if it considers it desirable to do so. The ACD must inform the Depositary of any decision to carry out such an additional valuation. Valuations may be carried out for effecting a scheme of amalgamation or reconstruction which do not create a Valuation Point for the purposes of dealings. Where permitted and subject to the Regulations, the ACD may, in certain circumstances (for example where a significant event has occurred since the closure of a market) substitute a price with a more appropriate price which in its opinion reflects a fair and reasonable price for that investment.

The ACD will, upon completion of each valuation, notify the Depositary of the price of Shares, of each Class of each Fund and the amount of any dilution levy applicable in respect of any purchase or redemption of Shares.

## Calculation of the Net Asset Value

The value of the property of the Company or of a Fund (as the case may be) is the value of its assets less the value of its liabilities determined in accordance with the following provisions:

1. All the Scheme Property (including receivables) is to be included, subject to the following provisions.
2. Property which is not cash (or other assets dealt with in paragraph 3 below) or a contingent liability transaction shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:
  - (a) units or shares in a collective investment scheme:
    - (i) if a single price for buying and redeeming units or shares is quoted, at that price; or
    - (ii) if separate buying and redemption prices are quoted, at the average of the two prices provided the redemption price has been increased by any exit or redemption charge attributable thereto; or
    - (iii) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the units or shares, at a value which, in the opinion of the ACD, is fair and reasonable;
  - (b) any other transferable security:
    - (i) if a single price for buying and redeeming the security is quoted, at that price; or
    - (ii) if separate buying and redemption prices are quoted, at the average of the two prices; or
    - (iii) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the security, at a value which in the opinion of the ACD, is fair and reasonable;
  - (c) Scheme Property other than that described in (a) and (b) above at a value which, in the opinion of the ACD, is fair and reasonable.
3. Cash and amounts held in current and deposit accounts and in other time related deposits are valued at their nominal values.
4. Property which is a contingent liability transaction will be treated as follows:
  - (a) if it is a written option (and the premium for writing the option has become part of the Scheme Property), deduct the amount of the net valuation of premium receivable. If the Scheme Property is an off exchange option the method of valuation shall be agreed between the ACD and the Depositary;
  - (b) if it is an off exchange future, include it at the net value of closing out in accordance with a valuation method agreed between the ACD and the Depositary;
  - (c) if it is any other form of contingent liability transaction, include it at the mark to market value (whether as a positive or negative value). If the Scheme Property is an off exchange derivative, include it at a valuation method agreed between the ACD and the Depositary.
5. In determining the value of the Scheme Property, all instructions given to issue or cancel Shares shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case.
6. Subject to paragraphs 7 and 8 below, agreements for the unconditional sale or purchase of Scheme Property which are in existence but uncompleted will be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and if, in the opinion of the ACD, their omission will not materially affect the final net asset amount.
7. Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options will not be included under paragraph 6.
8. All agreements are to be included under paragraph 6 which are, or ought reasonably to have been, known to the person valuing the property.
9. Deduct an estimated amount for anticipated tax liabilities at that point in time including (as applicable and without

limitation) capital gains tax, income tax, corporation tax, VAT, SDRT, stamp duty, and any foreign taxes or duties.

10. Deduct an estimated amount for any liabilities payable out of the Scheme Property and any tax thereon treating periodic items as accruing from day to day.
11. Deduct the principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings.
12. Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.
13. Add any other credits or amounts due to be paid into the Scheme Property.
14. Add a sum representing any interest or any income accrued due or deemed to have accrued but not received.
15. Currencies or values in currencies other than Sterling shall be converted at the relevant Valuation Point at a rate of exchange that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

## Price per Share in each Fund and each Class

The price per Share at which Shares are bought or redeemed is the Net Asset Value per Share. The Net Asset Value per Share is obtained by dividing the proportionate interest of the Class in the Net Assets of the Fund by the number of Shares of that Class. Any redemption charge or dilution levy is payable in addition to that price.

## Pricing basis

The ACD deals on a forward pricing basis. A forward price is the price calculated at the next Valuation Point after the purchase or redemption is deemed to be accepted by the ACD.

## Publication of Prices

The most recent price of Shares will be available on the ACD's website at [www.allianzglobalinvestors.co.uk](http://www.allianzglobalinvestors.co.uk). Prices are also available from the ACD or the Administrator on request.

# Risk Factors

Potential investors should consider the following risk factors before investing in the Company (or, in the case of specific risks applying to specific Funds, in those Funds).

## General

The investments of the Company are subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in the value of investments will occur. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount they have invested in the Company. There is no certainty that the investment objective of any Fund will actually be achieved and no warranty or representation is given to this effect.

## Effect of Redemption Charge

Where a redemption charge is imposed, an investor who realises his/her Shares after a short period may not (even in the absence of a fall in the value of the relevant investments) realise the amount originally invested.

In particular, where a redemption charge is payable investors should note that the percentage rate at which the redemption charge is calculated may be based on the market value rather than the initial value of the Shares. If the market value of the Shares has increased the redemption charge will show a corresponding increase. Currently there is no redemption charge.

The Shares therefore should be viewed as medium to long-term investments.

## Dilution Levy

Investors should note that in certain circumstances a dilution levy may be applied on their purchase or redemption of Shares (see "Other Dealing Information").

## Suspension of Dealings in Shares

Investors are reminded that in certain circumstances their right to redeem Shares (including a redemption by way of switching) may be suspended (see "Suspension of dealings in the Company").

## Currency Exchange Rates

If a Fund directly or indirectly (via derivatives) holds assets denominated in currencies other than its Base Currency or if a class of Shares of the Fund is designated in a currency other than the Base Currency (each a "foreign currency"), it is exposed to a currency risk in that if foreign currency positions have not been hedged or if there is any change in the relevant exchange control regulations, the Net Asset Value of the Fund or that class of Shares may be affected unfavourably. 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, and as a result may have an adverse impact on the Fund and/or the investors.

## Constituents of an Index

Where a constituent of an Index accounts for more than 10% of the Index, the Investment Adviser's ability to obtain full exposure is limited by the availability of manufactured securities designed to replicate its investment performance by virtue of the COLL Sourcebook.

## Sustainability Risk

Sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. There is systematic research evidence that sustainability risks may materialise as issuer specific extreme loss-risks. Such issuer specific sustainability risk events typically happen with low frequency and probability but may have high financial impact and may lead to significant financial loss.

## Investment in Smaller Companies

Smaller companies' securities may be less liquid than the securities of larger companies as a result of inadequate trading volume or restrictions on trading. Smaller companies may possess greater potential for growth, but can also involve greater risks, such as limited product lines and markets, and financial or managerial resources. Trading in such securities may be subject to more abrupt price movements and greater fluctuations in available liquidity than trading in the securities of larger companies.

## Liquidity Risk

Even relatively small orders for purchases or sales of illiquid securities (i.e 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 lack of liquidity of an asset may cause its purchase price to increase significantly.

## Interest Rate Risk

To the extent that a Fund invests directly or indirectly in interest-bearing securities, it is exposed to interest-rate risk. If market interest rates rise, the value of the interest-bearing assets held by the Fund may decline substantially. This applies to an even greater degree if a Fund also holds interest-bearing securities with a longer time to maturity and a lower nominal interest rate.

## High Yield Securities

The Allianz Strategic Bond Fund may invest up to 50% of its assets in high yield securities and unrated securities of similar credit quality. Such non-investment grade securities may be considered higher risk than other types of bond investment and may be subject to greater levels of credit, liquidity and interest rate risk. A period of rising interest rates or an economic downturn could adversely effect the market for high yield and unrated securities, reducing the funds ability to sell such securities. Non-investment grade securities are considered to be more speculative in nature with respect to the issuers continuing ability to make principal and interest payment.

## Concentration

Lower diversification and active stock selection can result in greater than average investment in individual companies. Such concentration can give rise to more risk than where investments are spread over a larger number of companies. Whilst this may increase the potential gains, this concentration of exposure and lack of diversification may also substantially increase the risk of loss to the fund.

## Investment in Emerging Markets

Investments in emerging markets may be more volatile than investments in more developed markets. Some of these markets may have relatively unstable governments, economies based on only a few industries and securities markets that trade only a limited number of securities. Many emerging markets do not have well developed regulatory systems and disclosure standards may be less stringent than those of developed markets. Consequently there is a greater risk of the Fund not receiving back all/or any of the investments allocated to those markets.

### Bond Connect

Bond Connect is an initiative launched in July 2017 for mutual bond market access between Hong Kong and Mainland China established by China Foreign Exchange Trade System & National Interbank Funding Centre ("CFETS"), China Central Depository & Clearing Co., Ltd, Shanghai Clearing House, and Hong Kong Exchanges and Clearing Limited and Central



Moneymarkets Unit.

Bond Connect is governed by rules and regulations as promulgated by the Mainland Chinese authorities. Such rules and regulations may be amended from time to time and include (but are not limited to):

- (i) the “Interim Measures for the Administration of Mutual Bond Market Access between Mainland China and Hong Kong (Decree No.1 [2017])” issued by the PBOC on 21 June 2017,
- (ii) the “Guide on Registration of Overseas Investors for Northbound Trading in Bond Connect” issued by the Shanghai Head Office of PBOC on 22 June 2017; and
- (iii) any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in Mainland China, eligible foreign investors will be allowed to invest in the bonds circulated in the China Interbank Bond Market through the northbound trading of Bond Connect (“Northbound Trading Link”). There will be no investment quota for Northbound Trading Link. Under the Northbound Trading Link, eligible foreign investors are required to appoint the CFETS or other institutions recognised by the PBOC as registration agents to apply for registration with the PBOC.

Pursuant to the prevailing regulations in Mainland China, an offshore custody agent recognised by the Hong Kong Monetary Authority (currently, the Central Moneymarkets Unit) shall open omnibus nominee accounts with the onshore custody agent recognised by the PBOC (currently, the China Securities Depository & Clearing Co., Ltd and Interbank Clearing Company Limited).

All debt securities traded by eligible foreign investors will be registered in the name of Central Moneymarkets Unit, which will hold such debt securities as a nominee owner.

Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the China Interbank Bond Market may result in prices of certain debt securities traded on such market fluctuating significantly. The Fund investing in such market is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

To the extent that the Fund transacts in the China Interbank Bond Market, the Fund may also be exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

For investments via Bond Connect, the relevant filings, registration with PBOC and account opening have to be carried out via an onshore settlement agent, offshore custody agent, registration agent or other third parties (as the case may be). As such, the respective Fund is subject to the risks of default or errors on the part of such third parties.

Investing in the China Interbank Bond Market via Bond Connect is also subject to regulatory risks. The relevant rules and regulations on these regimes are subject to change which may have potential retrospective effect. In the event that the relevant Mainland Chinese authorities suspend account opening or trading on the China Interbank Bond Market, the Fund’s ability to invest in the China Interbank Bond Market will be adversely affected. In such event, the Fund’s ability to achieve its investment objective will be negatively affected.

Trading through Bond Connect is performed through newly developed trading platforms and operational systems. There is no assurance that such systems will function properly or will continue to be adapted to changes and developments in the market. In the event that the relevant systems fail to function properly, trading through Bond Connect may be disrupted. A Fund’s ability to trade through Bond Connect (and hence to pursue its investment strategy) may therefore be adversely affected. In addition, where a Fund invests in the China Interbank Bond Market through Bond Connect, such Fund may be subject to risks of delays inherent in the order placing and/or settlement systems.

## **China Interbank Bond Market**

### Overview

Participation in CIBM by foreign institutional investors (where such is mentioned in the investment policy of the relevant Fund) via Bond Connect is governed by rules and regulations as promulgated by the Mainland Chinese authorities, i.e., the PBOC and the State Administration of Foreign Exchange (“SAFE”). Such rules and regulations may be amended from time to time and include (but are not limited to):

- (i) the “Announcement (2016) No 3” issued by the PBOC on 24 February 2016;
- (ii) the “Implementation Rules for Filing by Foreign Institutional Investors for Investment in Interbank Bond Markets” issued by the Shanghai Head Office of PBOC on 27 May 2016;
- (iii) the “Circular concerning the Foreign Institutional Investors’ Investment in Interbank bond market in relation to foreign currency control” issued by SAFE on 27 May 2016; and
- (iv) any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in the PRC, foreign institutional investors who wish to invest directly in CIBM may do so via an onshore settlement agent, who will be responsible for making the relevant filings and account opening with the relevant authorities.

There is no quota limitation.

In terms of fund remittance and repatriation, foreign investors (such as the Company) may remit investment principal in RMB or foreign currency into the PRC for investing in the CIBM. An investor will need to remit investment principal matching at least 50% of its anticipated investment size within nine months after filing with the Shanghai Head Office of PBOC, or else an updated filing will need to be made through the onshore settlement agent. Where the Company repatriates funds out of the PRC, the ratio of RMB to foreign currency (“Currency Ratio”) should generally match the original Currency Ratio when the investment principal was remitted into the PRC, with a maximum permissible deviation of 10%.

#### Taxation Risk

There is no specific written guidance by the PRC tax authorities on the treatment of income tax and other tax categories payable in respect of trading in CIBM by foreign institutional investors. Hence it is uncertain as to the relevant Fund’s tax liabilities for trading in CIBM. For further details on PRC taxation, please refer to sub-section “PRC Taxation” under the section titled “Taxation”.

#### Risks Associated with China Interbank Bond Market

Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the CIBM may result in prices of certain debt securities traded on such market fluctuating significantly. The Fund investing in such market is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and a Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments. To the extent that a Fund transacts in the CIBM, the Fund may also be exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value. Since the relevant filings and account opening for investment in the CIBM have to be carried out via an onshore settlement agent, the relevant Fund is subject to the risks of default or errors on the part of the onshore settlement agent. Investing in the CIBM via a Foreign Access Regime and/or via Bond Connect is also subject to regulatory risks. The relevant rules and regulations on investment in the CIBM is subject to change which may have potential retrospective effect. In the event that the relevant Mainland Chinese authorities suspend account opening or trading on the CIBM, a Fund’s ability to invest in the CIBM will be limited and, after exhausting other trading alternatives, the Fund may suffer substantial losses as a result.

#### **PRC Tax Provision Risk**

If no or inadequate provision for potential withholding tax is made and in the event that the PRC tax authorities enforce the imposition of such withholding tax, the Net Asset Value of the relevant Funds may be adversely affected. For any withholding tax made in respect of trading of PRC securities, it may reduce the income from, and/or adversely affect the performance of, the relevant Fund. With respect to CIBM, the amount withheld (if any) will be retained by the ACD for the account of the relevant Fund until the position with regard to PRC taxation in respect of gains and profits from trading via the CIBM has been clarified. In the event that such position is clarified to the advantage of the relevant Fund, the Company may rebate all or part of the withheld amount to the Fund. The withheld amount (if any) so rebated shall be retained by the Fund and reflected in the value of its Shares. Notwithstanding the foregoing, no Shareholder who redeemed his/her Shares before the rebate of any withheld amounts shall be entitled to claim any part of such rebate.

It should also be noted that the actual applicable tax imposed by the PRC tax authorities may be different and may change from time to time. There is a possibility of the rules being changed and taxes being applied retrospectively. Any increased tax liabilities on a Fund may adversely affect the Fund’s value. As such, any provision for taxation made by the ACD for the account of the relevant Fund may be excessive or inadequate to meet final PRC tax liabilities. Consequently, Shareholders of the relevant Fund may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Shares in/from the relevant Fund.

If the actual applicable tax levied by the PRC tax authorities is higher than that provided for by the ACD so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Fund may suffer more than the tax provision amount as that Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new Shareholders will be disadvantaged. On the other hand, if the actual applicable tax rate levied by the PRC tax authorities is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Shareholders who have redeemed Shares in the relevant Fund before the PRC tax authorities' ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the ACD's over-provision. In this case, the then existing and new Shareholders may benefit if the difference between the tax provision and the actual taxation liability under that lower tax amount can be returned to the account of the Fund as assets thereof.

Investors should seek their own tax advice on their own tax position with regard to their investment in the relevant Fund.

It is possible that the current tax laws, regulations and practice in the PRC will change, including the possibility of taxes being applied retrospectively, and that such changes may result in higher taxation on PRC investments than is currently contemplated.

### **Risk Associated with investing in Russia**

For the avoidance of doubt, investments in emerging markets include investment in Russia. You should be aware that although the Russian Registrar Companies, that provide share registration services to issuers of Russian securities, are appropriately licensed in Russia, they may not be subject to the same stringent controls, as in other, more developed countries. This may mean that the Fund may not secure good title to the Russian securities held by the local custodian. Therefore, there is an increased risk of the Fund not receiving back all/or any of the investments allocated to those securities.

### **RMB Debt Securities Risk**

Investors should be aware that the availability of RMB-denominated Debt Securities issued or distributed outside PRC is currently limited and therefore is more susceptible to volatility and illiquidity. The operation of the RMB-denominated Debt Securities market as well as new issuances could be disrupted, causing a fall in the NAV of the Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalization of the CNH market by the relevant regulators.

If there are insufficient RMB-denominated Debt Securities for a Fund to invest in, the Fund may hold a significant portion of assets in RMB deposit accounts and/or RMB-denominated certificates of deposit issued by financial institutions. These circumstances may have an adverse impact on the performance of such Fund.

For RMB-denominated Debt Securities issued, listed or traded outside PRC (e.g. on the Central Moneymarkets Unit in Hong Kong), market depth may be limited, potentially resulting in reduced liquidity or even partial illiquidity of such securities. The Fund may suffer loss in trading such securities, in particular in circumstances where the Fund may have to liquidate such investments at a discount in order to meet redemption requests. The Fund may not be able to sell the securities at the time desired.

In addition, the bid and offer spread of the price of RMB-denominated Debt Securities may be large. Therefore, the Fund may incur significant trading and realisation costs and may suffer significant losses when selling such investments.

Investments in RMB-denominated Debt Securities are also subject to the general risks of investing in bonds, including, but not limited to interest-rate risks, creditworthiness risk, company specific risk, general market risk, risk of default and counterparty risk.

RMB-denominated Debt Securities are typically unsecured debt obligations and are not supported by any collateral. Investments in such securities will expose the relevant Fund to the credit/insolvency risk of its counterparties as an unsecured creditor. RMB-denominated Debt Securities may be unrated. In general, debt instruments that have a lower credit rating or that are unrated may be more susceptible to the credit risk of the issuer.

Investments in Debt Securities issued by companies or bodies established within PRC may be affected by PRC tax policies. Current tax laws and regulations may also be amended or revised at any point in time and without prior notice to investors. Such amendments and revisions may also take effect on a retrospective basis, with a potentially adverse impact on such investments.

Certain funds invest in the onshore Debt Securities which may be traded on the Shanghai or Shenzhen Stock Exchange or

on the interbank bond markets. Investors should note that the securities markets in PRC generally and the onshore bond markets in particular are both at a developing stage and the market capitalisation and trading volume may be lower than those in more developed financial markets. Market volatility and potential lack of liquidity due to low trading volumes in PRC's debt markets may result in prices of securities traded on such markets fluctuating significantly, and may result in substantial volatility in the Net Asset Value of the Fund. The bid and offer spreads of the prices of the Mainland Chinese Debt Securities may be large, so significant trading and realization costs may be incurred. The national regulatory and legal framework for capital markets and debt instruments in PRC are still developing when compared with those of developed countries. Currently, PRC entities are undergoing reform with the intention of increasing liquidity of debt instruments. However, the effects of any development or reform on the PRC debt markets remain to be seen. The PRC bond markets are also subject to regulatory risks.

Debt Securities may only be bought from, or sold to, the Fund from time to time where the relevant Debt Securities may be sold or purchased on the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the CIBM, as appropriate. Given that the bond markets are considered volatile and unstable (with the risk of suspension of a particular stock or government intervention), the subscription and redemption of Fund's units may also be disrupted.

## Annual management charge taken from capital

The ACD and Depositary have agreed that up to 100% of the annual management fee for the Allianz Gilt Yield Fund, the Allianz Index-Linked Gilt Fund and the Allianz UK Listed Equity Income Fund may be charged to the capital account of the Fund and not the income. The objective of these Funds is to maximise distributable income and it is to this end that the fees may be paid out of capital. This could lead to a higher level of income but then may constrain capital growth.

## Cash

Holding a large portion of a Fund in cash or near cash may reduce the effects of falls in the value of securities. Equally, it could reduce the potential for gains if there are rises in the value of securities.

### Risk on negative interest on cash accounts

Liquid assets of the Funds are invested at the Depositary or other banks for account of the Funds. Depending on the market development, in particular the development of the interest policy of the European Central Bank, short-, medium- and long-term bank deposits may have negative interest rates which will be charged to the Funds. Such interest charges may adversely impact the net asset value of the Funds.

## Derivatives

Derivatives may be used for the purposes of Efficient Portfolio Management. EPM restricts the use of derivatives to the reduction of risk, the reduction of cost and the generation of additional capital or income with an acceptably low level of risk. EPM transactions must be economically appropriate and the exposure fully covered. The Allianz UK Listed Equity Income Fund may write covered call options up to 20% of the Net Asset Value of the fund (at the time of writing) as part of an EPM strategy.

Where the investment objective risk profile permits, derivative transactions may be used for the purposes of meeting the investment objective of the relevant fund as well as for EPM. For the purpose of clarity, the use of derivatives for EPM purposes should not lead to an increase in risk to the fund. However, derivatives when used to implement investment policies, may increase volatility of the fund's share price. The Allianz Gilt Yield Fund, the Allianz Index-Linked Gilt Fund and the Allianz Strategic Bond Fund utilise derivatives to implement the investment policy.

The following risks are associated with derivative instruments that a fund may utilise for EPM and/or as part of implementing the investment policy:

### Futures

Transactions in futures involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle your position with cash. They carry a high degree of risk. The "gearing" or "leverage" often obtainable in futures trading means that a small deposit or down-payment can lead to large losses as well as gains. It also means that a relatively small market movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you as well as for you. Futures transactions have a contingent liability, and you

should be aware of the implications of this, in particular the margining requirements, which are set out in “contingent liability transactions” below.

## Options

There are many different types of options with different characteristics subject to different conditions:

- **Buying options:**  
Buying options involves less risk than selling options because, if the price of the underlying asset moves against you, you can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if you buy a call option on a futures contract and you later exercise the option, you will acquire the future. This will expose you to the risks described under “futures” and “contingent liability transactions”.
- **Writing options:**  
If you write an option, the risk involved is considerably greater than buying options. You may be liable for margin to maintain your position and a loss may be sustained well in excess of any premium received. By writing an option, you accept a legal obligation to purchase or sell the underlying asset if the option is exercised against you, however far the market price has moved away from the exercise price. If you already own the underlying asset that you have contracted to sell (known as “covered call options”) the risk is reduced. If you do not own the underlying asset (known as “uncovered call options”) the risk can be unlimited.
- **Traditional options:**  
A particular type of option called a “traditional option” is written by certain London Stock Exchange firms under special exchange rules. These may involve greater risk than other options. Two-way prices are not usually quoted and there is no exchange market on which to close out an open position or to effect an equal and opposite transaction to reverse an open position. It may be difficult to assess its value or for the seller of such an option to manage his exposure to risk.

Certain options markets operate on a margined basis, under which buyers do not pay the full premium on their option at the time they purchase it. In this situation you may subsequently be called upon to pay margin on the option up to the level of your premium. If you fail to do so as required, your position may be closed or liquidated in the same way as a futures position.

## Contracts for differences

Futures and options contracts can also be referred to as “contracts for differences”. These can be options and futures on the FTSE 100 index or any other index, as well as currency and interest rate swaps. However, unlike other futures and options, these contracts can only be settled in cash. Investing in a contract for differences carries the same risks as investing in a future or an option and you should be aware of these as set out in “futures” and “options” above. Transactions in contracts for differences may also have a contingent liability and you should be aware of the implications of this as set out in “contingent liability transactions” below.

## Total Return Swaps

A Fund may enter into total return swaps in accordance with the requirements as set out in the Securities Financing Transactions Regulation. Total return swaps are derivatives that transfer the total economic performance, including income from interest and fees, gains and losses from price movements, and credit losses, of a reference obligation from one party to another party. If total return swaps are used, the counterparties have no influence on the composition or administration of the respective underlying.

A Fund investing in total return swaps is exposed to counterparty risk and collateral risk (see the section “Specific Risks linked to EPM Techniques” and “Securities Financing Transactions Regulation Disclosure”). In addition, where a Fund’s return is provided partly or exclusively by the cash flows received on a total return swap, any early termination of that total return swap, for example as a result of a default by the Fund or the counterparty, may have a negative impact on the performance of that Fund.

## Off-exchange transactions

It may not always be apparent whether or not a particular derivative is on- or off-exchange.

While some off-exchange markets are highly liquid, transactions in off-exchange or “non-transferable” derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out

an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid and offer prices need not be quoted, and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price.

### Foreign markets

Foreign markets will involve different risks from UK markets. In some cases the risks will be greater. The potential for profit or loss from transactions on foreign markets or in foreign denominated contracts will also be affected by fluctuations in foreign exchange rates.

### Contingent liability transactions

Contingent liability transactions which are margined require you to make a series of payments against the purchase price, instead of paying the whole purchase price immediately.

If you trade in futures, contracts for differences or sell options you may sustain a total loss of the margin you deposit with your broker to establish or maintain a position. If the market moves against you, you may be called upon to pay substantial additional margin at short notice to maintain the position. If you fail to do so within the time required, your position may be liquidated at a loss and you will be liable for any resulting deficit.

Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you entered the contract.

Contingent liability transactions which are not traded on or under the rules of a recognised or designated investment exchange may expose you to substantially greater risks than those which are so traded.

### Suspensions of trading

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted. Placing a stop-loss order will not necessarily limit your losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.

### Liquidation of position

Positions may be liquidated or closed out without your consent in the event you fail to meet a margin call. Additionally, the insolvency or default of any broker involved in your transaction may lead to positions being liquidated or closed out without your consent. In certain circumstances, you may not get back the actual assets which you lodged as collateral and you may have to accept any available payment in cash.

## Securities Financing Transactions

Securities lending and repurchase contracts involve a number of risks, including counterparty risk, custody risk and collateral risk (see below for further details). Please see below for more specific risks for particular types of Securities Financing Transactions.

Securities lent under securities lending transactions may be returned late by the borrower or not at all as a result of the borrower's default or administrative or operational error. This might mean that, where the Fund is acting as lender, it may be unable to meet its obligation to complete the sale of the relevant security, causing it to breach its contractual obligations to a third party purchaser. If the borrower of a security defaults, to the extent that the value of the collateral held by the Fund at the relevant time is less than the value of the securities lent by the Fund, the Fund will be an unsecured creditor for the difference and may not recover in full or at all.

Repurchase transactions involve the risk that the face value of the cash received by the Fund falls below the market value of the securities sold under the transaction. While the Fund should generally have a right to call for additional collateral, if a counterparty defaults (e.g. becomes insolvent or breaches the contract), and the value of the collateral is less than the value of the securities sold, the Fund will be an unsecured creditor for the difference and may not recover in full or at all.

Reverse repurchase contracts involve the risk that the market value of the securities bought by the Fund falls below the face value of the cash it pays for them. While the Fund should generally have a right to call for additional collateral, if a counterparty defaults (eg becomes insolvent or breaches the contract), and the value of the collateral is less than the value

of the cash paid, the Fund will be an unsecured creditor for the difference and may not recover in full or at all.

## Specific Risks linked to EPM Techniques

### Securities Financing Transactions

Securities lending and repurchase/reverse repurchase transactions (EPM techniques) involve certain risks. There is no assurance that a Fund will achieve the objective for which it entered into a transaction.

Repurchase/reverse repurchase transactions might expose the Fund to risks similar to those associated with optional or forward derivative financial instruments, the risks of which are described in other parts of this Prospectus. Securities loaned may, in the event of a counterparty default or an operational difficulty, be recovered late and only in part, which might restrict the Fund's ability to complete the sale of securities or to meet redemption requests.

### Counterparty Risk

A Fund conducts transactions, including Securities Financing Transactions and transactions in total return swaps, through or with brokers, clearing houses, market counterparties and other agents. A Fund will be subject to the risk of the inability of any such counterparty to perform its obligations, whether due to insolvency, bankruptcy or other causes.

A Fund may invest into instruments such as notes, swaps or warrants the performance of which is linked to a market or investment to which the Fund seeks to be exposed. Such instruments are issued by a range of counterparties and through its investment the Fund will be subject to the counterparty risk of the issuer, in addition to the investment exposure it seeks.

The Funds will only enter into OTC derivatives transactions and efficient portfolio management techniques with reputable institutions which are subject to prudential supervision and specialising in these types of transactions. In principle, the counterparty risk for such transactions and techniques should not exceed 10% of the relevant Fund's net assets when the counterparty is an approved bank or 5% of its net assets in other cases. However, if a counterparty defaults, the actual losses may exceed these limits. If a counterparty were to default on its obligations this may have an adverse impact on the performance of the relevant Fund causing loss to investors.

### Collateral

The Fund's exposure to its counterparty will be mitigated by the fact that the counterparty will forfeit its collateral if it defaults on the transaction. If the collateral is in the form of securities, there is a risk that when it is sold it will realise insufficient cash to settle the counterparty's debt to the Fund or to purchase replacements for the securities that were lent to the counterparty.

Treatment of collateral will vary according to the type of transaction and where it is traded. There could be significant differences in the treatment of your collateral depending on whether you are trading on a recognised or designated investment exchange, with the rules of that exchange (and associated clearing house) applying, or trading off exchange. Deposited collateral may lose its identity as your property once dealings on your behalf are undertaken. Even if your dealings should ultimately prove profitable, you may not get back the same assets which you deposited and may have to accept payment in cash.

In the event that the Fund reinvests cash collateral in one or more of the permitted types of investment that are described in Appendix III below, there is a risk that the investment will earn less than the interest that is due to the counterparty in respect of that cash and that it will return less than the amount of cash that was invested. There is also a risk that the investment will become illiquid, which would restrict the Fund's ability to recover its securities on loan, which might restrict the Fund's ability to complete the sale of securities or to meet redemption requests.

## Taxation

Proceeds from sales of financial instruments and receipt of dividends, interest and other income may be, or become, subject to tax, levies, duties or other fees imposed by local tax regimes. Some taxation, for example any tax imposed pursuant to FATCA, may be levied by withholding tax.



# Securities Financing Transactions Regulation Disclosure

A Fund may enter into the following transactions:

- (i) total return swaps as set out in the section entitled “Derivatives”; and
- (ii) repurchase agreements, reverse repurchase agreements and securities lending arrangements as set out below.

Under a repurchase agreement, one party sells securities (such as shares or bonds) to another party at one price at the start of the trade and at the same time agrees to repurchase (buy back) the asset from the original buyer at a different price at a future date or on demand. The term ‘reverse repurchase contract’ describes the same contract from the perspective of the buyer.

A securities lending arrangement is similar to a repurchase contract. The lender transfers ownership of an asset to a third party (the borrower), who pays a fee to the lender for the use of the loaned asset and agrees to return the securities at the end of the transaction. Even though the parties are called lender and borrower, actual ownership of the assets is transferred.

A Fund may enter into total return swaps for investment purposes (including to gain exposure on a total return basis to any asset that the Fund is permitted to gain exposure to, including transferable securities, financial indices, derivatives, foreign exchange rates and currencies) and for efficient portfolio management purposes, and may enter into Securities Financing Transactions for efficient portfolio management purposes only. 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.

If a Fund invests in total return swaps or Securities Financing Transactions, the relevant asset or index may be comprised of equity or debt securities, money market instruments or other eligible investments which are consistent with the investment objective and policies of the Fund.

Subject to the investment restrictions and limits on exposure as set out in Appendix III, and, in respect of a Fund, the investment restrictions set out in the investment objectives and policies for that Fund in Appendix I, each Fund can invest up to 100 % of its Net Asset Value in total return swaps and Securities Financing Transactions.

It is anticipated that each Fund will generally invest not more than the following proportions of its Net Asset Value in Securities Financing Transactions and/or total return swaps:

Fund	The expected proportion of Net Asset Value in:
Allianz Continental European Fund	<ul style="list-style-type: none"> <li>- the use of repurchase agreements shall usually not exceed 0%</li> <li>- the use of securities lending agreements shall usually not exceed 0%</li> <li>- the use of buy-sell back transactions and/or sell-buy back transactions shall usually not exceed 0%</li> <li>- the use of margin lending transactions shall usually not exceed 0%</li> <li>- the use of total return swaps shall usually not exceed 1%</li> </ul>
Allianz Gilt Yield Fund	<ul style="list-style-type: none"> <li>- the use of repurchase agreements shall usually not exceed 20%</li> <li>- the use of securities lending agreements shall usually not exceed 70%</li> <li>- the use of buy-sell back transactions and/or sell-buy back transactions shall usually not exceed 0%</li> <li>- the use of margin lending transactions shall usually not exceed 0%</li> <li>- the use of total return swaps shall usually not exceed 1%</li> </ul>
Allianz Index-Linked Gilt Fund	<ul style="list-style-type: none"> <li>- the use of repurchase agreements shall usually not exceed 20%</li> <li>- the use of securities lending agreements shall usually not exceed 70%</li> <li>- the use of buy-sell back transactions and/or sell-buy back transactions shall usually not exceed 0%</li> <li>- the use of margin lending transactions shall usually not exceed 0%</li> <li>- the use of total return swaps shall usually not exceed 1%</li> </ul>
Allianz Strategic Bond Fund	<ul style="list-style-type: none"> <li>- the use of repurchase agreements shall usually not exceed 20%</li> <li>- the use of securities lending agreements shall usually not exceed 70%</li> <li>- the use of buy-sell back transactions and/or sell-buy back transactions shall usually not exceed 0%</li> <li>- the use of margin lending transactions shall usually not exceed 0%</li> <li>- the use of total return swaps shall usually not exceed 1%</li> </ul>



Fund	The expected proportion of Net Asset Value in:
Allianz UK Listed Equity Income Fund	<ul style="list-style-type: none"> <li>- the use of repurchase agreements shall usually not exceed 0%</li> <li>- the use of securities lending agreements shall usually not exceed 0%</li> <li>- the use of buy-sell back transactions and/or sell-buy back transactions shall usually not exceed 0%</li> <li>- the use of margin lending transactions shall usually not exceed 0%</li> <li>- the use of total return swaps shall usually not exceed 1%</li> </ul>
Allianz UK Listed Opportunities Fund	<ul style="list-style-type: none"> <li>- the use of repurchase agreements shall usually not exceed 0%</li> <li>- the use of securities lending agreements shall usually not exceed 0%</li> <li>- the use of buy-sell back transactions and/or sell-buy back transactions shall usually not exceed 0%</li> <li>- the use of margin lending transactions shall usually not exceed 0%</li> <li>- the use of total return swaps shall usually not exceed 1%</li> </ul>
Allianz UK Mid-Cap Fund*)	<ul style="list-style-type: none"> <li>- the use of repurchase agreements shall usually not exceed 0%</li> <li>- the use of securities lending agreements shall usually not exceed 0%</li> <li>- the use of buy-sell back transactions and/or sell-buy back transactions shall usually not exceed 0%</li> <li>- the use of margin lending transactions shall usually not exceed 0%</li> <li>- the use of total return swaps shall usually not exceed 1%</li> </ul>

\*) The Fund merged into the Allianz UK Listed Opportunities Fund effective from 26 August 2022 and will be terminated in the near future upon receipt of FCA approval. Therefore, no subscriptions are currently being accepted into this Fund.

However, this is solely an estimate which may be exceeded. The percentage of a Fund's assets for the respective use of the above mentioned Securities Financing Transactions and/or the use of total return swaps is no indication of the true risk level of the Fund because it does not reflect the exposure of such Securities Financing Transactions and total return swaps.

The Funds shall only enter into Securities Financing Transactions with counterparties that satisfy the criteria as set out in paragraphs 47.4 and 96.4 of Appendix III. Counterparties to total return swaps shall be approved counterparties as described in paragraphs 27.1.2 and 76.1.2 of Appendix III. In addition, counterparties to Securities Financing Transactions and total return swaps must be top-rated financial institutions and specialised in such transactions, which have been rated by a recognized rating agency (e.g. Moody's, S&P or Fitch) with at least Baa3 (Moody's), BBB- (S&P or Fitch). There are no further restrictions with regard to legal status or country of origin of the counterparty.

The categories of collateral which may be received by the Funds are set out in paragraphs 48 and 97 of Appendix III and include cash and non-cash assets such as certificates of deposit, letters of credit, readily realisable securities, commercial paper with no embedded derivative content and qualifying money market instruments. The collateral received by a Fund must comply with the criteria set out in paragraphs 49.1 and 98.1 of Appendix III with respect to, amongst other things, liquidity, collateral diversification, correlation and issuer types. There is no minimum remaining maturity requirement for any securities received as collateral. Collateral received shall be valued on at least a daily basis and assets that exhibit high price volatility shall not be accepted unless suitable haircuts are in place.

Where a 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. In addition, there can also be no assurance that the liquidation of any collateral provided to the 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.

A Fund may provide certain of its assets as collateral to counterparties in connection with total return swaps and Securities Financing Transactions. If a Fund has over-collateralised (i.e. provided excess collateral which is delivered by way of title transfer 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.

There are legal risks involved in entering into total return swaps or Securities Financing Transactions (including with respect to collateral received or transferred in connection with such 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. Collateral management is also subject to a number of operational risks, which can result in a failure to request collateral to cover the exposure of a Fund or failure to demand the return of collateral from a counterparty when due.

Subject to the restrictions laid down by the FCA as set out in paragraphs 49 and 98 of Appendix III, a Fund may re-invest cash collateral that it receives. If cash collateral received by a 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 other equivalent investments of the Fund. Furthermore, while re-invested cash is required to be diversified and may only be re-invested in the manner set out in paragraphs 49 and 98 of Appendix III, there remains a risk that the value of the asset invested in using cash collateral received by the Fund falls below the amount required to be returned to the cash collateral provider. Any shortfall will be borne by the Fund, causing loss to the Fund and consequently

investors.

For a summary of certain other risks applicable to total return swaps and Securities Financing Transactions, see the specific risk factors in this section under the headings “Derivatives”, “Securities Financing Transactions” and “Specific Risks linked to EPM Techniques”.

Direct and indirect operational costs and fees arising from total return swaps or Securities Financing Transactions may be deducted from the revenue delivered to a Fund (e.g. as a result of revenue sharing arrangements). All the revenues arising from such total return swaps and Securities Financing Transactions and any other efficient portfolio management techniques, net of direct and indirect operational costs, will be returned to the relevant 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 each of whom may be related parties to the ACD. Fees may also be paid to the ACD itself where the ACD is carrying out Securities Lending Services but only to the extent set out below in the section headed “Fees and Expenses”.

## Benchmark Regulation

The indices and benchmarks used for the computing of Outperformance Fee within the meaning of the Benchmark Regulation are listed in the respective Fund details in Appendix I. In case, indices and benchmarks are used for defining the asset allocation within the meaning of the Benchmark Regulation these are listed in the respective Fund details in Appendix I as well. The ACD maintains written plans setting out the actions that will be taken in the event that an index or benchmark materially changes or ceases to be provided. Such written plans may be obtained, free of charge upon request, at the registered office of the Company or from the ACD.

# Management and Administration

## Regulatory Status

The ACD is authorised and regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht, and authorised by and subject to limited regulation by the Financial Conduct Authority of 12 Endeavour Square, London E20 1JN for the conduct of its business in the UK.

The Depositary is authorised by the Prudential Regulatory Authority of 20 Moorgate, London EC2R 6DA and regulated by the Prudential Regulated Authority and the Financial Conduct Authority.

The Administrator is authorised and regulated by the Financial Conduct Authority.

## Authorised Corporate Director

The ACD is Allianz Global Investors GmbH (acting by its UK branch) which is a company with limited liability incorporated in Germany on 20 March 1956.

The directors of the ACD are:

Alexandra Auer  
Ingo Mainert  
Dr. Thomas Schindler  
Petra Trautschold  
Ludovic Lombard  
Birte Trenkner

Head Office:	Bockenheimer Landstrasse 42-44, 60323 Frankfurt am Main, Germany
UK Branch Office:	199 Bishopsgate, London EC2M 3TY
Ultimate Holding Company:	Allianz SE, incorporated in Germany
Share Capital:	Issued: €49,900,900 Paid up: €49,900,900

The ACD is responsible for managing and administering the Company's affairs in compliance with the COLL Sourcebook. The ACD may delegate its investment management, administration, share pricing, valuation, fund accounting and marketing functions to third parties including associates subject to the rules in the COLL Sourcebook. The functions of the ACD are carried out by its UK branch. Administration duties have been delegated to the Administrator and to the Registrar of the Company. Share pricing, valuation and fund accounting functions have been delegated by the ACD to State Street Bank and Trust Company, London Branch. The ACD also acts as the authorised corporate director of Allianz International Investment Funds.

## Terms of Appointment

The appointment of Allianz Global Investors (UK) Limited as authorised corporate director of the Company was made under an agreement dated 9 May 2002 (superseding the original agreement dated 7 September 2001) between the Company and Allianz Global Investors (UK) Limited ("the ACD Agreement").

As a result of the merger of Allianz Global Investors (UK) Limited into Allianz Global Investors Europe GmbH pursuant to the European Cross-Border Merger Directive 2005/56/EC, as implemented in the UK and Germany, Allianz Global Investors (UK) Limited was succeeded as a legal entity by Allianz Global Investors Europe GmbH as at 31 October 2013.

Following the downstream merger of Allianz Global Investors GmbH into Allianz Global Investors Europe GmbH on 23 September 2014, the name of the ACD changed to Allianz Global Investors GmbH, with effect from 28 November 2014.

Subject to the COLL Sourcebook, the ACD shall have full power to delegate (and to authorise its delegates to sub-delegate) the whole or any part of its duties, notwithstanding any such delegation, the ACD shall remain liable to the

Company for the management of the property as set out in the COLL Sourcebook.

Without limiting the general nature of its duties as an authorised corporate director, the ACD agrees generally to carry out those duties and functions contained in Regulation 6.02 of the COLL Sourcebook and all other duties and functions of an ACD as required under the Regulations.

The ACD Agreement provides that the appointment of the ACD may be terminated on 12 months' written notice being given to the other by either the ACD or the Company, provided that the notice period does not expire prior to the third anniversary of the ACD Agreement or immediately in certain circumstances in particular when it is in the best interests of Shareholders to do so, by notice in writing being given by the ACD to the Company, or by the Depositary or the Company to the ACD. Termination cannot take effect until the FCA has approved the change of director.

The ACD is entitled to pro rata fees and expenses to the date of termination and any additional expenses necessarily incurred in settling or realising any outstanding obligations. No compensation for loss of office is provided for in the agreement. The ACD Agreement provides indemnities to the ACD except in the case of any matter arising as a direct result of its negligence, fraud or wilful default in the performance of its duties and obligations.

The ACD is under no obligation to account to the Depositary or the Shareholders for any profit it makes on the issue or reissue of Shares or cancellation of Shares which it has redeemed.

The fees to which the ACD is entitled are set out in the section "Fees and Expenses".

## The Depositary

The Depositary of the Company is State Street Trustees Limited, a private company limited by shares incorporated in England and Wales on 24 October 1994. Its ultimate holding company is State Street Corporation, a company incorporated in the state of Massachusetts, USA. Its registered office is at 20 Churchill Place, London E14 5HJ. The principal business activity of the Depositary is acting as a trustee and depositary of collective investment schemes. It is authorised and regulated by the Financial Conduct Authority.

### Terms of Appointment

The Company has appointed the Depositary as depositary under a depositary agreement dated 27 October 2017 (such agreement, as amended from time to time, the "Depositary Agreement").

The Depositary Agreement may be terminated on 90 days' written notice by the Depositary or the Company or on shorter notice in certain circumstances.

The fees to which the Depositary is entitled are set out in the section "Fees and Expenses".

### Functions of the Depositary

The Depositary has been entrusted with the following main functions:

- a) ensuring that the sale, issue, repurchase, redemption and cancellation of Shares are carried out in accordance with applicable law and the Instrument of Incorporation;
- b) ensuring that the value of the Shares is calculated in accordance with applicable law and the Instrument of Incorporation;
- c) carrying out the instructions of the ACD and the Company unless they conflict with applicable law and the Instrument of Incorporation;
- d) ensuring that in transactions involving the assets of the Company any consideration is remitted within the usual time limits;
- e) ensuring that the income of the Company is applied in accordance with applicable law and the Instrument of Incorporation;
- f) monitoring the Company's cash and cash flows; and

- g) safekeeping of the Company's assets including the safekeeping of financial instruments to be held in custody and ownership verification and record keeping in relation to all other assets.

### Depository's liability

In the event of a loss of a financial instrument held in custody, determined in accordance with the UK UCITS Directive, and in particular Article 18 of the UCITS V Level 2, the Depository shall return financial instruments of identical type or the corresponding amount to the Company without undue delay.

The Depository 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 reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary pursuant to the UK UCITS Directive.

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

The Depository will be liable to the Company and its investors for all other losses suffered by them as a result of the Depository's negligent or intentional failure to properly fulfil its obligations pursuant to the UK UCITS Directive.

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

### Sub-Custodians and Other Delegates

The Depository has full power to delegate the whole or any part of its safe-keeping functions but its liability will not be affected by the fact that it has entrusted to a third party some or all of the assets in its safekeeping. The Depository's liability shall not be affected by any delegation of its safe-keeping functions under the Depository Agreement.

The Depository has delegated those safekeeping duties set out in Article 22(5)(a) of the UK UCITS Directive to State Street Bank and Trust Company with registered office at Copley Place 100, Huntington Avenue, Boston, Massachusetts 02116, USA, with an office at 20 Churchill Place, Canary Wharf, London E14 5HJ, UK, whom it has appointed as its global sub-custodian.

At the date of this prospectus State Street Bank and Trust Company, London Branch as global sub-custodian has appointed local sub-custodians within the State Street Global Custody Network as listed below:

Market	Sub-Custodian
Albania	Raiffeisen Bank sh.a.
Argentina	Citibank, N.A., Buenos Aires
Australia	The Hongkong and Shanghai Banking Corporation Limited
Austria	UniCredit Bank Austria AG
Bahrain	First Abu Dhabi Bank P.J.S.C.
Bangladesh	Standard Chartered Bank

Belgium	BNP Paribas Securities Services, S.C.A. (operating through its Paris branch with support from its Brussels branch)
Benin	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
Bermuda	HSBC Bank Bermuda Limited
Federation of Bosnia and Herzegovina	UniCredit Bank d.d.
Botswana	Standard Chartered Bank Botswana Limited
Brazil	Citibank, N.A.
Bulgaria	Citibank Europe plc, Bulgaria Branch  UniCredit Bulbank AD
Burkina Faso	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
Canada	State Street Trust Company Canada
Chile	Banco de Chile
People's Republic of China	HSBC Bank (China) Company Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)  China Construction Bank Corporation (for A-share market only)  The Hongkong and Shanghai Banking Corporation Limited (for Shanghai – Hong Kong Stock Connect market only)  Standard Chartered Bank (Hong Kong) Limited (for Shanghai – Hong Kong Stock Connect market)
Colombia	Cititrust Colombia S.A. Sociedad Fiduciaria
Costa Rica	Banco BCT S.A.
Croatia	Privredna Banka Zagreb d.d.  Zagrebacka Banka d.d.
Cyprus	BNP Paribas Securities Services, S.C.A., Greece (operating through its Athens branch)
Czech Republic	Československá obchodní banka, a.s.  UniCredit Bank Czech Republic and Slovakia, a.s.
Denmark	Skandinaviska Enskilda Banken AB (publ), Sweden (operating through its Copenhagen branch)

Egypt	Citibank, N.A.
Estonia	AS SEB Pank
Eswatini	Standard Bank Eswatini Limited
Finland	Skandinaviska Enskilda Banken AB (publ), Sweden (operating through its Helsinki branch)
France	BNP Paribas Securities Services, S.C.A.
Republic of Georgia	JSC Bank of Georgia
Germany	State Street Bank International GmbH  Deutsche Bank AG
Ghana	Standard Chartered Bank Ghana Limited
Greece	BNP Paribas Securities Services, S.C.A.
Guinea-Bissau	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
Hong Kong	HongKong and Shanghai Banking Corporation Limited
Hungary	Citibank Europe plc Magyarországi Fióktelepe  UniCredit Bank Hungary Zrt.
Iceland	Landsbankinn hf.
India	Deutsche Bank AG  Citibank, N.A. The Hongkong and Shanghai Banking Corporation Limited
Indonesia	Standard Chartered Bank  Deutsche Bank AG
Ireland	State Street Bank and Trust Company, United Kingdom branch
Israel	Bank Hapoalim B.M.
Italy	Intesa San Paolo S.p.A.
Ivory Coast	Standard Chartered Bank Côte d'Ivoire S.A.
Japan	Mizuho Bank, Limited  The Hongkong and Shanghai Banking Corporation Limited

Jordan	Standard Chartered Bank
Kazakhstan	JSC Citibank Kazakhstan
Kenya	Standard Chartered Bank Kenya Limited
Republic of Korea	The Hongkong and Shanghai Banking Corporation Limited
	Deutsche Bank AG
Kuwait	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
Latvia	AS SEB banka
Lithuania	AB SEB bankas
Malawi	Standard Bank PLC
Malaysia	Standard Chartered Bank Malaysia Berhad
Mali	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
Mauritius	The Hongkong and Shanghai Banking Corporation Limited
Mexico	Banco Nacional de México, S.A.
Morocco	Citibank Maghreb S.A.
Namibia	Standard Bank Namibia Limited
Netherlands	BNP Paribas Securities Services, S.C.A. (operating through its Paris branch with support from its Amsterdam branch)
New Zealand	The Hongkong and Shanghai Banking Corporation Limited
Niger	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
Nigeria	Stanbic IBTC Bank Plc.
Norway	Skandinaviska Enskilda Banken AB (publ), Sweden (operating through its Oslo branch)
Oman	First Abu Dhabi Bank P.J.S.C.
Pakistan	Deutsche Bank AG
	Citibank, N.A.
Panama	Citibank, N.A.
Peru	Citibank del Perú, S.A.



Philippines	Standard Chartered Bank
Poland	Bank Handlowy w Warszawie S.A.
Portugal	Citibank Europe plc, Dublin, Ireland
Qatar	HSBC Bank Middle East Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
Romania	Citibank Europe plc, Dublin – Romania Branch
Russia	AO Citibank
Saudi Arabia	HSBC Saudi Arabia (as delegate of The Hongkong and Shanghai Banking Corporation Limited)  Saudi British Bank (as delegate of The Hongkong and Shanghai Banking Corporation Limited)  First Abu Dhabi Capital Financial Company J.S.C. (FAB Capital) (as delegate of First Abu Dhabi Bank P.J.S.C. to hold securities)  First Abu Dhabi P.J.S.C. (as delegate of FAB Capital to hold cash)
Senegal	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
Serbia	UniCredit Bank Serbia JSC
Singapore	Citibank N.A.
Slovak Republic	UniCredit Bank Czech Republic and Slovakia, a.s.
Slovenia	UniCredit Banka Slovenija d.d.
South Africa	FirstRand Bank Limited  Standard Chartered Bank
Spain	Citibank Europe plc, Dublin, Ireland
Sri Lanka	The Hongkong and Shanghai Banking Corporation Limited
Republic of Srpska	UniCredit Bank d.d.
Sweden	Skandinaviska Enskilda Banken AB (publ)
Switzerland	Credit Suisse AG  UBS Switzerland AG
Taiwan - R.O.C.	Standard Chartered Bank (Taiwan) Limited

Tanzania	Standard Chartered Bank (Tanzania) Limited
Thailand	Standard Chartered Bank (Thai) Public Company Limited
Togo	via Standard Chartered Bank Côte d'Ivoire S.A., Abidjan, Ivory Coast
Tunisia	Union Internationale de Banques
Turkey	Citibank, A.Ş.
Uganda	Standard Chartered Bank Uganda Limited
Ukraine	JSC Citibank
United Arab Emirates Dubai Financial Market	First Abu Dhabi Bank P.J.S.C.
United Arab Emirates Dubai International Financial Center	First Abu Dhabi Bank P.J.S.C.
United Arab Emirates Abu Dhabi	First Abu Dhabi Bank P.J.S.C.
United Kingdom	State Street Bank and Trust Company, United Kingdom branch
United States	State Street Bank and Trust Company, Boston
Uruguay	Banco Itaú Uruguay S.A.
Vietnam	HSBC Bank (Vietnam) Limited (as delegate of The Hongkong and Shanghai Banking Corporation Limited)
Zambia	Standard Chartered Bank Zambia Plc.
Zimbabwe	Stanbic Bank Zimbabwe Limited (as delegate of Standard Bank of South Africa Limited)

## 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 Company;
- (ii) engaging in banking, sales and trading transactions including foreign exchange, derivative, principal lending, broking, market making or other financial transactions with the 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 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 Company;
- (iv) may provide the same or similar services to other clients including competitors of the Company;
- (v) may be granted creditors' rights by the Company which it may exercise.

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

Where cash belonging to the Company is deposited with an affiliate being 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 cash as banker and not as trustee.

The ACD 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:

- (1) 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;
- (2) sub-custodians, both affiliated and non-affiliated, act for other clients and in their own proprietary interest, which might conflict with clients' interests;
- (3) 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
- (4) 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 Company and its Shareholders.

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 the 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 safe-keeping 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 Shareholders on request.

## **The Administrator and Registrar**

The ACD has appointed State Street Bank and Trust Company, London Branch to provide administration services and to act as registrar of the Company. Under a delegation agreement, State Street Bank and Trust Company, London Branch has in turn appointed SS&C Financial Services Europe Limited, to carry out the role of Administrator and SS&C Financial Services International Limited to carry out the role of Registrar.

The registered office of both the Administrator and the Registrar is SS&C House, St. Nicholas Lane, Basildon, SS15 5FS.

The ACD is entitled to give further instructions to State Street Bank and Trust Company, London Branch who in turn may communicate such instructions to the Administrator and/or the Registrar. The ACD may terminate the agreement with State Street Bank and Trust Company, London Branch when this is in the best interests of the Shareholders.

## **Share Pricing, Valuation and Fund Accounting**

State Street Bank and Trust Company, operating through its branch in London, has been appointed by the ACD to produce share prices, prepare valuations and carry out fund accounting for the Funds.

State Street Bank and Trust Company's London branch is at 20 Churchill Place, Canary Wharf, London, E14 5HJ.

The ACD is entitled to give further instructions to State Street Bank and Trust Company, London Branch and may terminate the agreement when this is in the best interests of the Shareholders.

## **The Auditors**

The auditors of the Company are PricewaterhouseCoopers LLP.

The auditor's office is, 144 Morrison St, Edinburgh, EH3 8EX.

## **Register of Shareholders**

The Register of Shareholders may be inspected at SS&C Financial Services International Limited, SS&C House, St. Nicholas Lane, Basildon, SS15 5FS during normal business hours by any Shareholder or any Shareholder's duly authorised agent.

## **Conflicts of Interest**

The ACD and other companies within the Allianz group may, from time to time, act as investment managers or advisers to other funds or sub-funds which follow similar investment objectives to those of the Funds. It is therefore possible that the ACD may in the course of their business have potential conflicts of interest with the Company or a particular Fund and/or

other fund managed by the ACD. In particular, the ACD may effect or arrange transactions without further reference to or authority from the Company, even though the transaction is in relation to an investment in respect of which the ACD or an associate of the ACD may benefit from a commission, fee, mark up or mark down payable otherwise than by the Company, and/or the ACD or an associate of the ACD may also be remunerated by the counterparty to any such transaction. The ACD will, however, have regard in such event to its obligations under the ACD Agreement and, in particular, to its obligation to act in the best interests of the Company so far as practicable, having regard to its obligations to other clients, when undertaking any investment business where potential conflicts of interest may arise. Where a conflict of interest cannot be avoided, the ACD will ensure that the Company and the other funds it manages are fairly treated.

The ACD acknowledges that there may be some situations where the organisational or administrative arrangements in place for the management of conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the Company or its shareholders will be prevented. Should any such situations arise the ACD will disclose these to shareholders in an appropriate format.

The use of a box position may give rise to a conflict of interest between the ACD and shareholders. The ACD's box management policy is not to hold shares in a box position. When making decisions on the creation or cancellation of shares, the ACD does make an allowance for potential price movements in the value of shares. If prices have not changed in line with the ACD's estimate, a box position could inadvertently arise. In its dealings in shares the ACD is dealing as principal. The ACD will not be accountable to shareholders for any profits or benefits derived from dealings in shares that occur as a result of box positions so created.

The Depositary may, from time to time, act as the depositary of other open-ended investment companies with variable capital and as trustee or custodian of other collective investment schemes.

Conflicts of interest may arise as a result of OTC derivatives transactions and efficient portfolio management techniques. For example, the counterparties to, or agents, intermediaries or other entities which provide services in respect of, such transactions may be related to the ACD. In addition, the ACD itself may provide Securities Lending Services. As a result, those entities (including the ACD) may generate profits, fees or other income or avoid losses through such transactions. The ACD will, however, have regard in such event to its obligations under the ACD Agreement and, in particular, to its obligation to act in the best interests of the Company having regard to its obligations to other clients, when undertaking securities lending services where potential conflicts of interest may arise. Where a conflict of interest cannot be avoided, the ACD will ensure that the Company and the other funds it manages are fairly treated.

Furthermore, conflicts of interests may also arise where the collateral provided by such entities is subject to a valuation or haircut applied by a related party.

# Fees and Expenses

## General

The fees, costs and expenses relating to the authorisation and incorporation and establishment of the Company, the offer of Shares, the preparation and printing of this Prospectus and the fees of the professional advisers to the Company in connection with the offer will be borne by the ACD.

Each Fund formed after this Prospectus is superseded may bear its own direct establishment costs.

The Company may pay out of the property of the Company any liabilities arising on the unitisation, amalgamation or reconstruction of the Company or of any Fund.

All fees of expenses payable by a Shareholder or out of Scheme Property are set out in this section.

It is not currently proposed to seek a listing for the Shares on any stock exchange, but if a listing is sought in the future the fees connected with the listing will be payable by the Company.

The ACD will allocate expenses between capital and income for each Fund having due regard to the investment objective of the Fund and whether the nature of the cost is income related or capital related. The treatment of any payment as capital or income will be agreed with the Depositary.

### Third Party Fees and Expenses

If a Shareholder is advised by a third party when acquiring Shares or otherwise acquires Shares via a third party (such as a platform provider or other financial intermediary), those third parties may apply their own fees and charges for providing their services to the Shareholder. Therefore the total cost to the Shareholder of acquiring the Shares may exceed the costs disclosed in the Prospectus.

## Ongoing Charge

The ongoing charge is the charge a Shareholder will pay over a year for as long as the investment is held (the "Ongoing Charge"). The Ongoing Charge covers all aspects of operating the relevant Fund during the year and is generally accrued on a daily basis by reference to the Net Asset Value of the relevant Fund. The Ongoing Charge is made up of the Annual Management Charge and Additional Expenses, as detailed below.

The Ongoing Charge is not fixed and may vary from year to year. The Ongoing Charge does not include:

- i) portfolio transaction costs (other than Custodian transaction charges);
- ii) interest on or charges incurred in borrowings;
- iii) taxation and duties payable by the Company;
- iv) the costs for the use of securities lending programmes and securities lending brokers and remuneration for the Securities Lending Agent and/or the ACD for carrying out any Securities Lending Services;
- v) Outperformance Fees, (details on this can be found below).

The O Share Classes are subject to an additional Outperformance Fee. Any such Outperformance Fee will be charged in addition to the Ongoing Charge for the relevant O Share Class.

The Ongoing Charge for each Fund for the last financial year can be found in the annual accounts and the Key Investor Information Document for the relevant Fund each of which the ACD will publish on its website.

The Ongoing Charge may be deducted from any income a Fund generates and/or from the Fund's capital (its assets).

## Annual Management Charges and Expenses

### Annual Management Charge

In payment for carrying out its duties and responsibilities (excluding any Securities Lending Services which shall be charged separately) the ACD is entitled to take an annual fee out of each Fund (the “**Annual Management Charge**”).

The Annual Management Charge for all Funds is calculated as a percentage of the relevant Net Asset Value of the Fund.

The accrual interval for such periodic charge shall commence at the last Valuation Point on any Business Day and shall end immediately before the last Valuation Point on the next following business day and shall be paid to the ACD on or as soon as is practicable after the last Business Day in that calendar month. The final accrual interval shall end on the occurrence of one of the events specified in COLL 7.3.4R and the periodic charge shall be paid to the ACD on or as soon as is practicable after the end of such accrual interval.

The current Annual Management Charges for each Fund are shown in Appendix I.

### Expenses of the ACD

The ACD is also entitled to all reasonable, properly vouched, out of pocket expenses incurred in the performance of its duties which may include including legal and professional expenses of the ACD in relation to the proper performance of the ACD's duties under the ACD Agreement, or related to documents amending the ACD Agreement, all postage and communication costs incurred in the proper performance of duties under the ACD Agreement and all expenses incurred in notarising documents.

### Charges to Income or Capital

Expenses shall be payable out of the income earned by the Class. If a Class's expenses in any period exceed its income the ACD may take that excess from the capital property attributable to that Class.

In the case of Allianz Gilt Yield Fund, Allianz Index-Linked Gilt Fund and Allianz UK Listed Equity Income Fund where the investment objective is either to treat the generation of income as a higher priority than capital growth, or to achieve an equal or broadly equal mix of income and capital growth, all or part of the Annual Management Charge may be charged against capital instead of against income. This has been agreed with the Depositary.

This treatment of the Annual Management Charge will increase the amount of taxable income available for distribution to Shareholders in these Funds, but will constrain capital growth. Such an increase in the income available for distribution will increase a Shareholder's liability to tax on actual or deemed income distributions but, conversely, the reduction of capital growth, may mean that a Shareholder's liability to tax on capital gains may be reduced on a disposal of Shares.

VAT is payable on charges or expenses where appropriate.

### Increase in Charges

The current Annual Management Charge payable to the ACD for a Class may be increased, or a new type of remuneration introduced, in accordance with the Regulations and after the ACD has made available a revised Prospectus showing the new rate of charge and its commencement date.

## Outperformance Fee

Where indicated in the details of the relevant Fund in Appendix I, the ACD shall, in addition to the Annual Management Charge described above, be entitled to receive out of the assets of the Fund attributable to the Class O Shares an Outperformance Fee, as described in the remainder of this section. The Outperformance Fee will be calculated at a certain Participation Rate. The Participation Rate for each relevant Fund shall be expressed as a percentage of the Differential Return and shall be set out in Appendix I.

The Outperformance Fee is calculated and accrued as follows:

### 1. Performance Period

The first Performance Period commences on the date that Class O Shares are first issued, and ends on the immediately following accounting year end of the relevant Fund.

Thereafter, each subsequent Performance Period commences on the day immediately following the end of the previous Performance Period and ends on the immediately following accounting year end of the relevant Fund, or on the date that the final investor in Class O Shares fully redeems his holding if earlier.

## 2. Share Class Return

The Share Class Return is calculated at each Valuation Point\*. It represents the percentage difference between the Net Asset Value per Class O Share as calculated at that Valuation Point, and the Net Asset Value per Class O Share as calculated at the immediately preceding Valuation Point.

\* In all cases, the Net Asset Value per Class O Share is stated net of any previously accrued Outperformance Fee.

## 3. Benchmark

The benchmark against which the outperformance of the Class O Shares is measured is noted in the respective Fund details in Appendix I. The performance of a total return benchmark reflects reinvestment of income.

## 4. Benchmark Return

The Benchmark Return is calculated at each Valuation Point. It represents the percentage difference between the Benchmark as at that Valuation Point, and the Benchmark as at the immediately preceding Valuation Point.

## 5. Differential Return

The Differential Return is calculated at each Valuation Point, and represents the difference between the Share Class Return of the Class O Shares and the Benchmark Return.

## 6. Participation Rate

The Participation Rate is the ACD's share (as a percentage) of the Differential Return as calculated at each Valuation Point.

## 7. Outperformance Fee Calculation and Accrual

### (i) Positive accrual included in Net Asset Value calculation

The Outperformance Fee movement is calculated at each Valuation Point as follows:

The Participation Rate is multiplied by the Differential Return, which in turn is multiplied by the Net Asset Value of the Class O Shares at the immediately preceding Valuation Point\*.

Where the Outperformance Fee movement is greater than zero, it will be added to the accrual brought forward from the immediately preceding Valuation Point. It should be noted that an Outperformance Fee movement will be greater than zero if the fund outperforms the Benchmark, even where the Benchmark has fallen in value.

Where the Outperformance Fee movement is less than zero, it will be deducted from the accrual brought forward from the immediately preceding Valuation Point, provided that the accrual does not become negative (please see (ii) below).

Where the Outperformance Fee movement is zero, no adjustment is made to the accrual brought forward from the immediately preceding Valuation Point.

The Outperformance Fee accrued at the end of the Performance Period represents the amount payable to the ACD in respect of that Performance Period, and will be paid by the Company to the ACD on or as soon as is practicable after the last business day of the Performance Period.

There is no maximum applicable to the value of the Outperformance Fee that may be paid to the ACD.

\*Should the Net Asset Value of the Class O Shares subsequently decrease as a result of large redemption taking place prior to the Valuation Point, the ACD reserves the right to reduce the Outperformance Fee accrual in order to ensure that remaining investors are not adversely affected.

### (ii) Use of memorandum account for negative accrual

Where the Class O Shares underperform the Benchmark during the Performance Period, the Outperformance Fee accrual may ultimately reduce to zero or even turn negative. When the accrual is negative it is recorded in a memorandum account, and is not included in the calculation of the Net Asset Value of the relevant Class O Shares.



Positive Outperformance Fee accrual adjustments subsequently arising during the Performance Period due to outperformance of the Net Asset Value per Share against the Benchmark will be offset against the negative accrual in the memorandum account until such time it returns to zero.

Should a negative accrual arising in a Performance Period remain recorded on the memorandum account at the end of that Performance Period, it will be carried forward into the immediately following Performance Periods. At the end of the fifth following Performance Period, any remaining negative accrual relating to the initial Performance Period will be reduced to nil.

### (iii) Reduction of Net Asset Value due to redemption of shares by an investor

In order that each investor contributes his proportionate share of the Outperformance Fee attributable to the period during which he owns his Class O Shares, a reduction in Net Asset Value due to a redemption of these Shares by the investor will result in a corresponding transfer of the of the corresponding Outperformance Fee accrual to a retained reserve. Where a memorandum account is in operation, the negative accrual will be reduced in a similar manner.

The amount of the retained reserve will be paid by the Company to the ACD on or as soon as is practicable after the last Business Day of the Performance Period.

### (iv) Incremental costs

All costs relating to the calculation of the Outperformance Fee and maintenance of the negative memorandum accrual are borne by the ACD.

## 8. Outperformance Fee Illustrations

**Important: These examples are provided for illustrative purposes only to enhance an investor's understanding of the mechanics of the Outperformance Fee and the memorandum account for negative accrual. Expenses chargeable to the Fund, including the Annual Management Charge, are ignored for the purpose of these examples.**

### Example 1: Positive accrual included in Net Asset Value calculation

Assuming a Net Asset Value of the Class O Shares of £50m brought forward from the previous Performance Period and assuming a Participation Rate of 20 %.

Day 1	<p>Between the first Valuation Point of the Performance Period and the immediately preceding Valuation Point, the Benchmark Return is equal to +0.1%. In that same period the Share Class Return is + 0.3%.</p> <p>The Differential Return is +0.2% and therefore an initial Outperformance Fee accrual of £20,000 (i.e. <math>£50m \times 0.2\% \times 20\%</math>) is included as a liability in the Net Asset Value calculation. The Net Asset Value of the Class O Shares increases to £50.13m (i.e. £50m investment brought forward from previous Performance Period + £150,000 Share Class Return - £20,000 Outperformance Fee initial accrual).</p>
Day 2	<p>At the following Valuation Point, the Share Class Return is +0.1%. The Benchmark Return is zero.</p> <p>The Differential Return is +0.1%, resulting in an increase to the Outperformance Fee accrual of £10,026 (i.e. <math>£50.13m \times 0.1\% \times 20\%</math>).</p> <p>The total Outperformance Fee accrual on Day 2 therefore increases by £10,026, from £20,000 to £30,026. The Net Asset Value of the Class O Shares is £50.17m (i.e. £50.13m as at previous Valuation Point + £50,130 Share Class Return - £10,026 increase to Outperformance Fee accrual).</p>
Day 3	<p>On Day 3, the Share Class Return is +0.4%, whilst the Benchmark Return is equal to +0.5%.</p> <p>The Differential Return is -0.1%, resulting in a decrease to the Outperformance Fee accrual of £10,034 (i.e. <math>£50m \times 0.1\% \times 20\%</math>).</p> <p>The total Outperformance Fee accrual on Day 3 therefore decreases by £10,034, from £30,026 to</p>

£19,992.

The Net Asset Value of the Class O Shares increases to £50.38m (i.e. £50.17m as at previous Valuation Point + £200,680 Share Class Return +£10,034 decrease in Outperformance Fee accrual).

The Net Asset Value of the Class O Shares at the end of Day 3 therefore comprises:

Investment on Day 1	£50,000,000
Add: Aggregate of Share Class Returns (Day 1 to Day 3)	£400,810
Less: Outperformance Fee accrual as at Day 3	£(19,992)
	<u>£50,380,818</u>

End of Performance Period      Assuming that the movement in the Share Class Return moves in line with the Benchmark Return for the remainder of the Performance Period, an Outperformance Fee of £19,992 will be payable to the ACD for the Performance Period.

#### Example 2: Use of memorandum account for negative accrual

Assuming a Net Asset Value of the Class O Shares of £50m brought forward from the previous Performance Period and assuming a Participation Rate of 20 %.

Day 1      As in Example 1 above, between the first Valuation Point of the Performance Period and the immediately preceding Valuation Point, the Benchmark Return is equal to +0.1%. In that same period the Share Class Return is +0.3%.

The Differential Return is +0.2%. Therefore an initial Outperformance Fee accrual of £20,000 is included as a liability in the Net Asset Value calculation. The Net Asset Value of the Class O Shares increases to £50.13m.

Day 2      On the following day, the Share Class Return is +0.1%, whilst the Benchmark Return is equal to +0.5%.

The Differential Return is -0.4%, resulting in a theoretical decrease to the Outperformance Fee accrual of £40,104 (i.e. £50.13m x 0.4%x20%).

The Outperformance Fee accrual on Day 2 therefore reduces from £20,000 to nil. At the same time, a negative accrual of £(20,104) is recorded in the memorandum account.

The Net Asset Value of the Class O Shares is £50.20m (i.e. £50.13m + £50,130 Share Class Return + £20,000 decrease in Outperformance Fee accrual).

Day 3      On Day 3, the Share Class Return is +0.2%, whilst the Benchmark Return is +0.1%.

The Differential Return is +0.1%, resulting in an increase in the value of the memorandum accrual of £10,040, (i.e. £50.2m x 0.1% x 20%) from £(20,104) to £(10,064). No Outperformance Fee accrual is included in the Net Asset Value calculation as an amount of £(10,064) remains recorded on the memorandum account. The Net Asset Value of the Class O Shares increases to £50.30m (i.e. £50.20m + £100,400 Share Class Return).

The Net Asset Value of the Class O Shares at the end of Day 3 therefore comprises:

Investment on Day 1	£50,000,000
Add: Aggregate of Share Class Returns (Day 1 to Day 3)	£300,530
Less: Outperformance Fee accrual as at Day 3	£nil

£50,300,530

And the memorandum account recording the negative accrual at the end of Day 3 comprises:

Day 1 movement	£nil
Add: Day 2 movement	£(20,104)
Less: Day 3 movement	£10,040
	<u>£(10,064)</u>

End of Performance Period      Assuming that the Share Class Return moves in line with the Benchmark Return for the remainder of the Performance Period, the negative memorandum accrual of £(10,064) will remain in place and will be carried forward to the next Performance Period. No Outperformance Fee will be payable to the ACD for the current Performance Period.

Following on from the examples provided above, the table below illustrates the operation of the accrual from the perspective of an investor investing £50,000 into the Fund.

Performance Period	Amount invested	Return on investment	Return on equivalent investment in the Benchmark	Differential Return	Movement in Outperformance Fee Accrual	Total Outperformance Fee Accrued	Memorandum account
<b>Example 1</b>							
Day 1	50,000	150	50	100	20	20	-
Day 2	50,130	50	-	50	10	30	-
Day 3	50,170	201	251	(50)	(10)	20	-
End of Period	50,381						
<b>Example 2</b>							
Day 1	50,000	150	50	100	20	20	-
Day 2	50,130	50	251	(201)	(40)	-	(20)
Day 3	50,200	100	50	50	10	-	(10)
End of Period	50,300						

## Additional Expenses

### Depositary's Remuneration

The Depositary's remuneration, which is payable out of the scheme assets of each Fund, is a periodic charge at such annual percentage rate of the value of the property of each Fund as is set out below, with the property of each Fund being valued and such remuneration accruing and being paid on the same basis as the ACD's periodic charge. Currently, the ACD and the Depositary have agreed that the Depositary's remuneration in respect of each Fund shall be 0.01475 % p.a.

The Depositary is also entitled to receive out of the property of each Fund remuneration for performing or arranging for the performance of the functions conferred on the Depositary by the Instrument of Incorporation or COLL Sourcebook. The Depositary's remuneration under this paragraph shall accrue when the relevant transaction or other dealing is effected and shall be paid in arrears on the next following date on which payment of the Depositary's periodic charge is to be made or as soon as practicable thereafter. Currently the Depositary does not receive any remuneration or service charges under this paragraph.

The current rate of the Depositary's remuneration may only be increased, or a new type of remuneration introduced, in accordance with the rules in the COLL Sourcebook and after the ACD has revised and made available the Prospectus to reflect the new rate and the date of its commencement.

### Depository's Expenses

In addition to the remuneration referred to above, the Depository will be entitled to receive reimbursement for expenses properly incurred by it in the discharge of its duties or exercising any of the powers conferred upon it in relation to the Company and each Fund, subject to approval by the ACD.

The Depository has appointed State Street Bank and Trust Company, London Branch as the Custodian of the property of the Company and is entitled to receive reimbursement of the Custodian's fees as an expense of the Company. The Custodian's remuneration for acting as Custodian is calculated at an ad valorem rate. Currently, the lowest rate is 0.004 per cent and the highest rate is 1.10 per cent. In addition, the Custodian makes a transaction charge for securities, derivatives, FX and wires instructed. Currently, these transaction charges range from £3.54 to £176.81 per transaction.

The Depository is also entitled to be reimbursed out of the property of each Fund in respect of remuneration charged by the Custodian for such services as the ACD, Depository and the Custodian may from time to time agree, being services delegated to the Custodian by the Depository in performing or arranging for the performance of the functions conferred on the Depository by the Instrument of Incorporation or COLL Sourcebook. Remuneration charged under this paragraph shall accrue when the relevant transaction or other dealing is effected and shall be paid in arrears. Currently the Custodian does not receive any remuneration or service charges under this paragraph.

The current rate of the transaction and/or Custodian charges may only be increased, or a new type of charge introduced in accordance with the rules in the COLL Sourcebook and after the ACD has revised and made available the Prospectus to reflect the new rate and the date of its commencement.

### Fees of the Registrar

The Registrar's fees are payable out of the scheme assets of each Fund. Currently, the registrar's fee is £15.54 plus VAT per Shareholder per annum and is subject to a maximum of £50 plus VAT per Shareholder per annum.

The Registrar's fee is reviewed on an annual basis and may be varied by the ACD in line with inflation.

### Other Expenses paid out of Scheme Property

The Company may also pay out of the property of the Company charges and expenses incurred by the Company on an ongoing basis, which will include the following expenses:

- a) all charges imposed by, and any expenses of, any agents appointed by the Depository to assist in the discharge of its duties;
- b) all charges and expenses incurred in connection with the collection and distribution of income;
- c) all charges and expenses incurred in relation to the preparation of the Depository's annual report to shareholders;
- d) all charges and expenses incurred in relation to securities lending and/or repurchase/reverse repurchase transactions;
- e) fees and expenses in respect of establishing and maintaining the Register of Shareholders (and any plan sub-register) and related functions;
- f) expenses incurred in acquiring and disposing of investments;
- g) expenses incurred in producing, distributing and dispatching income and other payments to Shareholders;
- h) fees in respect of the publication and circulation of details of the Net Asset Value and prices;
- i) the fees and expenses of the auditors and tax, legal and other professional advisers of the Company;
- j) the costs of convening and holding Shareholder meetings and of associated documentation (including meetings of Shareholders in any particular Fund, or any particular Class within a Fund);
- k) costs incurred in taking out and maintaining any insurance policy in relation to the Company and/or its Directors;
- l) expenses incurred in company secretarial duties, including the cost of minute books and other documentation required to be maintained by the Company;

- m) the costs of printing and distributing reports, accounts, any instrument of incorporation and any prospectuses, and any costs incurred as a result of periodic updates of any prospectus or instrument of incorporation and any other administrative expenses, including the costs and expenses of any key investor information document;
- n) any costs incurred in modifying the Instrument of Incorporation, including costs incurred in respect of meetings of shareholders convened for the purpose, where the modification is:
  - (i) necessary to implement any change in the law (including changes in the Regulations), or
  - (ii) necessary as a direct consequence of any change in the law (including changes in the Regulations), or
  - (iii) expedient having regard to any fiscal enactment and which the ACD and the Depositary agree is in the interests of shareholders, or
  - (iv) to remove obsolete provisions from the Instrument of Incorporation;
- o) taxation and duties payable by the Company;
- p) interest on and charges incurred in borrowings;
- q) any amount payable by the Company under any indemnity provisions contained in the Instrument of Incorporation or any agreement with any functionary of the Company;
- r) fees of the FCA under the Financial Services and Markets Act and the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Shares are or may lawfully be marketed;
- s) any payments otherwise due by virtue of the COLL Sourcebook.

Subject to current HM Revenue and Customs regulations, VAT at the prevailing rate may be payable in addition to the Depositary's remuneration, the Custodian's remuneration and the above expenses.

### Charges payable in relation to Securities Lending Services

As remuneration for carrying out the Securities Lending Services the Securities Lending Agent and the ACD (as applicable), are entitled to receive a fee out of the Scheme Property (plus VAT as applicable) (the "**Securities Lending Fee**"). This fee is calculated as a percentage of the gross income from the securities lending activities undertaken by the relevant party. The current fee is up to 30% of the gross fees generated by the securities lending and/or repurchase/reverse repurchase transactions activity.

The Securities Lending Fees are paid out of the Scheme Property and do not form part of and are not paid from the ACD's or Depositary's fees and expenses. For the avoidance of doubt any Securities Lending Fee payable to the ACD in respect of any Securities Lending Services that it has provided in respect of a Fund shall be in addition to the Annual Management Charge payable to the ACD in respect of that Fund.

Where securities lending activities are carried out by a third party Securities Lending Agent, the ACD shall not be entitled to charge a Securities Lending Fee.

## Other Costs not Included in the Ongoing Charge

### Fees of the Administrator

State Street Bank and Trust Company, London Branch will be paid by the ACD out of the fees and expenses payable to the ACD. The fees and expenses of the Administrator shall in turn be paid by State Street Bank and Trust Company, London Branch pursuant to the delegation arrangements between State Street Bank and Trust Company, London Branch and the Administrator.

## Allocation of fees and expenses between Funds

All the above fees, duties and charges (other than those borne by the ACD) will be charged to the Fund in respect of which they were incurred. Where an expense is not considered to be attributable to any one Fund, the expense will normally be allocated to all Funds pro rata to the value of the Net Asset Value of the Funds, although the ACD has discretion to allocate these fees and expenses in a manner which it considers fair to Shareholders generally.

## Remuneration policy of the ACD

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 ACD depends on the performance of the business and on the ACD'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 aligned around measurable goals. Qualitative indicators take into account actions reflecting our core values of excellence, passion, integrity and respect. For all employees, a 360 degree feedback evaluation forms part of the qualitative input.

For investment professionals, whose decisions make a real difference to delivering successful outcomes for our 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 client satisfaction, measured independently.

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.

Deferral rates increase in line with the amount of variable compensation. 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 they will invest in funds they manage and support, further aligning their interests with those of our clients.

The amounts ultimately distributed in the framework of the long-term incentive awards depend on the ACD'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.

AllianzGI has a comprehensive risk reporting in place, which covers both current and future risks of our business activities. Risks which significantly exceed the organisation's risk appetite are presented to our Global Remuneration Committee. Risks which exceed the organisation's risk appetite are presented to our 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 our Compliance policies or take excessive risks on behalf of the ACD. 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 a long-term performance measuring. In particular, the performance of portfolio 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 ACD'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 ACD's current remuneration policy are published on the Internet at <https://regulatory.allianzgi.com>. This includes 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 ACD in hard copy without charge.

# Instrument of Incorporation

The Instrument of Incorporation of the Company (which is available for inspection at the ACD's offices at 199 Bishopsgate, London EC2M 3TY) contains provisions to the following effect:

## 1. Share capital

- (a) The Company may from time to time issue Shares of different Classes in respect of a Fund, and the Directors may by resolution from time to time create additional Classes in respect of a Fund (whether or not falling within one of the Classes in existence on incorporation).
- (b) The Directors may by resolution from time to time create additional Funds with such investment objectives and such restrictions as to geographic area, economic sector, monetary zone or category of transferable security, and denominated in such currencies, as the Directors from time to time determine.
- (c) The special rights attaching to a Class are not (unless otherwise expressly provided by the conditions of issue of such Shares) deemed to be varied by:
  - (i) the creation, allotment or issue of further Shares of any Class ranking *pari passu* with them;
  - (ii) the switch of Shares of any Class into Shares of another Class;
  - (iii) the creation, allotment, issue or redemption of Shares of another Class within the same Fund, provided that the interests of that other Class in the Fund represent fairly the financial contributions and benefits of Shareholders of that Class;
  - (iv) the creation, allotment, issue or redemption of Shares of another Fund;
  - (v) the exercise by the Directors of their powers to re-allocate assets, liabilities, expenses, costs or charges not attributable to one Fund only or to terminate a Fund; or
  - (vi) the passing of any resolution at a meeting of another Fund which does not relate to the Fund in which the Class is interested.

## 2. Transfer of Shares

- (a) All transfers of registered Shares must be effected by transfer in writing in any usual or common form or in any other form as may be approved by the Directors.
- (b) A single instrument of transfer may not be given in respect of more than one Class.
- (c) In the case of a transfer to joint holders, the number of joint holders to whom a Share is to be transferred may not exceed four.
- (d) Gross shares are available only to certain categories of investors, and prospective investors in these Shares must complete a Declaration of Eligibility and Undertaking (which may be obtained from the ACD) and return it to the ACD before the gross Shares can be transferred.

## 3. Income

The following provisions apply in respect of Shares in issue in the Funds:

- (a) An allocation of income (whether annual or interim) to be made in respect of each Share issued by the Company and/or sold by the ACD during the accounting period in respect of which that income allocation is made shall be of the same amount as the allocation to be made in respect of the other Shares of the same Class issued in respect of the same Fund. This may include a capital sum ("income equalisation") representing the ACD's estimate of the amount of

income included in the price of that Share. This shall be an amount arrived at by taking the aggregate of the amounts of income included in the price in respect of all Shares of that Class issued in the annual or interim accounting period in question and dividing that aggregate amount by the number of Shares of that Class issued and/or sold to Shareholders in the period in question and applying the resultant average to each of the Shares so issued and/or sold in question.

(b) Each allocation of income made in respect of any Fund at a time when more than one Class is in issue in respect of that Fund shall be done by reference to the relevant Shareholders' proportionate interests in the property of the Fund in question. These will be ascertained for each Class as follows:

- (i) A notional account will be maintained for each Class. Each account will be referred to as a "Proportion Account".
- (ii) The word "proportion" in this context means the proportion which the balance on a Proportion Account at the relevant time bears to the balance on all the Proportion Accounts of a Fund at that time. The proportionate interest of a Class of Share in the assets and income of a Fund is its "proportion".
- (iii) There will be credited to a Proportion Account:
  - the subscription money (excluding any dilution levy) for the issue of Shares of the relevant Class;
  - that Class's proportion of the amount by which the Net Asset Value of the Fund exceeds the total subscription money for all Shares in the Fund;
  - that Class's proportion of the Fund's income received and receivable; and
  - any notional tax benefit under paragraph (v) below.
- (iv) There will be debited to a Proportion Account:
  - the redemption payment for the cancellation of Shares of the relevant Class;
  - the Class's proportion of the amount by which the Net Asset Value of the Fund falls short of the total subscription money for all Shares in the Fund;
  - all distributions of income (including equalisation) made to Shareholders of that Class;
  - all costs, charges and expenses incurred solely in respect of that Class;
  - that Class's share of the costs, charges and expenses incurred in respect of that Class and one or more other Classes in the Fund, but not in respect of the Fund as a whole;
  - that Class's proportion of the costs, charges and expenses incurred in respect of or attributable to the Fund as a whole;
  - any notional tax liability under paragraph (v).
- (v) Any tax liability in respect of the Fund and any tax benefit received or receivable in respect of the Fund will be allocated between Classes in order to achieve, so far as possible, the same result as would have been achieved if each Class were itself a Fund so as not materially to prejudice any Class. The allocation will be carried out by the ACD after consultation with the Company's auditors.
- (vi) Where a Class is denominated in a currency which is not the Base Currency of the Company, the balance on the Proportion Account shall be converted into the Base Currency of the Company in order to ascertain the proportions of all Classes. Conversions between currencies shall be at a rate of exchange decided by the ACD as being a rate that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.
- (vii) The Proportion Accounts are memorandum accounts maintained for the purpose of calculating proportions. They do not represent debts from the Company to Shareholders or the other way round.

Each credit and debit to a Proportion Account shall be allocated to that account on the basis of that Class's proportion immediately before the allocation. All such adjustments shall be made as are necessary to ensure that on no occasion on which the proportions are ascertained is any amount counted more than once.

The Company may adopt a method of calculating the amount of income to be allocated between the Shares in issue (or the Shares in issue in respect of any Fund) which is different to that set out in paragraph 3(b) above provided that the ACD is satisfied that such method is fair to Shareholders and that it is reasonable to adopt such method in the given circumstances.

## 4. Number of Directors



Unless otherwise determined by an extraordinary resolution of Shareholders the number of Directors shall not at any time exceed one.

## 5. Removal of ACD

The Company may by ordinary resolution remove the ACD before the expiry of its period of office, notwithstanding any provisions in the Instrument of Incorporation or in any agreement between the Company and the ACD, but the removal will not take effect until the FCA has approved the ACD's removal and a new ACD approved by the FCA has been appointed.

## 6. Proceedings at General Meetings

- (a) The duly authorised representative of the ACD as nominated by the Depositary will preside as chairman at general meetings of the Company. If the representative is not present or declines to take the chair, the Shareholders may choose one of their number to be chairman.
- (b) The chairman of any quorate general meeting may with the consent of the general meeting adjourn the meeting from time to time (or without date) and from place to place, and if he/she is directed by the general meeting to adjourn he/she must do so. No business can be transacted at an adjourned general meeting which might not lawfully have been transacted at the meeting from which the adjournment took place.
- (c) The Shareholders have rights under the COLL Sourcebook to demand a poll. In addition to these rights, a poll may be demanded by the chairman of the meeting or by the ACD on any resolution put to the vote of a general meeting.
- (d) Unless a poll is required, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book or computer record of proceedings will be conclusive evidence of that fact. If a poll is required, it shall be taken in such manner as the chairman may direct.
- (e) The chairman may take any action he/she reasonably considers appropriate and not in contravention of any of the provisions of the Prospectus or the Instrument of Incorporation for, for example, the safety of people attending a general meeting, the proper and orderly conduct of the general meeting or in order to reflect the wishes of the majority.

## 1. Corporations acting by representatives

- (a) Any corporation which is a Shareholder may by resolution of its directors or other governing body and in respect of any Share or Shares of which it is the holder authorise such individual as it thinks fit to act as its representative at any general meeting of the Shareholders or of any Class meeting or Fund meeting. The individual so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise in respect of such Share or Shares if it were an individual Shareholder.
- (b) Any corporation which is a Director or is the Depositary may by resolution of its directors or other governing body authorise such individual as it thinks fit to act as its representative (but not the Depositary's representative) at any general meeting of the Shareholders, or of any Class meeting or Fund meeting or at any meeting of the Directors. The person so authorised shall be entitled to exercise the same powers at such meeting on behalf of such corporation as the corporation could exercise if it were an individual Director.

## 2. Class meetings and Fund meetings

The provisions of the Instrument of Incorporation relating to meetings shall apply to Class meetings and Fund meetings in the same way as they apply to general meetings.

## 9. Instrument of Incorporation

- (a) The Instrument of Incorporation may be amended by resolution of the ACD to the extent permitted by the COLL Sourcebook.
- (b) In the event of any conflict arising between any provision of the Instrument of Incorporation and the Regulations, the

Regulations will prevail.

## 10. Indemnity

The Instrument of Incorporation contains provisions indemnifying the Directors, other officers and the Company's auditors against liability in certain circumstances otherwise than in respect of their negligence, default, breach of duty or breach of trust, and indemnifying the Depositary against liability in certain circumstances otherwise than in respect of its failure to exercise due care and diligence.

# Shareholder Meetings and Voting Rights

## Annual General Meeting

In accordance with the Open Ended Investment Companies (Amendment) Regulations 2005, the ACD has decided to elect not to hold annual general meetings. A copy of the contract of service between the Company and the ACD is available to Shareholders on request.

## Class and Fund Meetings

The provisions below, unless the context otherwise requires, apply to Class meetings and meetings of Funds as they apply to general meetings of the Company, but by reference to Shares of the Class or Fund concerned and the Shareholders and value and prices of such Shares.

## Requisitions of Meetings

The ACD may requisition a general meeting at any time.

Shareholders may also requisition a general meeting of the Company. A requisition by Shareholders must state the objects of the meeting, be dated, be signed by Shareholders who, at the date of the requisition, are registered as holding not less than one tenth in value of all Shares then in issue and the requisition must be deposited at the head office of the Company. The ACD must convene a general meeting no later than eight weeks after receipt of such requisition.

## Notice and Quorum

Shareholders will receive at least fourteen days' notice of a general meeting and are entitled to be counted in the quorum and vote at such meeting either in person or by proxy. The quorum for a meeting is two Shareholders, present in person or by proxy. The quorum for an adjourned meeting is one Shareholder present in person or by proxy. Notices of meetings and adjourned meetings will be sent by post to or left at Shareholders' registered addresses.

## Voting Rights

At a general meeting, on a show of hands every Shareholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, has one vote.

On a poll vote, a Shareholder may vote either in person or by proxy. The voting rights attaching to each Share are such proportion of the voting rights attached to all the Shares in issue that the price of the Share bears to the aggregate price(s) of all the Shares in issue at the date seven days before the notice of meeting is deemed to have been served.

A Shareholder entitled to more than one vote need not, if he/she votes, use all his/her votes or cast all the votes he/she uses in the same way.

In the case of joint Shareholders, the vote of the most senior Shareholder who votes, whether in person or by proxy, must be accepted to the exclusion of the votes of the other joint Shareholders. For this purpose seniority must be determined by the order in which the names stand in the Register. Except where the COLL Sourcebook or the Instrument of Incorporation of the Company require an extraordinary resolution (which needs at least 75% of the votes cast at the meeting to be in favour if the resolution is to be passed) any resolution required by the COLL Sourcebook will be passed by a simple majority of the votes validly cast for and against the resolution.

The ACD may not be counted in the quorum for a meeting and neither the ACD nor any associate (as defined in the COLL Sourcebook) of the ACD is entitled to vote at any meeting of the Company except in respect of Shares which the ACD or associate holds on behalf of or jointly with a person who, if the registered Shareholder, would be entitled to vote and from whom the ACD or associate has received voting instructions.

Where all the Shares in a Fund are registered to, or held by, the ACD or its associates and they are therefore prohibited from voting and a resolution (including an extraordinary resolution) is required to conduct business at a meeting, it shall not be necessary to convene such a meeting and a resolution may, with the prior written agreement of the Depositary, instead be passed with the written consent of Shareholders representing 50% or more, or for an extraordinary resolution 75% or more, of the Shares in issue.

“Shareholders” in this context means Shareholders entered on the register at a time to be determined by the ACD and stated in the notice of the meeting which is a reasonable time before notices of the relevant meeting are sent out.

## Variation of Class Rights

The rights attached to a Class or Fund may not be varied without the sanction of an extraordinary resolution passed at a meeting of Shareholders of that Class or Fund.

# Taxation

The following statements are based on our understanding of current UK law and HM Revenue & Customs practice as known at 15 March 2021. They summarise certain limited aspects of the tax position of the Company and of investors who are UK resident for taxation purposes and hold their shares as investments. The statements may not apply to certain Shareholders or classes of Shareholders. The levels and bases of, and reliefs from, taxation may change in the future. The information given below does not constitute tax or legal advice and Shareholders are recommended to consult their professional adviser if they are in any doubt as to their individual tax position or if they may be subject to tax in a jurisdiction other than or in addition to the UK.

## The Company

Each Fund is treated as an open-ended investment company (“OEIC”) for tax purposes and as a separate OEIC from any other Fund.

Each Fund is generally exempt from UK corporation tax on chargeable gains realised on the disposal of its investments (including interest bearing securities and derivatives, provided that such profits fall to be treated appropriately in the relevant Fund’s statement of total return to be included in its annual report, which will depend on the accounting treatment of such profits). Each Fund is, however, liable to UK corporation tax at the current rate of 20% on any taxable income after deducting allowable management expenses, charges and the gross amount of any interest distributions. A Fund may receive dividends in respect of investments in equities or dividend distributions from UK collective investment schemes. Depending on the availability of exemptions, these dividends, and any part of the dividend distributions from UK collective investment schemes which relate to UK dividends, are not generally subject to UK corporation tax in a Fund. Other types of income, for example, interest distributions from UK collective investment schemes, bank deposit interest or certain dividends from UK or overseas companies are taxable. Where foreign tax has been suffered on income from overseas sources, that tax can in some instances be offset against UK corporation tax payable by the relevant Fund by way of double tax relief.

Gains realised upon the sale, redemption or other disposal of interests in “offshore funds” which are not “reporting funds” for UK tax purposes and which are not specifically excluded are charged to tax as income (“offshore income gains”) and not as a capital gain. Each Fund is accordingly generally not exempt from tax on such gains. Shareholders may not receive effective credit for the tax on such gains. This is on the basis that none of the Funds meet the conditions, or have or intend to elect, to be treated as “funds investing in non-reporting offshore funds” for the purposes of Part 6A of Authorised Investment Funds (Tax) Regulations 2006.

A Fund may be subject to withholding, capital gains or other taxes on income and/or gains arising from its investment portfolio, including without limitation taxes imposed by the jurisdiction in which the issuer of securities held by a Fund is incorporated, established or resident for tax purposes. A Fund may also incur or bear transaction or other similar taxes in respect of the actual or notional amount of any acquisition, disposal or transaction relating to its investment portfolio, including without limitation taxes imposed by the jurisdiction in which the issuer of securities held by a Fund or the counterparty to a transaction involving a Fund is incorporated, established or resident for tax purposes.

Where a Fund invests in securities or enters into transactions that are not subject to withholding, capital gains, transaction or other taxes at the time of acquisition, there can be no assurance that tax may not be withheld or imposed in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof.

## Shareholders

### Income tax

On the specified allocation dates each Shareholder becomes entitled to a distribution which is treated as the Shareholder’s income for tax purposes. Allocations made in respect of accumulation Shares will be automatically retained by the relevant Fund. With each distribution the ACD will send a tax voucher showing the amount of income to which each Shareholder is entitled, the nature of the distribution and related tax credit (if any).

Distributions paid may be either dividend distributions or interest distributions, depending on the nature of the relevant Fund and its investments. Interest distributions can be made only where the market value of the Fund’s interest-bearing investments, including holdings in collective investment schemes that pay interest distributions and cash on deposit, exceeds 60% of the market value of all its assets throughout the accounting period to which it relates (these Funds are referred to as “bond funds”).

Accumulations of income are treated for UK income tax purposes as deemed distributions.

### *Dividend distributions*

An individual Shareholder who is resident for tax purposes in the United Kingdom will receive an annual Dividend Allowance which will exempt from tax his first £2,000 of dividend income, including dividend distributions received or deemed to be received from a Fund. Dividend income in excess of the Dividend Allowance is taxed at 7.5%, 32.5% or 38.1%, to the extent that income falls within the basic rate income tax band, the higher rate income tax band or the additional rate income tax band, respectively. Individual Shareholders should note that dividend income forms the top slice of an individual’s income and that all dividend income (including that income exempted from tax by virtue of the Dividend Allowance) is counted when determining which income tax rate band is applicable.

### *Interest distributions*

If the total amount shown in the distribution account of the Fund is shown as available for distribution as yearly interest, such amount will be treated, when distributed or accumulated, as if it were a payment of yearly interest.

Individual Shareholders should note that a Personal Savings Allowance exempts from tax the first £1,000 of savings income of basic rate taxpayers (£500 for higher rate taxpayers). Savings income includes interest distributions (but not dividend distributions) from OEICs. The allowance is not available to additional rate taxpayers.

Interest distributions paid or treated as paid by a Fund to Shareholders, including individual Shareholders, will be paid gross without deduction of UK income tax. Assuming that such an individual Shareholder’s savings income in a tax year exceeds their Personal Savings Allowance (as referred to above), individual Shareholders liable to UK income tax at the basic rate (20%), higher rate (40%) or additional rate (45%) must account to HM Revenue & Customs for the applicable tax due on the gross amount of the interest distribution.

## Corporation tax

### ***Dividend distributions***

Shareholders within the charge to UK corporation tax are subject to tax on a dividend distribution of a Fund unless it falls within an exemption. Subject to the “corporate streaming” rules below, it is expected that most dividend distributions paid by a Fund should be exempt from the charge to UK corporation tax.

General insurance and other companies within the charge to UK corporation tax for whom a dividend distribution is not treated as a trading receipt are within the scope of the “corporate streaming rules” and any such Shareholders may therefore have to divide dividend distributions in two (in which case the division will be indicated on the tax voucher). Any part representing dividends received from a company will be treated as dividend income (in respect of which no liability to UK corporation tax should arise depending on the availability of exemptions). To the extent to which the gross income less tax from which the dividend distributions are made is not wholly dividend income, that part of the distribution is received as an annual payment from which income tax at the basic rate of 20% is deemed to have been deducted (or, where relevant, an amount of foreign income in respect of which the foreign tax has been paid), the gross amount of which will, depending on the circumstances, be chargeable to UK corporation tax at the rate applicable to a UK resident corporate Shareholder but with credit for the income tax treated as deducted (or credit for the foreign tax treated as paid). The current main rate of corporation tax is 19%. The percentages to be used to calculate the allocation between dividend income and unfranked income received will be set out on the tax voucher.

The above treatment will not apply where the Fund is a “bond fund” (as to which see below).

### ***Interest distributions***

Interest distributions paid by a Fund to Shareholders, including UK resident corporate Shareholders, will be paid gross without deduction of UK income tax.

See below for the treatment of a corporation tax payer where the Fund is a “bond fund”.

### ***Accumulations***

Accumulations of income are treated for UK corporation tax purposes as deemed distributions.

### ***Tax on chargeable gains***

For Shareholders in a Fund who are resident in the UK, the disposal of Shares in the Fund or the exchange of Shares in one Fund for Shares in another Fund is treated as a redemption and sale and may give rise to a liability to capital gains tax or corporation tax on chargeable gains in respect of gains arising from the disposal. Exchanges between classes of Shares within a Fund should not give rise to a liability to UK capital gains tax or UK corporation tax on chargeable gains, provided that certain conditions are satisfied.

In respect of the accumulation Shares, income arising from these shares is accumulated and added to the capital property of the Fund. As a result, such amounts should be added to the acquisition cost of such accumulation Shares when calculating the capital gain realised on their disposal for UK capital gains tax or corporation tax on chargeable gains purposes.

Individuals are only liable to UK capital gains tax if their total chargeable gains (net of allowable losses) in the year exceed the annual exemption (£12,300 for the 2020/2021 tax year). If gains in excess of this exemption are realised the excess is taxable at the rate of UK capital gains tax applicable to the investor, being either 10% or (for higher and additional rate taxpayers) 20%.

Shareholders within the charge to UK corporation tax are chargeable to UK corporation tax on all such gains and net chargeable gains will normally be added to the profits charged to UK corporation tax. Indexation relief will be available for holding periods up to 31 December 2017. If during a corporate Shareholder’s accounting period more than 60% of the property of the Fund is at any time invested in interest-paying or equivalent investments (making the Fund a “bond fund”), then the Shareholder must instead treat its holding as a creditor loan relationship subject to a fair value basis of accounting for UK corporation tax purposes and any distributions (whether dividend distributions or interest distributions) as profits derived from such creditor loan relationship.

### ***Income Equalisation***

Since the Funds operate equalisation, the first allocation made after the acquisition of Shares in any Fund will include an amount of equalisation. This amount represents the ACD’s best estimate of the income included in the price at which the

Shares were acquired (subject to grouping where appropriate) and represents a capital repayment for UK tax purposes which is not subject to UK income tax or UK corporation tax but which should be deducted from the cost of Shares in arriving at any capital gain realised on their subsequent disposal for UK capital gains tax or UK corporation tax on chargeable gains purposes.

### **Stamp Duty Reserve Tax**

Investors will be subject to a principal SDRT charge on non-pro rata in specie redemptions, namely a situation where an investor receives selected assets and cash rather than receiving their portion of all the assets and cash within that Fund. The current rate of SDRT is 0.5% on chargeable assets. No SDRT charge will arise on pro rata in specie redemptions.

## **UK information reporting regime**

The Company is required to report to HM Revenue & Customs details of interest distributions paid to UK, and many non-UK, investors. Dividend distributions and payments made to ISA investors are unaffected. The Company may also report information about Shareholders to HM Revenue & Customs in compliance with its domestic (and any overseas) obligations relating to FATCA, the IGA between the United Kingdom and the United States, the OECD Common Reporting Standard and any other similar intergovernmental agreements for the automatic exchange of tax information which may be entered into and implemented by the UK.

## **The Organisation for Economic Co-operation and Development ("OECD"): Common Reporting Standard ("CRS")**

The CRS is a single global standard on Automatic Exchange of Tax Information ("AEOI") between tax authorities of different jurisdictions. The CRS was approved by the OECD in July 2014 and by the European Union in December 2014 and is implemented into United Kingdom domestic law through the International Tax Compliance Regulations 2015.

Under the CRS, participating jurisdictions are required to exchange certain information held by financial institutions on their non-resident customers in specific circumstances.

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 a reportable account holder for the purposes of the 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 UK Tax Authority, 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 UK Tax Authority.

Each prospective Investor should consult its own professional advisers on the requirements applicable to it under these arrangements.

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

The Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act ("FATCA") generally impose a US federal reporting and withholding tax regime with respect to certain US source income earned (including, among other types of income, dividends and interest) and gross proceeds from the sale or other disposal of property. 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 Company may be required to withhold tax in respect of non-compliant Shareholders at the rate of 30 %, if there is a failure to provide certain required information.

The United Kingdom has entered into an intergovernmental agreement with the United States of America ("IGA") to facilitate FATCA compliance. As with CRS compliance, FATCA compliance is enforced in the United Kingdom under the International Tax Compliance (United States of America) Regulations 2015.

The Company will likely require additional information from Shareholders in order to comply with these provisions. Each prospective Shareholder should consult its own tax advisers on the requirements under FATCA applicable to it. The 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 taxing authorities, or other parties as necessary to comply with FATCA,

related intergovernmental agreements or other applicable law or regulation. Each prospective investor is urged to consult its tax adviser regarding the applicability of FATCA and any other reporting requirements with respect to the prospective investor's own situation.

## PRC Taxation

### Corporate Income Tax

If the Company or the relevant Fund is considered a tax resident enterprise of the PRC, it will be subject to PRC corporate income tax ("CIT") at 25% on its worldwide taxable income. If the Company or the relevant Fund is considered a non-tax resident enterprise with a permanent establishment or place of establishment of business ("PE") in the PRC, the profits attributable to that PE would be subject to CIT at 25%.

Under the PRC CIT Law effective from 1 January 2008, a non-PRC tax resident enterprise without a PE in the PRC will generally be subject to withholding income tax ("WIT") of 10% on its PRC sourced income, including but not limited to passive income (e.g. dividends, interest, gains arising from transfer of assets, etc.).

The ACD, in respect of the Company or the Investment Adviser, in respect of the relevant Fund(s), intend to manage and operate the Company or the relevant Fund(s) in such a manner that the Company or the relevant Fund(s) should not be treated as a tax resident enterprise of the PRC or a non-PRC tax resident enterprise with a PE in the PRC for CIT purposes, although due to uncertainty in tax laws and practices in the PRC, this result cannot be guaranteed.

#### (i) Interest

Unless a specific exemption is applicable, non-PRC tax resident enterprises are subject to PRC WIT on the payment of interests on debt instruments issued by PRC tax resident enterprises, including bonds issued by enterprises established within The PRC. The general WIT rate applicable is 10%, subject to reduction under an applicable double tax treaty and agreement by the PRC tax authorities.

Interest derived from government bonds issued by the in-charge Finance Bureau of the State Council and/or local government bonds approved by the State Council is currently exempt from PRC CIT under the PRC CIT Law.

#### (ii) Dividend

Under the current PRC CIT Law, non-PRC tax resident enterprises are subject to PRC WIT on cash dividends and bonus distributions from PRC tax resident enterprises. The general WIT rate applicable is 10%, subject to reduction under an applicable double tax treaty and agreement by the PRC tax authorities.

#### (iii) Capital gain

Based on the CIT Law and its Implementation Rules, "income from the transfer of property" sourced from the PRC by non-PRC tax resident enterprises should be subject to 10% PRC WIT unless exempt or reduced under an applicable tax treaty and agreement by the PRC tax authorities.

The Ministry of Finance of the PRC, the State Administration of Taxation of the PRC and the CSRC issued joint circulars to clarify the taxation of the Stock Connect, in which capital gain realised from the transfer of China A-Shares is temporarily exempt from PRC WIT.

Based on verbal comments from the PRC tax authorities, gains realized by foreign investors from investment in PRC debt securities are non-PRC sourced income and thus should not be subject to PRC WIT. However, there are no written tax regulations issued by the PRC tax authorities to confirm that interpretation.

In light of the above and based on professional and independent tax advice, the ACD and/or the relevant Investment Adviser (as the case may be) intends to:

- provide for WIT at 10% on dividend from China A-Shares and interest received from debt instruments issued by PRC enterprises if such WIT is not withheld at source; and
- not make provisions for any PRC WIT in respect of gross realised and unrealised capital gains derived from the trading of China A-Shares and non-equity investments such as PRC debt instruments.



Given the possibility of the tax rules being changed or differently interpreted and the possibility of taxes being applied retrospectively, any provision for taxation made by the ACD in a given point in time may be excessive or inadequate to meet the PRC tax liabilities in connection with investments made by the Company or the relevant Fund in the PRC. Consequently, investors may be advantaged or disadvantaged depending on how any such gains or income will in fact be calculated or taxed, how the ACD provides for the tax and when investors subscribed and/or redeemed their holdings in/from the Company or the relevant Fund. If there is a change in the tax requirement or environment which results in an under-provision by the ACD of actual or potential tax liabilities, the then existing investors and new investors will be disadvantaged as the Company or the relevant Fund will have to pay the difference between the Company or the relevant Fund's then WIT provision and the taxation liabilities under the new regime. On the contrary, if there is a change in the tax requirement or environment which results in an over-provision by the ACD, the investors who have already redeemed the Shares under the old regime will be disadvantaged as they would have contributed to the over-provision. In this case the then existing investors and the new investors will benefit as the difference between the Company or the relevant Fund's then WIT provision and the taxation liabilities will be returned to the Company or the relevant Fund as assets thereof.

In light of the above-mentioned uncertainty and in order to meet the potential tax liability for gains on disposal of debt securities and interest income derived from debt instruments, the Company reserves the right to vary the provision for WIT on such gains or interest income for the account of the Company or the relevant Fund in respect of any potential tax on the gross realized and unrealized capital gains and interest income.

Upon any future resolution of the above-mentioned uncertainty or further changes to the tax law or policies, the Company will, as soon as practicable, make relevant adjustments to the amount of tax provision (if any) as they consider necessary. The amount of any such tax provision will be disclosed in the accounts of the Company.

It should also be noted that the actual applicable tax imposed by the PRC tax authorities may be different and may change from time to time. There is a possibility of the rules being changed and taxes being applied retrospectively. As such, any provision for taxation made by the ACD for the account of the relevant Fund may be excessive or inadequate to meet final PRC tax liabilities. Consequently, Shareholders of the Fund may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Shares in/from the Fund.

### **Value-added Tax ("VAT") and Other surcharges**

According to the Circular Caishui [2016] 36 ("Circular 36"), currently VAT at 6% shall be levied on the difference between the selling and buying prices of those marketable securities starting from 1 May 2016.

The gains derived from trading of marketable securities (including A-shares and other PRC listed securities) are currently exempted from VAT in the PRC under Circular 36 and Caishui [2016] No.70. In addition, deposit interest income and interest received from government bonds and local government bonds are also exempt from VAT.

The prevailing VAT regulations do not specifically exempt VAT on interest derived from bonds other than the aforesaid. Hence, interest income on non-government bonds (including corporate bonds) technically should be subject to 6% VAT.

Dividend income or profit distributions on equity investment derived from PRC are not included in the taxable scope of VAT.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), educational surcharge (currently at the rate of 3%) and local educational surcharge (currently at the rate of 2%) are imposed based on the VAT liabilities.

### **Stamp Duty**

Stamp duty under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC's Provisional Rules on Stamp duty. Stamp duty is generally imposed on the sale of PRC-listed shares at a rate of 0.1% of the sales consideration. The Company or the relevant Fund will be subject to this tax on each disposal of PRC listed shares. No stamp duty is expected to be imposed on non-PRC tax resident holders of government and corporate bonds, either upon issuance or upon a subsequent transfer of such bonds.

Non-PRC tax resident Shareholders will not be subject to PRC tax on distributions received from the Company or the relevant Fund, or on gains derived from the disposal of Shares. PRC tax resident Shareholders should seek their own tax advice on their tax position with regard to their investment in the Company or the relevant Fund.



There can be no guarantee that no new tax laws, regulations and practice in the PRC specifically relating to the Stock Connect or CIBM regime (as the case may be) may be promulgated in the future and may be applied retrospectively. The promulgation of such new laws, regulations and practice may operate to the advantage or disadvantage of the Shareholders due to the Company or the relevant Fund's investments in the PRC market.

Investors should inform themselves of, and where appropriate consult their professional advisors on, the possible tax consequences of subscribing for, buying, holding, converting, redeeming or otherwise disposing of Shares under the laws of their country of citizenship, residence, or domicile or incorporation.

## Winding Up of the Company or termination of a Fund

The Company will not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 or under Chapter 7 of the COLL Sourcebook. A Fund may only be terminated under the COLL Sourcebook.

Where the Company is to be wound up or a Fund terminated under the COLL Sourcebook, such winding up or termination may only be commenced following approval by the FCA. The FCA may only give such approval if the ACD provides a statement (following an investigation into the affairs of the Company) either that the Company will be able to meet its liabilities within 12 months of the date of the statement or that the Company will be unable to do so. The Company may not be wound up or a Fund terminated under the COLL Sourcebook if there is a vacancy in the position of ACD at the relevant time.

Subject to the above, the appropriate steps to wind up the Company or terminate a Fund under the COLL Sourcebook must be taken:

- (a) if an extraordinary resolution to that effect is passed by Shareholders; or
- (b) when the period (if any) fixed for the duration of the Company or the Fund by the Instrument of Incorporation expires, or an event occurs, for which the Instrument of Incorporation provides that the Company or the Fund is to be wound up or terminated (for example, if the share capital of the Company or (in relation to any Fund) the Net Asset Value of the Fund is below its prescribed minimum (£10,000,000 in each case); or
- (c) on the date stated in any agreement by the FCA in response to a request from the ACD for the winding up of the Company or for the termination of the relevant Fund; or
- (d) on the effective date of a duly approved scheme of arrangement which is to result in the Company ceasing to hold any scheme property; or
- (e) in the case of a Fund, on the effective date of a duly approved scheme of arrangement which is to result in the Fund ceasing to hold any scheme property; or
- (f) in the case of the Company (being an umbrella), on the date on which all of its Funds fall with (e) or have otherwise ceased to hold any scheme property, notwithstanding that the Company may have assets and liabilities that are not attributable to any particular Fund.

Once winding up or termination has commenced:

- (a) COLL 6.2 (Dealing), COLL 6.3 (Valuation and Pricing), COLL 6.6.20R to COLL 6.6.24G (Assessment of Value) and COLL 5 (Investment and Borrowing powers) will cease to apply to the Company or to the Shares and scheme property in the case of the relevant Fund;
- (b) the Company will cease to issue and cancel Shares, except in respect of the final cancellation under COLL 7.3.7R (5);
- (c) no transfer of a Share shall be registered and no other change to the Register of Shareholders shall be made without

the sanction of the ACD;

(d) where the Company is being wound up, the Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company;

(e) the corporate status and powers of the Company and, subject to (a) and (d) above, the powers of the ACD shall continue until the Company is dissolved.

The ACD shall, as soon as practicable after the winding up of the Company or the termination of the Fund has commenced, ensure that the scheme property is realised and the liabilities of the Company or the relevant Fund are met out of the proceeds. The ACD shall instruct the Depositary how such proceeds (until utilised to meet liabilities or make distributions to Shareholders) must be held taking into account their duties under COLL. Where sufficient liquid funds are available, after making adequate provision for the expenses of the winding up or termination and the discharge of the Company's or the relevant Fund's remaining liabilities, the ACD may, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the scheme property at the commencement of the winding up or termination.

If the ACD has not previously notified shareholders of the proposal to wind up the Company or terminate the Fund, the ACD shall, as soon as practicable after the commencement of winding up of the Company or the termination of the Fund, give written notice of the commencement to Shareholders.

When the ACD has caused all of the property to be realised and all of the liabilities of the Company or the particular Fund to be realised, the ACD shall on or before the date on which the final account is sent to Shareholders, arrange for all relevant Shares to be cancelled and for the Depositary to make a final distribution to the Shareholders of the balance remaining (net of a provision for any further expenses of the Company or Fund) in proportion to their rights to participate in the scheme property as mentioned above.

The Depositary must notify the FCA once the winding up of the Company or the termination of the relevant Fund is complete.

Any sum of money (including unclaimed distributions) still standing to the account of the Company at the date of its dissolution or the relevant Fund at the date of its termination, will be paid into court within one month of the dissolution.

Following the completion of a winding up of the Company or the termination of a Fund, the ACD must prepare an account of the winding up or termination showing how it was conducted and how the property was disposed of (the final account or termination account). The auditors of the Company shall make a report in respect of the final account or termination account, stating their opinion as to whether the final account or termination account has been properly prepared. The final account or termination account and the auditors' report must be sent to the FCA and to each Shareholder (or first named of joint holders) within four months of the completion of the winding up or termination.

Where under the OEIC Regulations, each Fund is a segregated portfolio of assets, those assets can only be used to meet the liabilities of, or claims against, that Fund. Whilst the OEIC Regulations provide for segregated liability between Funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known whether a foreign court would give effect to the segregated liability and cross-investment provisions contained in the OEIC Regulations. Therefore, it is not possible to be certain that the assets of a Fund will always be completely insulated from the liabilities of another Fund of the Company in every circumstance. The Company may from time to time incur liabilities which are not attributable to a single Fund but relate to the general benefit of more than one Fund. Similarly, in the event two or more share classes are issued in respect of a Fund there will also be a risk of contagion between share classes.

# General Information

## Accounting Periods

The annual accounting period of the Company ends each year on 31 August (the accounting reference date). The interim accounting period ends each year on 28 February except in a leap year, when the interim accounting period ends on 29 February.

## Income Allocations and Income Payments

Allocations of income are made in respect of the income available for allocation in each accounting period. Income will be allocated as at the day following the annual accounting date in relation to accumulation Shares and as at the day following the annual accounting date and the day following the interim accounting date in relation to income Shares.

Distributions of income for each Fund in relation to income Shares are paid on or before the relevant income payment date in each year as set out below.

Annual income payment date on or before (for Funds issuing income Shares)	31 December (normally by 31 October)
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Interim income payment date on or before (for Funds issuing income Shares)	30 April
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For Funds in which accumulation Shares are issued, income will become part of the capital property of the Fund and will be reflected in the price of each such accumulation Share as at the end of the relevant accounting period. For Funds in which accumulation Shares only are issued, income is allocated only once a year on the annual accounting date.

For those Funds in which income Shares are issued, a facility for the reinvestment of income through the purchase of further income Shares is available. If you have elected to take your income payments, payment will be made to you either by cheque to your registered address or paid by direct credit into your bank or building society account depending on the mode of payment you have elected for.

If a distribution remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the relevant Fund (or, if that no longer exists, to the Company).

The amount available for distribution in any accounting period is calculated by taking the aggregate of the income received or receivable for the account of the relevant Fund in respect of that period, and deducting the charges and expenses of the relevant Fund paid or payable out of income in respect of that accounting period. The ACD then makes such other adjustments as it considers appropriate (and after consulting the Company's auditors as appropriate) in relation to taxation, income equalisation, income unlikely to be received within 12 months following the relevant income allocation date, income which should not be accounted for on an accrual basis because of lack of information as to how it accrues, transfers between the income and capital account and other matters.

For each annual distribution, the ACD and the Depositary may agree a de minimis amount per share class, in respect of which a distribution of income is not required. Where the costs of distribution outweigh the level of income available for distribution on the relevant income payment date, this income will be carried forward until the next income payment date. Interim distributions will be made at the ACD's discretion.

In accordance with the Investment Management Association Statement of Recommended Practice, income on debt securities is recognised on the effective yield basis which takes account of the amortisation of any discounts or premiums arising on the purchase price, compared to final maturity over the remaining life of the security.

## Annual Reports

The annual report of the Company will be published within four months of each annual accounting period and the half yearly report will be published within two months of each interim accounting period and are available to any person free of charge on request.

## Notices

All notices or documents required to be served on Shareholders shall be served by post to the address of such Shareholder as evidenced on the Register. All documents and remittances are sent at the risk of the Shareholder.

## Documents of the Company

The following documents may be inspected free of charge during normal business hours on any Business Day at the offices of the ACD at 199 Bishopsgate, London EC2M 3TY:

- (a) the most recent annual and half yearly reports of the Company;
- (b) the Instrument of Incorporation (as amended); and
- (c) the material contracts referred to below.

Shareholders may obtain copies of the above documents from the ACD. The ACD may make a charge at its discretion for copies of documents (apart from the most recent annual and half yearly reports of the Company which are available free of charge to anyone who requests).

## Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and are, or may be, material:

- (a) the ACD Agreement dated 9 May 2002 (superseding the original agreement dated 7 September 2001) between the Company and the ACD;
- (b) the Depositary Agreement dated 27 October 2017 between the Company and the Depositary;
- (c) the Administration Agreement dated 6 February 2009 between the Company and the Administrator and Registrar as novated to State Street Bank and Trust Company, London Branch pursuant to a Novation Agreement dated 6 October 2017; and
- (d) the Fund Accounting Agreement dated 31 October 2017 between the ACD and State Street Bank and Trust Company, London Branch.

Details of the above contracts are given under the heading "Management and Administration".

## Provision of Investment Advice

All information concerning the Company and about investing in shares of the company is available from the ACD at 199 Bishopsgate, London EC2M 3TY. Neither the ACD or the Administrator give investment advice based on personal circumstances and persons requiring such advice should consult an Financial Adviser. All applications for shares are made solely on the basis of the current prospectus of the Company, and investors should ensure that they have the most up to date version.

## Complaints

You can obtain a copy of our leaflet 'Allianz Global Investors' Complaints Process' free of charge from the AllianzGI website ([www.allianzglobalinvestors.co.uk](http://www.allianzglobalinvestors.co.uk)), by phoning 0800 073 2001 (Freephone UK call only) or +44 (0)1268 443901 (From outside the UK) or alternatively by writing to the address detailed below

**You should write to us with your complaint to:**

Allianz Global Investors Investment Fund Administration

PO Box 9031  
Chelmsford  
CM99 2WN

Alternatively you can use any of the contact details in the 'Contact us' section on the website. If we are unable to resolve the issue to your satisfaction you will, in most circumstances, have the right to complain directly to the Financial Ombudsman Service at the following address:

**Financial Ombudsman Service**

South Quay Plaza  
183 Marsh Wall  
London  
E14 9SR  
United Kingdom  
Telephone: 0845 080 1800  
Email: [complaint.info@financial-ombudsman.org.uk](mailto:complaint.info@financial-ombudsman.org.uk)  
Website: [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)

Making a complaint will not prejudice your right to take legal proceedings.

**Exercise of voting rights**

The ACD has a strategy for determining when and how voting rights attached to ownership of Scheme Property are to be exercised for the benefit of each Fund. A summary of this strategy is available by contacting the ACD at 199 Bishopsgate, London EC2M 3TY and, upon request and free of charge, the ACD will provide the details of the actions taken on the basis of this strategy in relation to each Fund.

**Risk Management**

The ACD will provide upon the request of a Shareholder further information relating to:

- (a) the quantitative limits applying in the risk management of any Fund;
- (b) the methods used in relation to (a); and
- (c) any recent development of the risk and yields of the main categories of investment.

# Appendix I - Fund Details

## Allianz Continental European Fund

### Investment Objective

The investment objective of the Allianz Continental European Fund is to provide investors with capital growth aiming to outperform (net of fees), the target benchmark, the S&P Europe Ex-UK LargeMidCap Growth Index Net Total Return GBP<sup>1)</sup> over a rolling five year period.

Investors should be aware that the Fund's capital is at risk and there is no guarantee that the Fund will achieve its investment objective over any particular period or at all.

### Investment Policy

The ACD aims to achieve the investment objective by investing in a diversified portfolio of investments in European companies (excluding the United Kingdom). At least 70 % of Fund's assets will be invested in Continental Europe.

The Fund's policy is to invest in shares listed on a European stock exchange. The Fund invests predominantly in larger companies.

The ACD may also utilize deposits and money market instruments in the management of the portfolio. The Fund may also invest up to 10 % of Fund's assets in collective investment schemes.

### Target Benchmark

S&P Europe Ex-UK LargeMidCap Growth Index Net Total Return GBP<sup>1)</sup>

This benchmark has been chosen as the most suitable benchmark as it captures large and mid-cap representation of growth companies across developed markets countries in Europe (excluding the UK), and therefore provides a broad representation of the investable universe for achieving the Fund's investment objective.

The Fund is actively managed and will not be constrained by this benchmark. The portfolio manager may deviate considerably from the benchmark when making investment decisions and can make investments in securities that are not included in the benchmark. The benchmark will be used for measuring outperformance.

As at the date of this Prospectus, the aforementioned benchmark is provided by S&P Dow Jones Indices LLC an administrator which appears on the register as defined in Art. 36 of the Benchmark Regulation.

(Prior to 1 April 2014 the benchmark used was FTSE Eurofirst 300 (ex UK) Index)

1) For the S (EUR) (Inc) Share Class launched on 15/03/2021, The benchmark used will be the S&P Europe Ex-UK LargeMidCap Growth Index Net Total Return EUR

### Income allocation date

Income Shares: 31 August – final and 28 February (29 February in a leap year) – interim

Accumulation Shares: 31 August

### Income payment date

Income Shares: 31 December (normally 31 October) – final and 30 April – interim

Accumulation Shares: 31 December (normally 31 October)

### Share Class Features

Share Classes and type of Shares	A (Acc) <sup>3)</sup>	C (Acc)	S (Acc)/S (Inc) <sup>3)</sup>	S (EUR) (Inc) <sup>3)</sup>
Launch date	16 May 2002	18 April 2012	S (Acc) 26 January 2016 S (Inc) 27 July 2020	15 March 2021
ISA Eligible	Yes	Yes <sup>2)</sup>	Yes	Yes

Share Classes and type of Shares	A (Acc) <sup>3)</sup>	C (Acc)	S (Acc)/S (Inc) <sup>(3)</sup>	S (EUR) (Inc) <sup>(3)</sup>
Annual Management Charge <sup>4)</sup>	1.50 % p.a.	0.75 % p.a.	0.45 % p.a.	0.45 % p.a.
Investment minima <sup>1)</sup>				
Lump sum	£500	£500	£10,000,000	£10,000,000
Holding	£500	£500	£10,000,000	£10,000,000
Top-up	£500	£500	£500	£500
Monthly saving	£50	£50	-	-
Redemption	£250	£250	£500	£500

<sup>1)</sup> May be reduced or waived by the ACD; different investment minima may apply in respect of Shares held through an ISA. If an investor is dealing in a currency other than Pounds Sterling, these minimum amounts will be the equivalent in that currency.

<sup>2)</sup> This Share Class may be invested by way of the Allianz Global Investors ISA wrapper.

<sup>3)</sup> Available to Approved Investors only.

<sup>4)</sup> This may decrease at the discretion of the ACD.

## Past Performance

Share Classes and type of Shares	A (Acc)	C (Acc)	S (Acc)/(Inc) <sup>3)</sup>	S (EUR) (Inc) <sup>4)</sup>
1 January 2011 – 31 December 2011	-8.2 %	-	-	-
1 January 2012 – 31 December 2012	26.7 %	14.1 % <sup>1)</sup>	-	-
1 January 2013 – 31 December 2013	14.6 %	15.5 %	-	-
1 January 2014 – 31 December 2014	0.6 %	1.4 %	-	-
1 January 2015 – 31 December 2015	16.0 %	17.0 %	-	-
1 January 2016 – 31 December 2016	11.4 %	12.3 %	18.7 % <sup>2)</sup>	-
1 January 2017 – 31 December 2017	19.8 %	20.9 %	21.2 %	-
1 January 2018 – 31 December 2018	-12.1 %	-11.4 %	-11.1 %	-
1 January 2019 – 31 December 2019	28.2 %	29.3 %	29.7 %	-
1 January 2020 – 31 December 2020	26.0 %	26.8 %	27.2 %	-
1 January 2021 – 31 December 2021	21.5 %	22.4 %	22.8 %	-

<sup>1)</sup> Performance measurement period 18 April 2012 to 31 December 2012.

<sup>2)</sup> Performance measurement period 26 January 2016 to 31 December 2016.

<sup>3)</sup> Share Class was launched on 27 July 2020.

<sup>4)</sup> No past performance data is currently available as the Share Class was only launched on 15 March 2021.

Past performance is no guide to future performance and should not, therefore, be seen as an indication of future performance. Performance information is calculated on a total return basis and updated by the ACD annually. For the most up to date performance, please contact the ACD.

## Investor Profile

The Fund is suitable for investors who see collective investment schemes as a convenient way of participating in equity markets. It is suitable for retail investors and institutional investors wishing to attain defined investment objectives and it is intended that the Fund will be marketed and made available to such investors. The Fund is aimed at investors with basic knowledge and/or experience of financial products. The investor must be able to accept significant losses, thus the Fund is suitable for investors who can set aside the capital for at least 5 years. It is designed for the investment objective of building up capital. In terms of risk assessment, the Fund is assigned to a certain risk class on a scale of 1 (conservative; very low to low expectation of returns) to 7 (very tolerant of risk; highest expectation of returns) which is published on the website <https://regulatory.allianzgi.com> in respect of the relevant Class of Shares.

If you are uncertain about whether this product is suitable for you, please contact a financial adviser.

FCA Product Reference Number ("PRN"): 632158.

# Allianz Gilt Yield Fund

## Investment Objective

The objective of the Fund is to maximise total return, consistent with preservation of capital and prudent investment management, primarily through investment in United Kingdom Government Securities.

Investors should be aware that the Fund's capital is at risk and there is no guarantee that the Fund will achieve its investment objective over any particular period or at all.

## Investment Policy

The ACD will adopt a policy of active management and may invest in gilts, overseas government bonds, government guaranteed bonds, supranational bonds, deposits, money market instruments and derivatives. The Fund may also invest in collective investment schemes.

At least 80% of the value of the Fund will be invested in gilts issued by the United Kingdom Government.

Up to 20 % of the value of the Fund may be invested in Sterling denominated (or hedged back to Sterling) debt securities, which are not issued by the United Kingdom Government, with a rating the same or higher than that of the United Kingdom Government.

The Fund may use derivative instruments such as futures, options, options on swaps and swap agreements (e.g. interest rate swaps).

The Fund may use the derivative instruments listed above for hedging purposes and/or for investment purposes. For example, the Fund may use derivatives (which will be based only on underlying assets or sectors which are permitted under the investment policy of the Fund) (i) as a substitute for taking a position in the underlying asset where the ACD believes that a derivative exposure to the underlying asset represents better value than direct (physical) exposure (ii) to tailor the Fund's interest rate exposure to the ACD's outlook for interest rates and/or (iii) to gain an exposure to the composition and performance of a particular index (provided always that the Fund may not have an indirect exposure through an index to an instrument, issuer or currency to which it cannot have direct exposure).

## Comparator Benchmark

FTSE Actuaries UK Conventional Gilts All Stocks Index Midday Total Return GBP.

This benchmark has been chosen as the most suitable benchmark, covering all UK conventional gilts. It therefore provides a broad representation of the investable universe for achieving the Fund's investment objective.

As stated in the investment policy above, the Fund will invest at least 80% of the Fund's assets in gilts issued by the United Kingdom Government. As all such gilts are represented in the benchmark, this means that, in effect, the portfolio manager shall be required to invest at least 80% of the Fund's assets in securities which are represented in the benchmark. Beyond that the Fund is actively managed, and will be constrained to a limited extent only by the benchmark. The portfolio manager may deviate from the benchmark when making investment decisions and can make investments in securities that are not included in the benchmark subject to the limits set out above. The benchmark will however be used for measuring performance.

The aforementioned benchmark is provided by FTSE International Limited an administrator which appears on the register as defined in Art. 36 of the Benchmark Regulation

## Income allocation dates

Income Shares: 31 August – final and 28 February (29 February in a leap year) – interim

Accumulation Shares: 31 August – final and 28 February (29 February in a leap year) – interim

## Income payment dates

Income Shares: 31 December (normally 31 October) – final and 30 April – interim

Accumulation Shares: 31 December (normally 31 October) – final and 30 April – interim

## Share Class Features



Share Classes and type of Shares	I (Inc) <sup>1)</sup>	Y (Acc) <sup>4)</sup>
Launch date	16 May 2002	20 February 2017
ISA Eligible	Yes	Yes
Annual Management Charge <sup>2)5)</sup>	0.30 % p.a.	0.30 % p.a.
Investment minima <sup>3)</sup>		
Lump sum	£10,000,000	£100,000,000
Holding	£10,000,000	£100,000,000
Top-up	£500	£500
Monthly saving	-	-
Redemption		£500

<sup>1)</sup> Denominated as Class C Shares prior to 6 April 2014.

<sup>2)</sup> The ACD and the Depositary have agreed that the Annual Management Charge for Allianz Gilt Yield Fund is charged to capital. This will increase the amount of income available for distribution to Shareholders but may constrain capital growth.

<sup>3)</sup> May be reduced or waived by the ACD; different investment minima may apply in respect of Shares held through an ISA.

<sup>4)</sup> Available to Approved Investors only.

<sup>5)</sup> This may decrease at the discretion of the ACD.

## Past Performance

Share Classes and type of Shares	I (Inc)	Y (Acc)
1 January 2012 – 31 December 2012	2.4 %	
1 January 2013 – 31 December 2013	-5.1 %	
1 January 2014 – 31 December 2014	11.1 %	
1 January 2015 – 31 December 2015	-0.2 %	
1 January 2016 – 31 December 2016	9.9 %	
1 January 2017 – 31 December 2017	3.1 %	2.6 % <sup>1)</sup>
1 January 2018 – 31 December 2018	0.6 %	0.6 %
1 January 2019 – 31 December 2019	7.1%	7.1%
1 January 2020 – 31 December 2020	9.6%	9.5%
1 January 2021 – 31 December 2021	-5.5%	-5.7%

<sup>1)</sup> Performance measurement period 20 February 2017 to 31 December 2017.

Past performance is no guide to future performance and should not, therefore, be seen as an indication of future performance. Performance information is calculated on a total return basis and updated by the ACD annually. For the most up to date performance, please contact the ACD.

## Investor Profile

The Fund is suitable for investors who see collective investment schemes as a convenient way of participating in fixed income markets. It is suitable for retail investors and institutional investors wishing to attain defined investment objectives and it is intended that the Fund will be marketed and made available to such investors. The Fund is aimed at investors with basic knowledge and/or experience of financial products. The investor must be able to accept moderate temporary losses, thus the Fund is suitable for investors who can set aside the capital for at least 2-3 years. It is designed for the investment objective of maximising total return, consistent with preservation of capital and prudent investment management. . In terms of risk assessment, the Fund is assigned to a certain risk class on a scale of 1 (conservative; very low to low expectation of returns) to 7 (very tolerant of risk; highest expectation of returns) which is published on the website <https://regulatory.allianzgi.com> in respect of the relevant Class of Shares.

If you are uncertain about whether this product is suitable for you, please contact a financial adviser.

FCA Product Reference Number ("PRN"): 632160.

# Allianz Index-Linked Gilt Fund

## Investment Objective

The Allianz Index-Linked Gilt Fund aims to achieve income and capital growth through investment predominantly in Inflation-Linked UK Government Securities.

## Investment Policy

The ACD will adopt a policy of active management and will invest in index-linked gilts, overseas index-linked government bonds, index-linked government guaranteed bonds, gilts, conventional government bonds, corporate and supranational bonds. The ACD may gain exposure indirectly through the use of derivative instruments including but not limited to futures, options, options on swaps and swap agreements (e.g. interest rate swaps, inflation linked swaps).

At least 80% of the Fund's assets will be invested in index-linked gilts issued by the United Kingdom Government.

Up to 20% of the Fund's assets may be invested in Sterling denominated (or hedged back to Sterling) government backed index linked securities which are not issued by the United Kingdom Government, but with a rating the same or higher than that of the United Kingdom Government.

Up to 5% of the Fund's assets may be invested in investment grade debt securities, which are rated lower than that of the United Kingdom Government, including but not limited to, conventional government bonds, conventional and inflation linked corporate bonds and supranational bonds.

The ACD may also utilise deposits and money market instruments in the management of the portfolio and their value, together with money market funds, may make up to a maximum of 10% of the Fund's assets.

The Fund may also invest up to a maximum of 10% of the Fund's assets in collective investment schemes.

The Fund may from time to time hold a concentrated portfolio because of its investments in a limited number of debt securities.

## Comparator Benchmark

FTSE Actuaries UK Government Index-Linked All Stocks Index Midday Total Return GBP.

This benchmark has been chosen as the most suitable benchmark, covering all UK index linked gilts. It therefore provides a broad representation of the investable universe for achieving the Fund's investment objective.

As stated in the investment policy above, the Fund will invest at least 80% of the Fund's assets in index-linked gilts issued by the United Kingdom Government. As all such gilts are represented in the benchmark, this means that, in effect, the portfolio manager shall be required to invest at least 80% of the Fund's assets in securities which are represented in the benchmark. Beyond that the Fund is actively managed, and will be constrained to a limited extent only by the benchmark. The portfolio manager may deviate from the benchmark when making investment decisions and can make investments in securities that are not included in the benchmark subject to the limits set out above. The benchmark will however be used for measuring performance.

The aforementioned benchmark is provided by FTSE International Limited an administrator which appears on the register as defined in Art. 36 of the Benchmark Regulation

## Use of Derivatives

The ACD may use derivatives for investment purposes and for efficient portfolio management (including for hedging).

The Fund may use derivatives (i) as a substitute for taking a position in the underlying asset where the ACD believes that a derivative exposure to the underlying asset represents better value than direct (physical) exposure (ii) for adjusting interest rate risk where the reference securities or indexes of these derivatives are not directly linked to the underlying assets in the investment policy, such as Sterling Over-Night Index Average (SONIA) and London Inter-Bank Offering Rate (LIBOR), (iii) for adjusting inflation risk where the reference securities or indexes of these derivatives are not directly linked to the underlying assets in the investment policy, such as UK Retail Price Index (RPI), (iv) to gain an exposure to the composition

and performance of a particular index (provided always that the Fund may not have an indirect exposure through an index to an instrument, issuer or currency to which it cannot have direct exposure).

### Income allocation dates

Income Shares: 31 August – final and 28 February (29 February in a leap year) – interim

Accumulation Shares: 31 August – final and 28 February (29 February in a leap year) – interim

### Income payment dates

Income Shares: 31 December (normally 31 October) – final and 30 April – interim

Accumulation Shares: 31 December (normally 31 October) – final and 30 April – interim

### Share Class Features

Share Classes and type of Shares	E (Acc)/E (Inc) <sup>4)</sup>	W (Acc)/W (Inc) <sup>2)</sup>
Launch date	E (Acc) 1 February 2018 E (Inc) 1 February 2018	W (Acc) 1 February 2018 W (Inc) 1 February 2018
ISA Eligible	Yes	Yes
Annual Management Charge <sup>3)5)</sup>	0.20 % p.a. minus those Additional Expenses which form part of the Ongoing Charge and are payable in respect of the E shares, details of which are set out under "Fees and Expenses"	0.30 % p.a. minus those Additional Expenses which form part of the Ongoing Charge and are payable in respect of the W shares, details of which are set out under "Fees and Expenses"
Investment minima <sup>1)</sup>		
Lump sum	£25,000,000	£10,000,000
Holding	£25,000,000	£10,000,000
Top-up	£500	£500
Monthly saving	-	-
Redemption	£250	£250

<sup>1)</sup> May be reduced or waived by the ACD.

<sup>2)</sup> Available to Approved Investors only.

<sup>3)</sup> The ACD and the Depositary have agreed that the Annual Management Charge is charged to capital. This will increase the amount of income available for distribution to Shareholders but may constrain capital growth.

<sup>4)</sup> Available to Approved Investors only. This Share Class is intended to assist in growing the Fund over its early life and, as such (but subject to the exception below), will only be available for subscription until the total Net Asset Value of the Share Class reaches GBP 205,000,000. Once the Net Asset Value of the Share Class reached GBP 205,000,000 it will be closed to all new investors save that existing Approved Investors with holdings in the Share Class will be able to subscribe for additional Shares in the E Share Class even if this causes the Net Asset Value of the Share Class to exceed GBP 205,000,000.

<sup>5)</sup> This may decrease at the discretion of the ACD.

### Past Performance

Share Classes and type of Shares	E (Acc)	E (Inc)	W (Acc)	W (Inc)
1 February 2018 – 31 December 2018	5.8 %	5.8 %	5.7 %	5.7 %
1 January 2019 – 31 December 2019	7.2%	7.2%	7.1%	7.1%
1 January 2020 – 31 December 2020	12.3%	12.3%	12.1%	12.1%
1 January 2021 – 31 December 2021	2.7%	2.7%	2.6%	2.6%

Past performance is no guide to future performance and should not, therefore, be seen as an indication of future performance. Performance information is calculated on a total return basis and updated by the ACD annually. For the most up to date performance, please contact the ACD.

### Investor Profile

The Fund is suitable for investors who see collective investment schemes as a convenient way of participating in inflation linked debt and gaining exposure to their performance. It is suitable for retail investors and institutional investors wishing to attain defined investment objectives and it is intended that the Fund will be marketed and made available to such investors. The Fund is aimed at investors with basic knowledge and/or experience of financial products. The investor must

be able to accept significant losses, thus the Fund is suitable for investors who can set aside the capital for at least 5 years. It is designed for the investment objective of building up capital over the long term. In terms of risk assessment, the Fund is assigned to a certain risk class on a scale of 1 (conservative; very low to low expectation of returns) to 7 (very tolerant of risk; highest expectation of returns) which is published on the website <https://regulatory.allianzgi.com> in respect of the relevant Class of Shares.

FCA Product Reference Number ("PRN"): 799372.

# Allianz Strategic Bond Fund

## Investment Objective

The objective of the Fund is to maximise total return, consistent with preservation of capital and prudent investment management, primarily through investment directly in debt securities issued by corporate, government, supranational institutions and local regional agencies or by gaining exposure indirectly through the use of derivatives, as well as any other security. The Fund will invest internationally although at least 80 % of its assets shall be invested in Sterling denominated (or hedged back to Sterling) debt securities.

Investors should be aware that the Fund's capital is at risk and there is no guarantee that the Fund will achieve its investment objective over any particular period or at all.

## Investment Policy

The ACD aims to achieve the investment objective by investing (directly or indirectly) in treasury bills, certificates of deposit, medium term notes, private placements, structured notes, preference shares, convertible bonds, gilts, investment grade and below investment grade bonds, bonds of emerging markets issuers, agency bonds and asset or mortgage backed securities or floating rate notes. The ACD may also utilise deposits, derivatives and other money market instruments in the management of the portfolio. The Fund may also invest in collective investment schemes (subject to the limit below).

More than 35% of the value of the property of the Fund may be invested in Government and public securities issued or guaranteed by any of the following states; the United Kingdom (including the Scottish Administration, the Executive Committee of the Northern Ireland Assembly, the National Assembly of Wales), Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United States of America.

Up to 30% of the Fund's assets may be invested into Chinese bonds denominated in RMB either directly via CIBM Direct/Bond Connect or through all eligible instruments, as set out in the Fund's investment policy.

The Fund will invest primarily in investment grade debt securities (with fixed, variable or floating rates of interest and may vary inversely with respect to a reference rate), but may invest in debt securities that are rated below investment grade.

The Fund may use derivative instruments such as futures, options, options on swaps, swap agreements (e.g. interest rate swaps, credit default swaps and index swaps) and currency forward contracts.

The Fund may also invest up to a maximum of 10% of the Fund's assets in collective investment schemes.

## Comparator Benchmark

Bloomberg Global Aggregate Index hedged to GBP.

This benchmark covers a global universe of investment grade debt and includes treasury, government-related, corporate and securitised fixed-rate bonds from both developed and emerging markets issuers. It has therefore been chosen as the most suitable benchmark as it provides a broad representation of the investable universe for achieving the Fund's investment objective.

The Fund is actively managed and will therefore not be constrained by the benchmark. The portfolio manager may deviate from the benchmark when making investment decisions and can make investments in securities that are not included in the benchmark. The benchmark will however be used for measuring performance.

As at the date of this Prospectus, the aforementioned benchmark is provided by Bloomberg Index Services Limited an administrator which is benefitting from transitional provisions and does not yet appear on the register as defined in Art. 36 of the Benchmark Regulation.

## Use of Derivatives

The Fund may use the derivative instruments listed above for hedging purposes and/or for investment purposes, which may be up to a significant degree. For example, the Fund may use derivatives (which will be based only on underlying assets or sectors which are permitted under the investment policy of the Fund) (i) to hedge a currency exposure (ii) as a substitute for

taking a position in the underlying asset where the ACD believes that a derivative exposure to the underlying asset represents better value than direct (physical) exposure (iii) to tailor the Fund's interest rate exposure to the ACD's outlook for interest rates and/or (iv) to gain an exposure to the composition and performance of a particular index (provided always that the Fund may not have an indirect exposure through an index to an instrument, issuer or currency to which it cannot have direct exposure).

### Global Exposure and Leverage

The ACD calculates the global exposure of the Fund by using the Absolute VaR approach.

In normal market conditions the anticipated level of leverage the Fund will employ will be between 0% and 1000% of the Net Asset Value of the Fund.

### Income allocation dates

Income Shares: 31 August – final, and 28 February (29 February in a leap year) – interim

Accumulation Shares: 31 August – final, and 28 February (29 February in a leap year) – interim

### Income payment dates

Income Shares: 31 December (normally by 31 October) – final, and 30 April – interim

Accumulation Shares: 31 December (normally by 31 October) – final, and 30 April – interim

### Share Class Features

Share Classes and type of Shares	A (Inc) <sup>2)</sup>	C (Inc)	I (Acc)/I (Inc) <sup>2)</sup>
Launch date	16 May 2002	1 April 2005	I (Inc) 28 July 2016 I (Acc) 10 April 2019
ISA Eligible	Yes	Yes <sup>3)</sup>	Yes
Annual Management Charge <sup>4)</sup>	1.25 % p.a.	0.60 % p.a.	0.39 % p.a.
Investment minima <sup>1)</sup>			
Lump sum	£500	£500	£10,000,000
Holding	£500	£500	£10,000,000
Top-up	£500	£500	£500
Monthly saving	£50	£50	-
Redemption	£250	£250	£500

<sup>1)</sup> May be reduced or waived by the ACD; different investment minima may apply in respect of Shares held through an ISA.

<sup>2)</sup> Available to Approved Investors only.

<sup>3)</sup> This Share Class may be invested by way of the Allianz Global Investors ISA wrapper.

<sup>4)</sup> This may decrease at the discretion of the ACD.

### Past Performance

Share Classes and type of Shares	A (Inc)	C (Inc)	I (Acc)	I (Inc)
1 January 2012 – 31 December 2012	15.4 %	15.9 %	-	-
1 January 2013 – 31 December 2013	0.9 %	1.3 %	-	-
1 January 2014 – 31 December 2014	9.1 %	9.7 %	-	-
1 January 2015 – 31 December 2015	-0.2 %	0.1 %	-	-
1 January 2016 – 31 December 2016	4.2 %	3.8 %	-	-2.5 % <sup>1)</sup>
1 January 2017 – 31 December 2017	0.6 %	2.0 %	-	3.4 %
1 January 2018 – 31 December 2018	1.6 %	2.3 %	-	2.6 %
1 January 2019 – 31 December 2019	10.4 %	11.3 %	-	11.5 %
1 January 2020 – 31 December 2020	30.2 %	31.0 %	31.3 %	31.3 %
1 January 2021 – 31 December 2021	-8.4 %	-7.9 %	-7.7 %	-7.7 %

<sup>1)</sup> Performance measurement period 29 July 2016 to 31 December 2016.

Past performance is no guide to future performance and should not, therefore, be seen as an indication of future performance. Performance information is calculated on a total return basis and updated by the ACD annually. For the most up to date performance, please contact the ACD.

**Investor Profile**

The Fund is suitable for investors who see collective investment schemes as a convenient way of participating in debt markets. The Fund is aimed at investors with basic knowledge and/or experience of financial products, and investors must be aware of the risks of investing in non-investment-grade securities. It is suitable for retail and institutional investors wishing to attain defined investment objectives and it is intended that the Fund will be marketed and made available to such investors. The investor must be able to accept moderate temporary losses, thus the Fund is suitable for investors who can set aside the capital for at least 2-3 years. It is designed for the investment objective of maximising total return. . In terms of risk assessment, the Fund is assigned to a certain risk class on a scale of 1 (conservative; very low to low expectation of returns) to 7 (very tolerant of risk; highest expectation of returns) which is published on the website <https://regulatory.allianzgi.com> in respect of the relevant Class of Shares.

If you are uncertain about whether this product is suitable for you, please contact a financial adviser.

FCA Product Reference Number ("PRN"): 632161.

# Allianz UK Listed Equity Income Fund

## Investment Objective

The primary investment objective of the Allianz UK Listed Equity Income Fund is to generate a total return (income together with capital growth) net of fees greater than that of the FTSE All-Share Index, over a rolling 5 year period.

The Fund also has a secondary objective to deliver an annual income yield greater than the FTSE All-Share Index,

Investors should be aware that the Fund's capital is at risk and there is no guarantee that the Fund will achieve its investment objective over the above period or at all.

The Annual Management Charge for Allianz UK Listed Equity Income Fund is charged to capital. This will increase the amount of income available for distribution to Shareholders but may constrain capital growth.

## Investment Policy

The ACD will invest at least 80% of the Fund's assets in securities listed on the London Stock Exchange as represented in the FTSE All-Share Index.

Up to 20% of the Fund's assets may be invested outside of this index, either in the UK or internationally and in all economic sectors. It is the general intention of the ACD to invest in shares which offer above average current dividend income yield or, if not, the prospect of superior long term dividend growth. Therefore, it is not intended that the Fund will have similar weightings to the FTSE All-Share Index. Up to 10% of the Fund's investments may be held in convertibles and investment trust income shares in order to enhance the income yield.

The ACD may also utilise deposits and money market instruments in the management of the portfolio, and together with money market funds, these may make up to a maximum of 10% of the Fund's assets. In addition, up to 5% of the Fund's assets may be invested in warrants.

The Fund may also invest up to a maximum of 10% of the Fund's assets in other collective investment schemes, including those managed by Allianz Global Investors and its group of companies.

It must be noted that from time to time the Fund will also invest in securities and money market instruments that are offered within the scope of Initial Public Offerings on a recognised stock exchange or in another regulated market as set out in the Prospectus.

The ACD may use derivatives for efficient portfolio management for the purposes of generating additional income (for example by writing covered call options up to 20% of the Net Asset Value of the Fund) and for hedging purposes.

## Target Benchmark

FTSE All-Share Index.

The FTSE All-Share Index has been chosen as the most suitable benchmark as it represents the performance of all companies listed on the London Stock Exchange and is representative of the type of companies in which the Fund is likely to invest.

As stated in the investment policy above, the Fund will invest at least 80% of its assets in securities listed on the London Stock Exchange (as represented in the FTSE-All Share Index). However, as the Fund is actively managed, it will not be constrained by this benchmark. The portfolio manager may deviate from the benchmark when making investment decisions and can make investments in securities that are not included in the benchmark.

The benchmark will be used for measuring outperformance. For the primary objective we will measure the total return (income together with capital growth) of the Fund against the FTSE All-Share Index Total Return GBP<sup>1)</sup>, which reflects all share price movements (along with reinvested dividends) of the constituent companies and is a widely used variation of the FTSE All-Share Index.

For the secondary objective we will measure the annual yield of the Fund against the annual yield of the FTSE All-Share Index.



The aforementioned benchmark is provided by FTSE International Limited an administrator which appears on the register as defined in Art. 36 of the Benchmark Regulation.

1) For the W (EUR) (Inc) Share Class launched on 28/10/2021, The benchmark used will be the FTSE All-Share Index Total Return EUR

### Income allocation dates

Income Shares: 31 August – final, and 28 February (29 February in a leap year) – interim

Accumulation Shares: 31 August

### Income payment dates

Income Shares: 31 December (normally 31 October) – final, and 30 April – interim

Accumulation Shares: 31 December (normally 31 October)

### Share Class Features

Share Classes and type of Shares		A (Inc) <sup>5)</sup>	C (Acc)/C (Inc)	E (Inc) <sup>4)</sup>	W (Inc) <sup>5)</sup>	W (EUR) (Inc) <sup>5)</sup>
Launch date		20 June 2002	C (Inc) 23 April 2014 C (Acc) 16 September 2021	08 January 2021	08 January 2021	28 October 2021
ISA Eligible		Yes	Yes <sup>3)</sup>	Yes	Yes	Yes
Annual Charge <sup>1,6)</sup>	Management	1.25 % p.a.	0.60 % p.a.	0.28 % p.a.	0.38 % p.a.	0.38 % p.a.
Investment minima <sup>2)</sup>						
Lump sum		£500	£500	£25,000,000	£10,000,000	£10,000,000
Holding		£500	£500	£25,000,000	£10,000,000	£10,000,000
Top-up		£500	£500	£500	£500	£500
Monthly saving		£50	£50	N/A	N/A	N/A
Redemption		£250	£250	£250	£250	£250

<sup>1)</sup> The ACD and the Depositary have agreed that the Annual Management Charge for Allianz UK Listed Equity Income Fund is charged to capital. This will increase the amount of income available for distribution to Shareholders but may constrain capital growth.

<sup>2)</sup> May be reduced or waived by the ACD; different investment minima may apply in respect of Shares held through an ISA. If an investor is dealing in a currency other than Pounds Sterling, these minimum amounts will be the equivalent in that currency.

<sup>3)</sup> This Share Class may be invested by way of the Allianz Global Investors ISA wrapper.

<sup>4)</sup> Available to approved investors only. This Share Class is intended to assist in growing the Fund and, as such (but subject to the exception below), will only be available for subscription until the total Net Asset Value of the Share Class reaches GBP 100,000,000. Once the Net Asset Value of the Share Class reaches GBP 100,000,000 it will be closed to all new investors save that existing Approved Investors with holdings in the Share Class will be able to subscribe for additional Shares in the E Share Class even if this causes the Net Asset Value of the Share Class to exceed GBP 100,000,000.

<sup>5)</sup> Available to approved investors only.

<sup>6)</sup> This may decrease at the discretion of the ACD.

### Past Performance

Share Classes and type of Shares	A (Inc)	C (Inc) / (Acc) <sup>3)</sup>	E (Inc) <sup>2)</sup>	W (Inc) <sup>2)</sup>
1 January 2012 – 31 December 2012	15.5 %	-	-	-
1 January 2013 – 31 December 2013	24.7 %	-	-	-
1 January 2014 – 31 December 2014	-0.2 %	-0.7% <sup>1)</sup>	-	-
1 January 2015 – 31 December 2015	3.0 %	3.2 %	-	-
1 January 2016 – 31 December 2016	7.5 %	8.0 %	-	-
1 January 2017 – 31 December 2017	14.6 %	15.1 %	-	-
1 January 2018 – 31 December 2018	-10.8 %	-10.3 %	-	-
1 January 2019 – 31 December 2019	28.2 %	29.0 %	-	-
1 January 2020 – 31 December 2020	-8.2 %	-7.7 %	-	-
1 January 2021 – 31 December 2021	25.2 %	25.9 %	-	-

<sup>1)</sup> Performance measurement period 23 April 2014 to 31 December 2014.

<sup>2)</sup> No past performance data is currently available as the Share Class was only launched on 08 January 2021.

<sup>3)</sup> No past performance data is currently available as the Share Class was only launched on 16 September 2021.

Past performance is no guide to future performance and should not, therefore, be seen as an indication of future performance. Performance information is calculated on a total return basis and updated by the ACD annually. For the most up to date performance, please contact the ACD.

### **Investor Profile**

The Fund is suitable for investors who see collective investment schemes as a convenient way of participating in equity markets. It is suitable for retail investors and institutional investors wishing to attain defined investment objectives and it is intended that the Fund will be marketed and made available to such investors. The Fund is aimed at investors with basic knowledge and/or experience of financial products. The investor must be able to accept significant losses, thus the Fund is suitable for investors who can set aside the capital for at least 5 years. It is designed for the investment objective of providing an income and building up capital. In terms of risk assessment, the Fund is assigned to a certain risk class on a scale of 1 (conservative; very low to low expectation of returns) to 7 (very tolerant of risk; highest expectation of returns) which is published on the website <https://regulatory.allianzgi.com> in respect of the relevant Class of Shares.

If you are uncertain about whether this product is suitable for you, please contact a financial adviser.

### **Efficient Portfolio Management**

The Allianz UK Listed Equity Income Fund may write covered call options up to 20% of the Net Asset Value of the fund (at the time of writing) as part of an EPM strategy.

FCA Product Reference Number ("PRN"): 632163.

# Allianz UK Listed Opportunities Fund

## Investment Objective

The investment objective of the Allianz UK Listed Opportunities Fund is to achieve capital growth, aiming to outperform (net of fees) the Target Benchmark, the FTSE All-Share Index Total Return GBP over a rolling five year period.

## Investment Policy

The ACD will invest at least 60% of the Fund's assets in stocks listed on the London Stock Exchange as represented on the FTSE All-Share Index Total Return GBP.

Up to 40% of the Fund's assets may be invested outside of this index (for example, in stocks represented on the FTSE AIM Indices) either in the UK or internationally and in all economic sectors. The ACD will seek to take advantage of opportunities across the UK and other international markets to achieve capital growth.

The ACD may also utilise deposits and money market instruments in the management of the portfolio, and together with money market funds, these may make up to 10% of the Fund's assets.

The Fund may also invest up to a maximum of 10% of the Fund's assets in other collective investment schemes including those managed by Allianz Global Investors and its group of companies.

It must be noted from time to time that the Fund will also invest in securities and money market instruments that are offered within the scope of Initial Public Offerings on a recognised stock exchange or in another regulated market as set out in the Prospectus.

## Target Benchmark

FTSE All-Share Index Total Return GBP<sup>1)</sup>.

This benchmark has been chosen as the most suitable benchmark as it represents the performance of all companies listed on the London Stock Exchange and is representative of the type of companies in which the Fund is likely to invest.

As stated in the investment policy above, the Fund will invest at least 60% of its assets in securities listed on the London Stock Exchange (as represented in the FTSE All-Shares Index Total Return GBP). However, as the Fund is actively managed it will not be constrained by this benchmark. The portfolio manager may deviate from the benchmark when making investment decisions and can make investments in securities that are not included in the benchmark. The benchmark will however be used for measuring outperformance.

The aforementioned benchmark is provided by FTSE International Limited an administrator which appears on the register as defined in Art. 36 of the Benchmark Regulation.

1) For the W (EUR) (Inc) Share Class launched on 28/10/2021, The benchmark used will be the FTSE All-Share Index Total Return EUR

## Income allocation date

Accumulation Shares: 31 August

## Income payment date

Accumulations Shares: 31 December (normally 31 October)

## Share Class Features

Share Classes and type of Shares	A (Acc) <sup>2)</sup>	C (Acc)	I (Acc) <sup>2)</sup>	I (EUR) (Acc) <sup>2)</sup>	Y (Acc) <sup>2)</sup>	O (Acc) <sup>2)</sup>	E (Acc) <sup>5)</sup>
Launch date	20 June 2002	27 March 2014	1 June 2017	28 October 2021	20 February 2017	3 May 2018	28 October 2021
ISA Eligible	Yes	Yes <sup>4)</sup>	Yes	Yes	Yes	Yes	Yes

Share Classes and type of Shares	A (Acc) <sup>2)</sup>	C (Acc)	I (Acc) <sup>2)</sup>	I (EUR) (Acc) <sup>2)</sup>	Y (Acc) <sup>2)</sup>	O (Acc) <sup>2)</sup>	E (Acc) <sup>5)</sup>
Annual Management Charge <sup>3)</sup>	1.25 % p.a.	0.75 % p.a.	0.50 % p.a.	0.50 % p.a.	0.30 % p.a.	0.20 % p.a. minus those Additional Expenses which form part of the Ongoing Charge and are payable in respect of the O shares, details of which are set out under "Fees and Expenses"	0.33% p.a.
Outperformance Fee	-	-	-	-	-	20 % Participation Rate as defined in the section "Fees and Expenses"	
Investment minima <sup>1)</sup>							
Lump sum	£500	£500	£10,000,000	£10,000,000	£100,000,000	£10,000,000	£25,000,000
Holding	£500	£500	£10,000,000	£10,000,000	£100,000,000	£10,000,000	£25,000,000
Top-up	£500	£500	£500	£500	£500	£500	£500
Monthly saving	£50	£50	-	-	-	-	-
Redemption	£250	£250	£500	£500	£500	£500	£500

<sup>1)</sup> May be reduced or waived by the ACD; different investment minima may apply in respect of Shares held through an ISA. If an investor is dealing in a currency other than Pounds Sterling, these minimum amounts will be the equivalent in that currency.

<sup>2)</sup> Available to Approved Investors only.

<sup>3)</sup> This may decrease at the discretion of the ACD.

<sup>4)</sup> This Share Class may be invested by way of the Allianz Global Investors ISA wrapper.

<sup>5)</sup> Available to approved investors only. This Share Class is intended to assist in growing the Fund and, as such (but subject to the exception below), will only be available for subscription until the total Net Asset Value of the Share Class reaches GBP 100,000,000. Once the Net Asset Value of the Share Class reaches GBP 100,000,000 it will be closed to all new investors save that existing Approved Investors with holdings in the Share Class will be able to subscribe for additional Shares in the E Share Class even if this causes the Net Asset Value of the Share Class to exceed GBP 100,000,000.

## Past Performance

Share Classes and type of	A (Acc)	C (Acc)	I (Acc)	Y (Acc)	O (Acc)	I (EUR) (Acc) <sup>5)</sup>	E (Acc) <sup>5)</sup>
1 January 2012 – 31	14.7 %						
1 January 2013 – 31	23.4 %						
1 January 2014 – 31	-0.8 %	-2.4 % <sup>1)</sup>					
1 January 2015 – 31	1.3 %	1.8 %					
1 January 2016 – 31	19.6 %	20.3 %					
1 January 2017 – 31	14.9 %	15.5 %	5.7 % <sup>2)</sup>	13.5 % <sup>3)</sup>			
1 January 2018 – 31	-8.8 %	-8.4 %	-8.0 %	-7.8 %	-11.4 % <sup>4)</sup>		
1 January 2019 – 31	24.7 %	25.4 %	25.7 %	25.9 %	23.9 %		
1 January 2020 – 31	-5.2 %	-5.0 %	-4.7 %	-3.7 %	-5.8 %		
1 January 2021 – 31	28.5 %	28.7 %	29.1 %	29.3 %	27.3 %		

<sup>1)</sup> Performance measurement period 27 March 2014 to 31 December 2014.

<sup>2)</sup> Performance measurement period 1 June 2017 to 31 December 2017.

<sup>3)</sup> Performance measurement period 20 February 2017 to 31 December 2017.

<sup>4)</sup> Performance measurement period 3 May 2018 to 31 December 2018.

<sup>5)</sup> No past performance data is currently available as the Share Class was only launched on 28 October 2021.

Past performance is no guide to future performance and should not, therefore, be seen as an indication of future performance. Performance information is calculated on a total return basis and updated by the ACD annually. For the most up to date performance, please contact the ACD.

## Investor Profile

The Fund is suitable for investors who see collective investment schemes as a convenient way of participating in equity markets. It is suitable for retail investors and institutional investors wishing to attain defined investment objectives and it is intended that the Fund will be marketed and made available to such investors. The Fund is aimed at investors with basic knowledge and/or experience of financial products. The investor must be able to accept significant losses, thus the Fund is suitable for investors who can set aside the capital for at least 5 years. It is designed for the investment objective of building up capital. In terms of risk assessment, the Fund is assigned to a certain risk class on a scale of 1 (conservative; very low to low expectation of returns) to 7 (very tolerant of risk; highest expectation of returns) which is published on the website <https://regulatory.allianzgi.com> in respect of the relevant Class of Shares.

If you are uncertain about whether this product is suitable for you, please contact a financial adviser.

FCA Product Reference Number ("PRN"): 632164.

# Allianz UK Mid-Cap Fund\*)

\*) The Fund merged into the Allianz UK Listed Opportunities Fund effective from 26 August 2022 and will be terminated in the near future upon receipt of FCA approval. Therefore, no subscriptions are currently being accepted into this Fund.

## Investment Objective

The investment objective of the Allianz UK Mid-Cap Fund is to achieve capital growth, aiming to outperform (net of fees) the Target Benchmark, the FTSE 250 (excl. investment trusts) Index Total Return GBP over a rolling five year period.

## Investment Policy

The ACD aims to achieve the investment objective by investing in securities listed on the London Stock Exchange. It is the general intention of the ACD to invest in stocks which constitute the FTSE 250 (excl. investment trusts) Index Total Return GBP although it may invest up to 40% of the Fund's assets outside of this index or internationally and in all economic sectors.

The ACD may also utilise deposits in the management of the portfolio.

The Fund may also invest in collective investment schemes.

## Target Benchmark

FTSE 250 (excl. investment trusts) Index Total Return GBP.

This benchmark has been chosen as the most suitable benchmark as it captures mid capitalised companies (excluding investment trusts) not covered by the FTSE 100, and represents approx. 15% of total UK market capitalisation. It provides a broad representation of the investable universe for achieving the Fund's investment objective, and of the size of the companies in which the Fund intends to invest.

Although the Fund will generally invest in stocks which constitute the benchmark, it will not be constrained by the benchmark. The Fund is actively managed and may invest up to 40% of its assets outside of the benchmark. The benchmark will however be used for measuring outperformance.

The aforementioned benchmark is provided by FTSE International Limited an administrator which appears on the register as defined in Art. 36 of the Benchmark Regulation.

## Income allocation date

Accumulation Shares: 31 August

## Income payment date

Accumulation Shares: 31 December (normally 31 October)

## Share Class Features

Share Classes and type of Shares	A (Acc) <sup>2)</sup>	C (Acc)	O (Acc) <sup>2)</sup>	W (Acc) <sup>2)</sup>
Launch date	20 June 2002	13 February 2013	3 May 2018	31 January 2019
ISA Eligible	Yes	Yes <sup>4)</sup>	Yes	Yes
Annual Management Charge <sup>3)</sup>	1.50 % p.a.	0.75 % p.a.	0.20 % p.a. minus those Additional Expenses which form part of the Ongoing Charge and are payable in respect of the O shares, details of which are set out under "Fees and Expenses"	0.54 % p.a. minus those Additional Expenses which form part of the Ongoing Charge and are payable in respect of the W shares, details of which are set out under "Fees and Expenses"
Outperformance Fee	-	-	20 % Participation Rate as defined in the section "Fees and Expenses"	-

Share Classes and type of Shares	A (Acc) <sup>2)</sup>	C (Acc)	O (Acc) <sup>2)</sup>	W (Acc) <sup>2)</sup>
Investment minima <sup>1)</sup>				
Lump sum	£500	£500	£10,000,000	£10,000,000
Holding	£500	£500	£10,000,000	£10,000,000
Top-up	£500	£500	£500	£500
Monthly saving	£50	£50	-	-
Redemption	£250	£250	£500	£500

<sup>1)</sup>May be reduced or waived by the ACD; different investment minima may apply in respect of Shares held through an ISA.

<sup>2)</sup> Available to Approved Investors only.

<sup>3)</sup> This may decrease at the discretion of the ACD.

<sup>4)</sup>This Share Class may be invested by way of the Allianz Global Investors ISA wrapper.

## Past Performance

Share Classes and type of Shares	A (Acc)	C (Acc)	O (Acc)	W (Acc)
1 January 2012 – 31 December 2012	20.7 %	-	-	-
1 January 2013 – 31 December 2013	32.7 %	21.2 % <sup>1)</sup>	-	-
1 January 2014 – 31 December 2014	0.8 %	1.6 %	-	-
1 January 2015 – 31 December 2015	15.7 %	16.6 %	-	-
1 January 2016 – 31 December 2016	5.2 %	6.1 %	-	-
1 January 2017 – 31 December 2017	18.3 %	19.3 %	-	-
1 January 2018 – 31 December 2018	-24.5 %	-23.9 %	-24.2 % <sup>2)</sup>	-
1 January 2019 – 31 December 2019	25.1%	26.1%	26.9%	-
1 January 2020 – 31 December 2020	9.3%	10.0%	8.8%	10.3%
1 January 2021 – 31 December 2021	8.3%	9.1%	9.9%	9.4%

<sup>1)</sup>Performance measurement period 13 February 2013 to 31 December 2013.

<sup>2)</sup>Performance measurement period 3 May 2018 to 31 December 2018.

Past performance is no guide to future performance and should not, therefore, be seen as an indication of future performance. Performance information is calculated on a total return basis and updated by the ACD annually. For the most up to date performance, please contact the ACD.

## Investor Profile

The Fund is suitable for investors who see collective investment schemes as a convenient way of participating in equity markets. It is suitable for retail investors and institutional investors wishing to attain defined investment objectives and it is intended that the Fund will be marketed and made available to such investors. The Fund is aimed at investors with basic knowledge and/or experience of financial products. The investor must be able to accept significant losses, thus the Fund is suitable for investors who can set aside the capital for at least 5 years. It is designed for the investment objective of building up capital. In terms of risk assessment, the Fund is assigned to a certain risk class on a scale of 1 (conservative; very low to low expectation of returns) to 7 (very tolerant of risk; highest expectation of returns) which is published on the website <https://regulatory.allianzgi.com> in respect of the relevant Class of Shares.

If you are uncertain about whether this product is suitable for you, please contact a financial adviser.

FCA Product Reference Number ("PRN"): 632166.

# Appendix II – Eligible Securities Markets and Eligible Derivatives Markets

Approved transferable securities and approved derivatives are classified by reference to the eligible securities markets and eligible derivatives markets in this Appendix.

The eligible securities and derivatives markets available to each Fund are shown below:

Eligible Securities Market	Allianz Continental European Fund	Allianz Gilt Yield Fund	Allianz Index-Linked Gilt Fund	Allianz Strategic Bond Fund	Allianz UK Listed Equity Income Fund	Allianz UK Listed Opportunities Fund	Allianz UK Mid-Cap Fund*)
Argentina							
Buenos Aires Stock Exchange				✓			
Australia							
Australian Securities Exchange		✓	✓	✓			
Brazil							
BM&FBOVESPA Sao Paulo			✓	✓			
Bolsa de Valores do Rio de Janeiro			✓	✓			
Canada							
Montreal Stock Exchange		✓	✓	✓	✓	✓	✓
Toronto Stock Exchange		✓	✓	✓	✓	✓	✓
Chile							
Santiago Stock Exchange			✓	✓			
China							
Bond Connect				✓			
CIBM Direct				✓			
Colombia							
Colombia Stock Exchange			✓	✓			
EEA							
Any Stock Exchange in an EEA State*	✓	✓	✓	✓	✓	✓	✓
Egypt							
Egypt Stock Exchange				✓			
Hong Kong							
Hong Kong Stock Exchange				✓			
India							
Bombay Stock Exchange				✓			
Calcutta Stock Exchange				✓			
Delhi Stock Exchange				✓			
Madras Stock Exchange				✓			
National Stock Exchange of India				✓			



Eligible Securities Market	Allianz Continental European Fund	Allianz Gilt Yield Fund	Allianz Index-Linked Gilt Fund	Allianz Strategic Bond Fund	Allianz UK Listed Equity Income Fund	Allianz UK Listed Opportunities Fund	Allianz UK Mid-Cap Fund*)
Indonesia							
Indonesia Stock Exchange				✓			
Israel							
Tel Aviv Stock Exchange			✓	✓			
Japan							
Osaka Securities Exchange (Japan)				✓			
Tokyo Stock Exchange (Japan)			✓	✓			
Kazakhstan							
Kazakhstan Stock Exchange				✓			
Korea							
Korea Exchange			✓	✓			
Kuwait							
Kuwait Stock Exchange				✓			
Malaysia							
Bursa Malaysia				✓			
Mexico							
Mexico Stock Exchange			✓	✓			
New Zealand							
New Zealand Exchange		✓	✓	✓			
Nigeria							
Nigerian Stock Exchange				✓			
Norway							
Oslo Exchange		✓	✓				
Panama							
Bolsa de Valores de Panama				✓			
Peru							
Bolsa de Valores, de Lima				✓			
Philippines							
Philippine Stock Exchange				✓			
Poland							
Warsaw Exchange				✓			
Puerto Rico							
Puerto Rico Stock Exchange				✓			
Qatar							
Qatar Stock Exchange				✓			
Russia							
RTS Stock Exchange of Russia			✓	✓			

Eligible Securities Market	Allianz Continental European Fund	Allianz Gilt Yield Fund	Allianz Index-Linked Gilt Fund	Allianz Strategic Bond Fund	Allianz UK Listed Equity Income Fund	Allianz UK Listed Opportunities Fund	Allianz UK Mid-Cap Fund*)
Saudi Arabia							
Tadawul				✓			
Serbia							
Belgrade Stock Exchange				✓			
Singapore							
Singapore Exchange		✓	✓	✓			
South Africa							
Bond Exchange of South Africa			✓	✓			
Johannesburg Stock Exchange				✓			
Sri Lanka							
Colombo Stock Exchange				✓			
Switzerland							
SIX Swiss Exchange	✓	✓	✓	✓	✓	✓	✓
Taiwan							
Taiwan Stock Exchange				✓			
Thailand							
Stock Exchange of Thailand			✓	✓			
Turkey							
Istanbul Stock Exchange	✓		✓	✓			
United Arab Emirates							
Abu Dhabi Securities Exchange				✓			
Dubai Financial Market				✓			
Dubai International Financial Centre				✓			
United Kingdom							
Any Stock Exchange in the United Kingdom	✓	✓	✓	✓	✓	✓	✓
United States of America							
American Stock Exchange		✓	✓	✓	✓	✓	✓
New York Stock Exchange		✓	✓	✓	✓	✓	✓
Philadelphia Stock Exchange		✓	✓	✓	✓	✓	✓
Uruguay							
La Bolsa de Valores (BVM)							
La Bolsa Electrónica de Valores del Uruguay Sociedad Anónima (BEVSA)				✓			
Vietnam							
Hanoi Stock Exchange				✓			
Ho Chi Minh Stock Exchange				✓			

\*) The Fund merged into the Allianz UK Listed Opportunities Fund effective from 26 August 2022 and will be terminated in the near future upon receipt of FCA approval. Therefore, no subscriptions are currently being accepted into this Fund.

Eligible Derivative Markets	Allianz Continental European Fund	Allianz Gilt Yield Fund	Allianz Index-Linked Gilt Fund	Allianz Strategic Bond Fund	Allianz UK Listed Equity Income Fund	Allianz UK Listed Opportunities Fund	Allianz UK Mid-Cap Fund**)
Argentina							
Rosario Futures Exchange				✓			
Australia							
Australian Securities Exchange		✓	✓	✓			
Sydney Futures Exchange				✓			
Brazil							
BM&FBOVESPA Sao Paulo				✓			
Canada							
Montreal Stock Exchange		✓	✓	✓			
Toronto Stock Exchange		✓	✓	✓			
China							
China Futures Financial Exchange				✓			
EEA							
Any Derivative Exchange in an EEA State*	✓	✓	✓	✓	✓	✓	✓
OTC market any EEA State*				✓			
Hong Kong							
Hong Kong Stock Exchange				✓			
Hong Kong Futures Exchange				✓			
India							
Bombay Stock Exchange				✓			
National Stock Exchange of India				✓			
Japan							
Osaka Securities Exchange				✓			
Tokyo International Financial Futures Exchange				✓			
Tokyo OTC Market		✓	✓	✓			
Tokyo Stock Exchange				✓			
Korea							
Korea Exchange				✓			
Mexico							
Mexican Derivatives Exchange				✓			
New Zealand							
New Zealand Exchange				✓			
Russia							
RTS Stock Exchange of Russia (FORTS)				✓			
Singapore							
Singapore Exchange Limited				✓			

South Africa							
Johannesburg Stock Exchange Interest Rate Market				✓			
Switzerland							
Eurex Zurich AG		✓		✓			
United Kingdom							
Any Derivative Exchange in the United Kingdom	✓	✓	✓	✓	✓	✓	✓
Any OTC market in the United Kingdom				✓			
United States of America							
CBOE – Chicago Board Options Exchange				✓			
CBOT – Chicago Board of Trade		✓	✓	✓			
CME – Chicago Mercantile Exchange				✓			
NASDAQ OMX		✓	✓	✓	✓	✓	✓
New York Stock Exchange				✓			
New York Stock Futures Exchange				✓			
OTC market conducted daily by primary and secondary dealers comprising dealers which are regulated by the US Securities and Exchange Commission		✓	✓	✓			

\*) Excluding Cyprus and Malta

\*\*) The Fund merged into the Allianz UK Listed Opportunities Fund effective from 26 August 2022 and will be terminated in the near future upon receipt of FCA approval. Therefore, no subscriptions are currently being accepted into this Fund.

# Appendix III

## Part 1: Investment Management and Borrowing Powers of Allianz Continental European Fund, Allianz UK Listed Equity Income Fund, Allianz UK Listed Opportunities Fund and Allianz UK Mid-Cap Fund\*)

\*) The Fund merged into the Allianz UK Listed Opportunities Fund effective from 26 August 2022 and will be terminated in the near future upon receipt of FCA approval. Therefore, no subscriptions are currently being accepted into this Fund.

### 1. Investment restrictions

**1.1** The Scheme Property of each Fund will be invested with the aim of achieving the investment objective of that Fund but subject to the limits set out in the Fund's investment policy and the limits set out in Chapter 5 of the COLL Sourcebook ("COLL 5"). These limits apply to each Fund, subject to its investment policy, as summarised below.

#### **1.2 General Exclusion of certain issuers**

All Funds shall refrain from direct investing in securities of issuers which engage in undesirable business activities. Undesirable business activities comprise particularly of the following:

- Certain controversial weapons: The type of controversial weapons which are in the scope of the exclusion policy may be updated from time to time and can be consulted on the website [https://regulatory.allianzgi.com/ESG/Exclusion\\_Policy](https://regulatory.allianzgi.com/ESG/Exclusion_Policy).
- Coal: Issuers engaged in business activities related to coal will only be in scope of the exclusion policy if they exceed certain quantitative criteria. Such criteria may be updated from time to time and can be consulted on the website [https://regulatory.allianzgi.com/ESG/Exclusion\\_Policy](https://regulatory.allianzgi.com/ESG/Exclusion_Policy).

The exclusion policy applies to corporate issuers only. The Funds might invest in securities baskets such as indices which can contain securities falling under the aforementioned exclusion criteria. To undertake this exclusion, various external data and research providers are used. Debt Securities of issuers which are in scope of the exclusion policy may be kept until the earlier of either maturity of the respective instrument or 30 June 2022 provided that such instrument was acquired on behalf of the relevant Fund prior to the implementation of the exclusion policy on 15 December 2021.

#### **1.3 Prudent spread of risk**

The ACD must ensure that, taking account of the investment objectives and policy of each Fund, the Scheme Property of each Fund aims to provide a prudent spread of risk.

### 2. Treatment of obligations

**2.1.1** Where the COLL Sourcebook allows a transaction to be entered into or an investment to be retained only (for example, investment in warrants and nil and partly paid securities and the general power to accept or underwrite) if possible obligations arising out of the investment transactions or out of the retention would not cause any breach of any limits in COLL 5, it must be assumed that the maximum possible liability of the Funds under any other of those rules has also to be provided for.

**2.1.2** Where a rule in the COLL Sourcebook permits an investment transaction to be entered into or an investment to be retained only if that investment transaction, or the retention, or other similar transactions, are covered:

- 2.1.2.1** it must be assumed that in applying any of those rules, each Fund must also simultaneously satisfy any other obligation relating to cover; and
- 2.1.2.2** no element of cover must be used more than once.

### 3. UK UCITS schemes: permitted types of Scheme Property

- 3.1 Subject to the investment objectives and policy of a Fund, the Scheme Property of a Fund must, except where otherwise provided in COLL 5 (and please see below regarding investment in collective investment schemes and the use of derivatives for Efficient Portfolio Management), only consist solely of any or all of:
- 3.1.1 transferable securities;
  - 3.1.2 approved money-market instruments;
  - 3.1.3 units in collective investment schemes;
  - 3.1.4 derivatives and forward transactions;
  - 3.1.5 deposits; and
  - 3.1.6 movable and immovable property that is necessary for the direct pursuit of the Company's business;
- in accordance with the rules in COLL 5.2.
- 3.2 The requirements on spread do not apply until the expiry of a period of six months after the date of effect of the authorisation order in respect of a Fund (or on which the initial offer commenced if later) provided that the requirement to maintain prudent spread of risk is complied with.
- 3.3 It is not intended that the Funds will have an interest in any immovable property or tangible movable property.

### 4. Transferable Securities

- 4.1 A transferable security is an investment falling within article 76 (Shares etc), article 77 (instruments creating or acknowledging indebtedness), article 77a (alternative finance investment bonds), article 78 (government and public securities), article 79 (instruments giving entitlement to investments) and article 80 (certificates representing certain securities) of the Regulated Activities Order.
- 4.2 An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.
- 4.3 In applying paragraph 4.2 to an investment which is issued by a body corporate, and which is an investment falling within articles 76 (shares, etc) or 77 (instruments creating or acknowledging indebtedness) of the Regulated Activities Order, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.
- 4.4 An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.

### 5. Investment in transferable securities

- 5.1 A Fund may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:
- 5.1.1 the potential loss which a Fund may incur with respect to holding the transferable security is limited to the amount paid for it;
  - 5.1.2 its liquidity does not compromise the ability of the ACD to comply with its obligation to redeem units at the request of any qualifying Shareholder (see COLL 6.2.16R(3));
  - 5.1.3 reliable valuation is available for it as follows:

- 5.1.3.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;
- 5.1.3.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;
- 5.1.4 appropriate information is available for it as follows:
  - 5.1.4.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;
  - 5.1.4.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to the ACD on the transferable security or, where relevant, on the portfolio of the transferable security;
- 5.1.5 it is negotiable; and
- 5.1.6 its risks are adequately captured by the risk management process of the ACD.
- 5.2 Unless there is information available to the ACD that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed:
  - 5.2.1 not to compromise the ability of the ACD to comply with its obligation to redeem shares at the request of any qualifying Shareholder; and
  - 5.2.2 to be negotiable.
- 5.3 Not more than 5% in value of a Fund is to consist of warrants.

## 6. Closed end funds constituting transferable securities

- 6.1 A unit in a closed end fund shall be taken to be a transferable security for the purposes of investment by a Fund, provided it fulfils the criteria for transferable securities set out in paragraph 5 (investment in transferable securities), and either:
  - 6.1.1 where the closed end fund is constituted as an investment company or a unit trust:
    - 6.1.1.1 it is subject to corporate governance mechanisms applied to companies; and
    - 6.1.1.2 where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or
  - 6.1.2 where the closed end fund is constituted under the law of contract:
    - 6.1.2.1 it is subject to corporate governance mechanisms equivalent to those applied to companies; and
    - 6.1.2.2 it is managed by a person who is subject to national regulation for the purpose of investor protection.

## 7. Transferable securities linked to other assets

- 7.1 A Fund may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by a Fund provided the investment:
  - 7.1.1 fulfils the criteria for transferable securities set out in paragraph 5 (investment in transferable securities) above; and

7.1.2 is backed by or linked to the performance of other assets, which may differ from those in which a Fund can invest.

7.2 Where an investment in 7.1 contains an embedded derivative component (see COLL 5.2.19R(3A)), the requirements of COLL 5 with respect to derivatives and forwards will apply to that component.

## 8. Approved Money Market Instruments

8.1 An approved money-market instrument is a money-market instrument which is normally dealt in on the money market, is liquid and has a value which can be accurately determined at any time.

8.2 A money-market instrument shall be regarded as normally dealt in on the money market if it:

8.2.1 has a maturity at issuance of up to and including 397 days;

8.2.2 has a residual maturity of up to and including 397 days;

8.2.3 undergoes regular yield adjustments in line with money market conditions at least every 397 days; or

8.2.4 has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in 8.2.1 or 8.2.2 or is subject to yield adjustments as set out in 8.2.3.

8.3 A money-market instrument shall be regarded as liquid if it can be sold at limited cost in an adequately short time frame, taking into account the obligation of the ACD to redeem units at the request of any qualifying Shareholder (see COLL 6.2.16R(3)).

8.4 A money-market instrument shall be regarded as having a value which can be accurately determined at any time if accurate and reliable valuations systems, which fulfil the following criteria, are available:

8.4.1 enabling the ACD to calculate a net asset value in accordance with the value at which the instrument held in the portfolio could be exchanged between knowledgeable willing parties in an arm's length transaction; and

8.4.2 based either on market data or on valuation models including systems based on amortised costs.

8.5 A money-market instrument that is normally dealt in on the money market and is admitted to or dealt in on an eligible market shall be presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the ACD that would lead to a different determination.

## 9. Transferable securities and money market instruments generally to be admitted or dealt in on an Eligible Market

9.1 Transferable securities and approved money market instruments held within a Fund must be:

9.1.1 admitted to or dealt on an eligible market (as described in paragraph 10.3); or

9.1.2 dealt on an eligible market as described (in paragraph 10.3.2).

9.1.3 for an approved money market instrument not admitted to or dealt in on an eligible market, within 11.1; or

9.1.4 recently issued transferable securities provided that:

9.1.4.1 the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and

9.1.4.2 such admission is secured within a year of issue.

9.2 However, a Fund may invest no more than 10% of its value in transferable securities and approved money-market instruments other than those referred to in 9.1



## 10. Eligible markets regime: purpose and requirements

- 10.1** To protect investors the markets on which investments of a Fund are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold.
- 10.2** Where a market ceases to be eligible, investments on that market cease to be approved securities. The 10% restriction on investing in non-approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.
- 10.3** A market is eligible for the purposes of the rules if it is:
- 10.3.1 a regulated market (as defined for the purposes of COLL);
  - 10.3.2 a market in the United Kingdom an EEA State which is regulated, operates regularly and is open to the public; or
  - 10.3.3 any market within 10.4.
- 10.4** A market not falling within paragraph 10.3 is eligible for the purposes of COLL 5 if:
- 10.4.1 the ACD, after consultation with and notification to the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property;
  - 10.4.2 the market is included in a list in the prospectus; and
  - 10.4.3 the Depositary has taken reasonable care to determine that:
    - 10.4.4 adequate custody arrangements can be provided for the investment dealt in on that market; and
    - 10.4.5 all reasonable steps have been taken by the ACD in deciding whether that market is eligible.
- 10.5** In paragraph 10.4.1, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised as a market or exchange or as a self-regulatory organisation by an overseas regulator, is open to the public, and is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.
- 10.6** The eligible markets in which the Funds may invest are set out in Appendix II.

## 11. Money-market instruments with a regulated issuer

- 11.1** In addition to instruments admitted to or dealt in on an eligible market, a Fund may invest in an approved money-market instrument provided it fulfils the following requirements:
- 11.1.1 the issue or the issuer is regulated for the purpose of protecting investors and savings; and
  - 11.1.2 the instrument is issued or guaranteed in accordance with paragraph 12 (issuers and guarantors of money market instruments).
- 11.2** The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting investors and savings if:
- 11.2.1 the instrument is an approved money-market instrument;
  - 11.2.2 appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with paragraph 13 (appropriate information for money market instruments); and
  - 11.2.3 the instrument is freely transferable.

## 12. Issuers and guarantors of money-market instruments

12.1 A Fund may invest in an approved money-market instrument if it is:

12.1.1 issued or guaranteed by any one of the following:

12.1.1.1 a central authority of the United Kingdom or an EEA State or, if the EEA State is a federal state, one of the members making up the federation;

12.1.1.2 a regional or local authority of the United Kingdom or an EEA State;

12.1.1.3 the Bank of England, the European Central Bank or a central bank of an EEA State;

12.1.1.4 the European Union or the European Investment Bank;

12.1.1.5 a non-EEA State or, in the case of a federal state, one of the members making up the federation;

12.1.1.6 a public international body to which the UK or one or more EEA States belong; or

12.1.2 issued by a body, any securities of which are dealt in on an eligible market; or

12.1.3 issued or guaranteed by an establishment which is:

12.1.3.1 subject to prudential supervision in accordance with criteria defined by UK or EU law; or

12.1.3.2 subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by UK or EU law.

12.2 An establishment shall be considered to satisfy the requirement in 12.1.3.2 if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:

12.2.1 it is located in the EEA;

12.2.2 it is located in an OECD country belonging to the Group of Ten;

12.2.3 it has at least investment grade rating;

12.2.4 on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by UK or EU law.

## 13. Appropriate information for money-market instruments

13.1 In the case of an approved money-market instrument within 12.1.2 or issued by a body of the type referred to in COLL 5.2.10E(G); or which is issued by an authority within 12.1.1.2 or a public international body within 12.1.1.6 but is not guaranteed by a central authority within 12.1.1.1, the following information must be available:

13.1.1 information on both the issue or the issuance programme, and the legal and financial situation of the issuer prior to the issue of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;

13.1.2 updates of that information on a regular basis and whenever a significant event occurs; and

13.1.3 available and reliable statistics on the issue or the issuance programme.

13.2 In the case of an approved money-market instrument issued or guaranteed by an establishment within 12.1.3, the following information must be available:

13.2.1 information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the instrument;

13.2.2 updates of that information on a regular basis and whenever a significant event occurs; and

13.2.3 available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risks related to investment in those instruments.

13.3 In the case of an approved money-market instrument:

13.3.1 within 12.1.1.1, 12.1.1.4 or 12.1.1.5; or

13.3.2 which is issued by an authority within 12.1.1.2 or a public international body within 12.1.1.6 and is guaranteed by a central authority within 12.1.1.1;

information must be available on both the issue or the issuance programme, and on the legal and financial situation of the issuer prior to the issue of the instrument.

## 14. Spread: general

14.1 This paragraph 14 on spread does not apply to government and public securities.

14.2 For the purposes of this requirement companies included in the same group for the purposes of consolidated accounts as defined in accordance with section 399 of Companies Act 2006, Directive 2013/34/EU or in the same group in accordance with international accounting standards are regarded as a single body.

14.3 Not more than 20% in value of the Scheme Property of a Fund is to consist of deposits with a single body.

14.4 Not more than 5% in value of the Scheme Property of a Fund is to consist of transferable securities or approved money market instruments issued by any single body.

14.5 The limit of 5% in paragraph 14.4 is raised to 10% in respect of up to 40% in value of the Scheme Property. Covered bonds need not to be taken into account for the purpose of applying the limit of 40%.

14.6 The limit of 5% in 14.4 is raised to 25% in value of the Scheme Property in respect of covered bonds, provided that when a Fund invests more than 5% in covered bonds issued by a single body. The total value of covered bonds held must not exceed 80% in value of the Scheme Property.

14.7 In applying paragraphs 14.4 and 14.5 certificates representing certain securities are treated as equivalent to the underlying security.

14.8 The combined exposure to any one counterparty in OTC derivative transactions and efficient portfolio management techniques ("EPM techniques") (including securities lending, repurchase and/or reverse repurchase transactions) must not exceed 5% in value of the Scheme Property. This limit is raised to 10% where the counterparty is an Approved Bank.

14.9 Not more than 20% in value of the Scheme Property of the Fund is to consist of transferable securities and approved money market instruments issued by the same group (as referred to in paragraph 14.2).

14.10 According to the COLL Sourcebook, not more than 20% in value of the Scheme Property of a Fund is to consist of the units of any one collective investment scheme. Each of the Funds has its own limit as to the extent to which it will invest in any one collective investment scheme. The current limit for all Funds is 5%. This limit can be raised in accordance with the COLL Sourcebook.

14.11 In applying the limits in paragraphs 14.3, 14.4, 14.5, 14.7 and 14.8 and subject to 14.6, not more than 20% in value of the Scheme Property is to consist of any combination of two or more of the following:

14.11.1 transferable securities (including covered bonds) or approved money market instruments issued by; or

14.11.2 deposits made with; or

14.11.3 exposures from OTC derivatives transactions; or

14.11.4 EPM techniques;  
made with a single body.

## 15. Counterparty risk and issuer concentration

- 15.1 The ACD must ensure that counterparty risk arising from OTC derivatives and EPM techniques is subject to the limits set out in paragraphs 14.8 and 14.11 above.
- 15.2 When calculating the exposure of a Fund to a counterparty in accordance with the limits in paragraph 14.8 the ACD must use the positive mark-to-market value of the OTC derivative contract with that counterparty.
- 15.3 The ACD may net the OTC derivative positions of a Fund with the same counterparty, provided they are able legally to enforce netting agreements with the counterparty on behalf of the Fund.
- 15.4 The netting agreements in paragraph 15.3 above are permissible only with respect to OTC derivatives with the same counterparty and not in relation to any other exposures the Fund may have with that same counterparty.
- 15.5 The ACD may reduce the exposure of scheme property to a counterparty of an OTC derivative through the receipt of collateral. Collateral received must be sufficiently liquid so that it can be sold quickly at a price that is close to its pre-sale valuation.
- 15.6 The ACD must take collateral into account in calculating exposure to counterparty risk in accordance with the limits in paragraph 14.8 when it passes collateral to an OTC counterparty on behalf of a Fund.
- 15.7 Collateral passed in accordance with paragraph 15.6 may be taken into account on a net basis only if the ACD is able legally to enforce netting arrangements with this counterparty on behalf of that Fund.
- 15.8 In relation to the exposure arising from OTC derivatives as referred to in paragraph 14.8 the ACD must include any exposure to OTC derivative counterparty risk in the calculation.
- 15.9 The ACD must calculate the issuer concentration limits referred to in paragraph 14.8 on the basis of the underlying exposure created through the use of OTC derivatives pursuant to the commitment approach.

## 16. Spread: Government and public securities

- 16.1 The above restrictions do not apply to transferable securities or approved money markets instruments issued by;
  - 16.1.1 the United Kingdom or an EEA State;
  - 16.1.2 a local authority of the United Kingdom or an EEA State;
  - 16.1.3 a non-EEA State; or
  - 16.1.4 a public international body to which the UK or one or more EEA States belong, hereinafter referred to as "such securities". The restrictions in relation to such securities are set out below.
- 16.2 Where no more than 35% in value of the Scheme Property of a Fund is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.
- 16.3 Any Fund may invest more than 35% in value of the Scheme Property of a Fund in such securities issued by any one body provided that:
  - 16.3.1 the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the Funds;
  - 16.3.2 no more than 30% in value of the Scheme Property consists of such securities of any one issue;

16.3.3 the Scheme Property of a Fund includes such securities issued by that or another issuer, of at least six different issues; and

16.3.4 the disclosures required by COLL have been made.

16.4 In relation to such securities:

16.4.1 issue, issued and issuer include guarantee, guaranteed and guarantor; and

16.4.2 an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of the issue.

16.5 Notwithstanding paragraph 14.1 above, and subject to paragraphs 16.2 and 16.3, in applying the 20% limit in 14.11 with respect to a single body, government and public securities issued by that body shall be taken into account.

## 17. Investment in collective investment schemes

17.1 No more than 10% of the value of the Scheme Property of a Fund may be invested in units or shares in other collective investment schemes ("Second Scheme"). The Second Scheme must comply with the conditions referred to in this paragraph 17.

17.2 The Second Scheme must:

17.2.1 be a UK UCITS scheme or satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or

17.2.2 be a recognised scheme that is authorised by the supervisory authorities of Guernsey, Jersey or the Isle of Man (provided the requirements of COLL 5.2.13A R are met); or

17.2.3 be an authorised non-UCITS retail scheme (provided the requirements of COLL 5.2.13A R(1), (3) and (4) are met); or

17.2.4 be authorised in an EEA State (provided the requirements of COLL 5.2.13A R are met); or

17.2.5 be authorised by the competent authority of an OECD member country (other than an EEA State) which has:

17.2.5.1 signed the IOSCO Multilateral Memorandum of Understanding; and

17.2.5.2 approved the Second Scheme's management company, rules and depositary/custody arrangements (provided the requirements of COLL 5.2.13A R are met).

17.3 The Second Scheme must comply where relevant with paragraph 18.1 (Investment in associated collective investment schemes) below.

17.4 The Second Scheme must have terms which prohibit more than 10% in value of the Scheme Property consisting of units in collective investment schemes.

17.5 For the purposes of paragraphs 17.3 and 17.4 each sub-fund of an umbrella scheme is to be treated as if it were a separate scheme but no sub-fund of an umbrella scheme may invest in another sub-fund of that umbrella scheme.

## 18. Investment in associated collective investment schemes

18.1 A Fund must not invest in or dispose of units in another collective investment scheme if that collective investment scheme is managed or operated by (or, if it is an open-ended investment company has as its authorised corporate director) the ACD of the Company or an associate of the ACD, unless the prospectus of the investing authorised fund clearly states that the property of that investing fund may include such units; and the rules in paragraph 19 are complied with.

- 18.2 Where a Fund invests in or disposes of units in another Fund of the Company (the “Second Fund”) the Prospectus must clearly state that the scheme property attributable to the investing or disposing Fund may include units in another Fund; and the rules in paragraph 19 are complied with.
- 18.3 In accordance with COLL 5.2.15R the Fund may include units in collective investment schemes managed or operated by (or, if it is an open-ended investment company has as its authorised corporate director), the ACD or an associate of the ACD.

## 19. Investment in other group schemes

- 19.1 Where an investment or disposal is made under paragraph 18, and there is a charge in respect of such investment or disposal, the ACD of the Fund making the investment or disposal must pay the Fund the amounts referred to in paragraphs 19.2 and 19.3 within four business days following the date of the agreement to invest or dispose.
- 19.2 When an investment is made, the amount referred to in paragraph 19.1 is, either:
- 19.2.1 any amount by which the consideration paid by the Fund for the units in the Second Scheme or the Second Fund exceeds the price that would have been paid for the benefit of the Second Scheme or the Second Fund had the units been newly issued or sold by it; or
  - 19.2.2 if such price cannot be ascertained by the ACD, the maximum amount of any charge permitted to be made by the seller of units in the Second Scheme or the Second Fund;
- 19.3 When a disposal is made, the amount referred to in paragraph 19.1 is any charge made for the account of the authorised fund manager or operator of the Second Scheme or the Second Fund or an Associate of any of them in respect of the disposal; and
- 19.4 In paragraphs 19.1 to 19.2.2 above:
- 19.4.1 any addition to or deduction from the consideration paid on the acquisition or disposal of units in the Second Scheme or the Second Fund, which is applied for the benefit of the Second Scheme or the Second Fund and is, or is like, a dilution levy or dilution adjustment, is to be treated as part of the price of the units and not as part of any charge; and
  - 19.4.2 any switching charge made in respect of an exchange of units in one Fund or separate part of the Second Scheme or the Second Fund for units in another Fund or separate part of that scheme or Second Fund is to be included as part of the consideration paid for the units.

## 20. Investment in nil and partly paid securities

- 20.1 A transferable security or an approved money market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by a Fund, at the time when payment is required, without contravening the rules in COLL 5.

## 21. Derivatives: general

- 21.1 Under the COLL Sourcebook derivatives are permitted for UK UCITS schemes for investment purposes and derivative transactions may be used for the purposes of hedging or meeting the investment objective or both. The Funds do not currently intend to use Scheme Property to invest in derivatives and forward transactions under the COLL Sourcebook, other than for the purposes of efficient portfolio management techniques (see paragraph 22, “Efficient Portfolio Management” below) which is not expected to have a detrimental effect on the risk profile of the Funds.
- 21.2 A transaction in derivatives or a forward transaction must not be effected for a Fund unless the transaction is of a kind specified in paragraph 23 (Permitted transactions (derivatives and forwards)) below, and the transaction is covered, as required by paragraph 38 (Cover for transactions in derivatives and forward transactions) of this Appendix.

- 21.3 Where a Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in the COLL Sourcebook in relation to spread (COLL 5.2.11R Spread: general, COLL 5.2.12R Spread: government and public securities) except for index based derivatives where the rules below apply.
- 21.4 Where a transferable security or approved money market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.
- 21.5 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:
- 21.5.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;
  - 21.5.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
  - 21.5.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.
- 21.6 A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component shall be deemed to be a separate instrument.
- 21.7 Where a Fund invests in an index based derivative, provided the relevant index falls within paragraph 24 (Financial Indices underlying derivatives), the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.2.11R and COLL 5.2.12R.
- 21.8 The relaxation in paragraph 21.6 is subject to the ACD's taking account of paragraph 1.3 (prudent spread of risk).

## 22. Efficient Portfolio Management

- 22.1 The Company may utilise the property of each Fund to enter into transactions for the purposes of Efficient Portfolio Management ("EPM"). Permitted EPM transactions include transactions in derivatives e.g. to hedge against price or currency fluctuations, dealt with or traded on an eligible derivatives market; off-exchange options or contracts for differences resembling options; or synthetic futures in certain circumstances. There is no limit on the amount or value of the property of the Scheme which may be used for EPM but the ACD must take reasonable care to ensure that the transaction is economically appropriate to the reduction of the relevant risks (whether in the price of investments, interest rates or exchange rates) or to the reduction of the relevant costs and/or to the generation of additional capital or income with an acceptably low level of risk. The exposure must be fully "covered" by cash and/or other property sufficient to meet any obligation to pay or deliver that could arise.
- 22.2 Permitted transactions are those that the Company reasonably regards as economically appropriate to EPM, that is:
- 22.2.1 Transactions undertaken to reduce risk or cost in terms of fluctuations in prices, interest rates or exchange rates where the ACD reasonably believes that the transaction will diminish a risk or cost of a kind or level which it is sensible to reduce; or
  - 22.2.2 Transactions for the generation of additional capital growth or income for a Fund by taking advantage of gains which the ACD reasonably believes are certain to be made (or certain, barring events which are not reasonably foreseeable) as a result of:
    - 22.2.2.1 pricing imperfections in the market as regards the property which a Fund holds or may hold; or
    - 22.2.2.2 receiving a premium for the writing of a covered call option or a covered put option on property of a Fund which the Company is willing to buy or sell at the exercise price, or

#### 22.2.2.3 Securities lending, repurchase and reverse repurchase transactions.

A permitted arrangement in this context may at any time be closed out.

- 22.3 Transactions may take the form of “derivatives transactions” (that is, transactions in options, futures or contracts for differences) or forward currency transactions. A derivatives transaction must either be in a derivative which is traded or dealt in on an eligible derivatives market (and effected in accordance with the rules of that market), or be an off-exchange derivative which complies with the relevant conditions set out in the FCA Rules, or be a “synthetic future” (i.e. a composite derivative created out of two separate options). Forward currency transactions must be entered into with counterparties who satisfy the FCA Rules. A permitted transaction may at any time be closed out.
- 22.4 A transaction may not be entered into for the purposes of EPM if its purpose could reasonably be regarded as speculative.

### 23. Permitted transactions (derivatives and forwards)

- 23.1 A transaction in a derivative must be in an approved derivative; or be one which complies with paragraph 27 (OTC transactions in derivatives).
- 23.2 A transaction in a derivative must have the underlying consisting of any one or more of the following to which the scheme is dedicated: transferable securities, approved money market instruments permitted under paragraphs 9.1.1-9.1.3, deposits, permitted derivatives under this paragraph, collective investment scheme units permitted under paragraph 17 (Investment in collective investment schemes), financial indices which satisfy the criteria set out in paragraph 24 (Financial Indices underlying derivatives), interest rates, foreign exchange rates, and currencies.
- 23.3 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
- 23.4 A transaction in a derivative must not cause a Fund to diverge from its investment objectives as stated in the Instrument constituting the scheme and the most recently published version of this Prospectus.
- 23.5 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, approved money market instruments, units in collective investment schemes, or derivatives, provided that a sale is not to be considered as uncovered if the conditions in paragraph 22.2 are satisfied as read in accordance with guidance at COLL 5.2.22A G.
- 23.6 Any forward transaction must be with an Eligible Institution or an Approved Bank.
- 23.7 A derivative includes an instrument which fulfils the following criteria:
- 23.8 It allows the transfer of the credit risk of the underlying independently from the other risks associated with that underlying;
- 23.9 It does not result in the delivery or transfer of assets other than those referred to in paragraph 3 above;
- 23.10 In the case of an OTC derivative, it complies with the requirements in paragraph 27 below;
- 23.11 Its risks are adequately captured by the risk management process of the ACD, and by its internal control mechanisms in the case of risks of asymmetry of information between the ACD and the counterparty to the derivative, resulting from potential access of the counterparty to non-public information on persons whose assets are used as the underlying by that derivative.
- 23.12 A Fund may not undertake transactions in derivatives on commodities.

### 24. Financial Indices underlying derivatives

- 24.1 The financial indices referred to in paragraph 23.2 are those which satisfy the following criteria:
- 24.1.1 the index is sufficiently diversified;



24.1.2 the index represents an adequate benchmark for the market to which it refers; and

24.1.3 the index is published in an appropriate manner.

24.2 A financial index is sufficiently diversified if:

24.2.1 it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;

24.2.2 where it is composed of assets in which a Fund is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this section; and

24.2.3 where it is composed of assets in which a Fund cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this section.

24.3 A financial index represents an adequate benchmark for the market to which it refers if:

24.3.1 it measures the performance of a representative group of underlyings in a relevant and appropriate way;

24.3.2 it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and

24.3.3 the underlyings are sufficiently liquid, allowing users to replicate it if necessary.

24.4 A financial index is published in an appropriate manner if:

24.4.1 its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and

24.4.2 material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.

24.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to paragraph 23.2, be regarded as a combination of those underlyings.

## 25. Transactions for the purchase of property

25.1 A derivative or forward transaction which will or could lead to the delivery of property for the account of a Fund may be entered into only if that property can be held for the account of that Fund, and the ACD having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the rules in the COLL Sourcebook.

## 26. Requirement to cover sales

26.1 No agreement by or on behalf of a Fund to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by that Fund by delivery of property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by a Fund at the time of the agreement. This requirement does not apply to a deposit.

## 27. OTC transactions in derivatives

27.1 Any transaction in an OTC derivative under paragraph 23.1 must be:

27.1.1 in a future or an option or a contract for differences;

- 27.1.2 with an approved counterparty; a counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the FCA Register, permits it to enter into the transaction as principal off-exchange;
- 27.1.3 on approved terms; the terms of the transaction in derivatives are approved only if, the ACD carries out, at least daily, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely only on market quotations by the counterparty; and can enter into a further transaction to sell, liquidate or close out that transaction at any time, at its fair value; and
- 27.1.4 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:
  - 27.1.4.1 on the basis of an up-to-date market value which has been agreed is reliable; or
  - 27.1.4.2 if the value referred to in paragraph 27.1.4.1 is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and
- 27.1.5 subject to verifiable valuation: a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by:
  - 27.1.5.1 an appropriate third party which is independent from the counterparty of the derivative at an adequate frequency and in such a way that the ACD is able to check it; or
  - 27.1.5.2 a department within the ACD which is independent from the department in charge of managing a Fund and which is adequately equipped for such a purpose.
- 27.1.6 For the purposes of this paragraph, “fair value” is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

## 28. Valuation of OTC derivatives

- 28.1 For the purposes of paragraph 27.1.3, the ACD must:
  - 28.1.1 establish, implement and maintain arrangements and procedures which ensure appropriate, transparent and fair valuation of the exposures of a Fund to OTC derivatives; and
  - 28.1.2 ensure that the fair value of OTC derivatives is subject to adequate, accurate and independent assessment.
- 28.2 Where the arrangements and procedures referred to in paragraph 28.1 involve the performance of certain activities by third parties, the ACD must comply with the requirements in SYSC 8.1.13 R (Additional requirements for a management company) and COLL 6.6A.4 R (5) and (6) (Due diligence requirements of AFMs of UCITS schemes).
- 28.3 The arrangements and procedures referred to in this rule must be:
  - 28.3.1 adequate and proportionate to the nature and complexity of the OTC derivative concerned; and
  - 28.3.2 adequately documented.

## 29. Risk management

- 29.1 The ACD uses a risk management process, enabling it to monitor and measure at any time the risk of a Fund’s positions and their contribution to the overall risk profile of a Fund.
- 29.2 The following details of the risk management process must be regularly notified by the ACD to the FCA and at least on an annual basis:

- 29.2.1 a true and fair view of the types of derivatives and forward transactions to be used within a Fund together with their underlying risks and any relevant quantitative limits; and
- 29.2.2 the methods for estimating risks in derivative and forward transactions.

## 30. Investment in deposits

- 30.1 The Funds may invest in deposits only with an Approved Bank and which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months.

## 31. Significant influence

- 31.1 The Company must not acquire transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if:
  - 31.1.1 immediately before the acquisition, the aggregate of any such securities held by the Company gives the Company power to significantly influence the conduct of business of that body corporate; or
  - 31.1.2 the acquisition gives the Company that power.
- 31.2 For the purposes of paragraph 31.1, the Company is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held by it, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

## 32. Concentration

A UK UCITS scheme:

- 32.1 must not acquire transferable securities (other than debt securities) which:
  - 32.1.1 do not carry a right to vote on any matter at a general meeting of the body corporate that issued them; and
  - 32.1.2 represent more than 10% of those securities issued by that body corporate;
- 32.2 must not acquire more than 10% of the debt securities issued by any single body;
- 32.3 must not acquire more than 25% of the units in a collective investment scheme;
- 32.4 must not acquire more than 10% of the approved money market instruments issued by any single body; and
- 32.5 need not comply with the limits in paragraphs 32.2 to 32.4 if, at the time of acquisition, the net amount in issue of the relevant investment cannot be calculated.

## 33. Derivative exposure

- 33.1 Subject to paragraph 22.1 the Funds may invest in derivatives and forward transactions as long as the exposure to which a Fund is committed by that transaction itself is suitably covered from within its Scheme Property. Exposure will include any initial outlay in respect of that transaction.
- 33.2 Cover ensures that a Fund is not exposed to the risk of loss of property, including money, to an extent greater than the net value of the Scheme Property. Therefore, a Fund must hold Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which that Fund is committed. Paragraph 38 (Cover for transactions in derivatives and forward transactions) below sets out detailed requirements for cover of that Fund.
- 33.3 A future is to be regarded as an obligation to which a Fund is committed (in that, unless closed out, the future will require something to be delivered, or accepted and paid for); a written option as an obligation to which the scheme is committed (in that it gives the right of potential exercise to another thereby creating exposure); and a bought

option as a right (in that the purchaser can, but need not, exercise the right to require the writer to deliver and accept and pay for something).

- 33.4 Cover used in respect of one transaction in derivatives or forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.

## 34. Daily calculation of global exposure

- 34.1 The ACD must calculate the global exposure of a Fund on at least a daily basis.
- 34.2 For the purposes of this section, exposure must be calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

## 35. Calculation of global exposure

- 35.1 The ACD must calculate the global exposure of any Fund it manages either as:
- 35.1.1 the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives as referred to in paragraph 21 (Derivatives: general), which may not exceed 100% of the net value of the scheme property of a Fund, by way of the commitment approach; or
  - 35.1.2 the market risk of the scheme property of a Fund, by way of the value at risk approach.
- 35.2 The ACD must ensure that the method selected above is appropriate, taking into account:
- 35.2.1 the investment strategy pursued by the Fund;
  - 35.2.2 the types and complexities of the derivatives and forward transactions used; and
  - 35.2.3 the proportion of the scheme property comprising derivatives and forward transactions.
- 35.3 Where a Fund employs techniques and instruments including repurchase/reverse repurchase or securities lending transactions in accordance with paragraph 47 (EPM techniques) in order to generate additional leverage or exposure to market risk, the ACD must take those transactions into consideration when calculating global exposure.
- 35.4 For the purposes of paragraph 35.1 value at risk means a measure of the maximum expected loss at a given confidence level over the specific time period.

## 36. Risk Management Process

The ACD will calculate the global exposure of each Fund. The ACD will use for each Fund either the commitment approach, the relative value at risk approach or the absolute value at risk approach. The applied risk management approach for each Fund is displayed in the table below. For those Funds for which the relative value at risk approach is used, the respective reference portfolio is additionally outlined below. Furthermore, for Funds which either use the relative value at risk approach or the absolute value at risk approach, the expected level of leverage of derivatives is disclosed.

The expected level of leverage of derivatives is calculated as the expected average sum of notionals of derivatives (not including the investment portfolio) (the "Sum of Notionals Approach"). Please note that the actual sum of notionals of derivatives might change over time and might temporarily exceed the expected level of leverage of derivatives. Shareholders should be aware that derivatives might be used for different purposes including hedging or investment purposes. The calculation of the expected level of leverage does not distinguish between the different purposes of a derivative. Therefore this figure delivers no indication regarding the true riskiness of the Fund.

Fund	Approach
Allianz Continental European Fund	Commitment
Allianz UK Listed Equity Income Fund	Commitment
Allianz UK Listed Opportunities Fund	Commitment
Allianz UK Mid-Cap Fund*)	Commitment

\*) The Fund merged into the Allianz UK Listed Opportunities Fund effective from 26 August 2022 and will be terminated in the near future upon receipt of FCA approval. Therefore, no subscriptions are currently being accepted into this Fund.

### 36.1 Value at Risk Approach

36.1.1 Under the relative VaR approach the global exposure of the UK UCITS is calculated as follows:

36.1.1.1 Calculate the VaR of the UK UCITS' current portfolio (which includes derivatives);

36.1.1.2 Calculate the VaR of a reference portfolio;

36.1.1.3 Check that the VaR of the UK UCITS portfolio is not greater than twice the VaR of the reference portfolio in order to ensure a limitation of the global leverage ratio of the UK UCITS to two.

36.1.2 The reference portfolio and the related processes should comply with the following criteria:

36.1.3 The reference portfolio should be unleveraged and should, in particular, not contain any financial derivative instruments or embedded derivatives, except that;

- a UK UCITS engaging in a long/short strategy may select a reference portfolio which uses financial derivative instruments to gain the short exposure;
- a UK UCITS which intends to have a currency hedged portfolio may select a currency hedged index as a reference portfolio.

36.1.4 The risk profile of the reference portfolio should be consistent with the investment objectives, policies and limits of the UK UCITS' portfolio;

36.1.5 If the risk/return profile of a UK UCITS changes frequently or if the definition of a reference portfolio is not possible, then the relative VaR method should not be used.

36.1.6 The process relating to the determination and the ongoing maintenance of the reference portfolio should be integrated in the risk management process and be supported by adequate procedures.

36.1.7 The absolute VaR approach limits the maximum VaR that a UK UCITS can have relative to its Net Asset Value (NAV).

### 36.2 Commitment approach

36.2.1 Where the ACD uses the commitment approach for the calculation of global exposure, it must:

36.2.1.1 ensure that it applies this approach to all derivative and forward transactions (including embedded derivatives as referred to in paragraph 21 (Derivatives: general)), whether used as part of the Fund's general investment policy, for the purposes of risk reduction or for the purposes of EPM techniques in accordance with paragraph 47 (EPM techniques); and

36.2.1.2 convert each derivative or forward transaction into the market value of an equivalent position in the underlying asset of that derivative or forward (standard commitment approach).

36.2.2 The ACD may apply other calculation methods which are equivalent to the standard commitment approach.

36.2.3 For the commitment approach, the ACD may take account of netting and hedging arrangements when calculating global exposure of a Fund, where these arrangements do not disregard obvious and material risks and result in a clear reduction in risk exposure.

- 36.2.4 Where the use of derivatives or forward transactions does not generate incremental exposure for the Fund, the underlying exposure need not be included in the commitment calculation.
- 36.2.5 Where the commitment approach is used, temporary borrowing arrangements entered into on behalf of a Fund need not form part of the global exposure calculation.

## 37. Schemes replicating an index

- 37.1 Notwithstanding paragraph 14 (spread: general) a Fund may invest up to 20% in value of the Scheme Property in shares and debentures which are issued by the same body where the stated investment policy is to replicate the composition of a relevant index as defined below.
- 37.2 Replication of the composition of a relevant index shall be understood to be a reference to replication of the composition of the underlying assets of that index, including the use of techniques and instruments permitted for the purpose of efficient portfolio management.
- 37.3 The 20% limit in 37.1 can be raised for a particular Fund up to 35% in value of the Scheme Property, but only in respect of one body and where justified by exceptional market conditions.
- 37.4 In the case of a fund replicating an index the Scheme Property need not consist of the exact composition and weighting of the underlying in the relevant index in cases where a Fund's investment objective is to achieve a result consistent with the replication of an index rather than an exact replication.
- 37.5 The indices referred to above are those which satisfy the following criteria:
  - 37.5.1 the composition is sufficiently diversified;
  - 37.5.2 the index represents an adequate benchmark for the market to which it refers; and
  - 37.5.3 the index is published in an appropriate manner.
- 37.6 The composition of an index is sufficiently diversified if its components adhere to the spread and concentration requirements in this section.
- 37.7 An index represents an adequate benchmark if its provider uses a recognised methodology which generally does not result in the exclusion of a major issuer of the market to which it refers.
- 37.8 An index is published in an appropriate manner if:
  - 37.8.1 it is accessible to the public;
  - 37.8.2 the index provider is independent from the index-replicating Fund; this does not preclude index providers and the Funds from forming part of the same group, provided that effective arrangements for the management of conflicts of interest are in place.

## 38. Cover for transactions in derivatives and forward transactions

- 38.1 A Fund may invest in derivatives and forward transactions as part of its investment policy provided:
  - 38.1.1 exposure relating to derivatives and forward transactions held in the Fund does not exceed the net value of the scheme property; and
  - 38.1.2 its global exposure to the underlying assets does not exceed in aggregate the investment limits laid down in paragraph 14 above.

## 39. Cover and borrowing

- 39.1 Cash obtained from borrowing, and borrowing which the ACD reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is available for cover under the previous paragraph 38 (Cover for investments in derivatives) as long as the normal limits on borrowing (see below) are observed.
- 39.2 Where, for the purposes of this paragraph the Company borrows an amount of currency from an Eligible Institution or an Approved Bank; and keeps an amount in another currency, at least equal to such borrowing for the time on deposit with the lender (or his agent or nominee), then this applies as if the borrowed currency, and not the deposited currency, were part of the Scheme Property, and the normal limits on borrowing under paragraph 41 (General power to borrow) do not apply to that borrowing.

## 40. Cash and near cash

- 40.1 Cash and near cash must not be retained in the Scheme Property except to the extent that, this may reasonably be regarded as necessary in order to enable:
- 40.1.1 the pursuit of a Fund's investment objectives; or
  - 40.1.2 redemption of units; or
  - 40.1.3 efficient management of a Fund in accordance with its investment objectives; or
  - 40.1.4 other purposes which may reasonably be regarded as ancillary to the investment objectives of a Fund.
- 40.2 During the period of the initial offer the Scheme Property may consist of cash and near cash without limitation.

## 41. General power to borrow

- 41.1 The Funds may, in accordance with this paragraph 41 (General power to borrow), borrow money for the use of a Fund on terms that the borrowing is to be repayable out of the Scheme Property. This power to borrow is subject to the obligation of a Fund to comply with any restriction in the instrument constituting the Fund.
- 41.2 The Funds may borrow under paragraph 41.1 only from an Eligible Institution or an Approved Bank.
- 41.3 The ACD must ensure that any borrowing is on a temporary basis and that borrowings are not persistent, and for this purpose the ACD must have regard in particular to:
- 41.3.1 the duration of any period of borrowing; and
  - 41.3.2 the number of occasions on which resort is had to borrowing in any period.
- 41.4 The ACD must ensure that no period of borrowing exceeds three months, without the consent of the Depositary.
- 41.5 These borrowing restrictions do not apply to "back to back" borrowing for currency hedging purposes.
- 41.6 The Funds must not issue any debenture unless it acknowledges or creates a borrowing that complies with paragraph 41.1 to 41.5.

## 42. Borrowing limits

- 42.1 The ACD must ensure that a Fund's borrowing does not, on any Business Day, exceed 10% of the value of the Scheme Property of a Fund.
- 42.2 In this paragraph 42, "borrowing" includes, as well as borrowing in a conventional manner, any other arrangement (including a combination of derivatives) designed to achieve a temporary injection of money into the Scheme Property in the expectation that the sum will be repaid.
- 42.3 For each Fund, borrowing does not include any arrangement for a Fund to pay to a third party (including the ACD) any set up costs which a Fund is entitled to amortise and which were paid on behalf of a Fund by the third party.

### 43. Restrictions on lending of money

- 43.1 None of the money in the Scheme Property of a Fund may be lent and, for the purposes of this prohibition, money is lent by a Fund if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee.
- 43.2 Acquiring a debenture is not lending for the purposes of paragraph 43.1; nor is the placing of money on deposit or in a current account.
- 43.3 Paragraph 43.1 does not prevent a Fund from providing an officer of a Fund with funds to meet expenditure to be incurred by him for the purposes of a Fund (or for the purposes of enabling him properly to perform his duties as an officer of a Fund) or from doing anything to enable an officer to avoid incurring such expenditure.

### 44. Restrictions on lending of property other than money

- 44.1 The Scheme Property of a Fund other than money must not be lent by way of deposit or otherwise.
- 44.2 Transactions permitted by paragraph 47 (EPM techniques) are not lending for the purposes of paragraph 44.1.
- 44.3 The Scheme Property of a Fund must not be mortgaged.
- 44.4 Paragraph 42.1 does not prevent a Fund from providing an officer of the Fund with funds to meet expenditure to be incurred by him for the purposes of the Fund (or for the purposes of enabling him properly to perform his duties as an officer of the Fund) or from doing anything to enable an officer to avoid incurring such expenditure.

### 45. General power to accept or underwrite placings

- 45.1 Any power in COLL 5 to invest in transferable securities may be used for the purpose of entering into transactions to which this section applies, subject to compliance with any restriction in the Instrument of Incorporation.
- 45.2 This section applies, subject to paragraph 45.3, to any agreement or understanding which:
  - 45.2.1 is an underwriting or sub-underwriting agreement; or
  - 45.2.2 contemplates that securities will or may be issued or subscribed for or acquired for the account of a Fund.
- 45.3 Paragraph 45.2 does not apply to:
  - 45.3.1 an option; or
  - 45.3.2 a purchase of a transferable security which confers a right to:
    - 45.3.2.1 subscribe for or acquire a transferable security; or
    - 45.3.2.2 convert one transferable security into another.
  - 45.3.3 The exposure of the Funds to agreements and understandings within paragraph 45.2 must, on any Business Day:
    - 45.3.3.1 be covered in accordance with the requirements of rule 5.3.3AR of the COLL Sourcebook; and
    - 45.3.3.2 be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in COLL 5.

### 46. Guarantees and indemnities

- 46.1 The Funds or the Depositary for the account of a Fund must not provide any guarantee or indemnity in respect of the obligation of any person.



- 46.2 None of the Scheme Property of the Funds may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.
- 46.3 Paragraphs 46.1 and 46.2 do not apply in respect of a Fund to:
- 46.3.1 any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with the FCA Rules;
  - 46.3.2 an indemnity falling within the provisions of regulation 62(3) (Exemptions from liability to be void) of the OEIC Regulations;
  - 46.3.3 an indemnity (other than any provision in it which is void under regulation 62 of the OEIC Regulations) given to the Depositary against any liability incurred by it as a consequence of the safekeeping of any of the Scheme Property by it or by anyone retained by it to assist it to perform its function of the safekeeping of the Scheme Property; and
  - 46.3.4 an indemnity given to a person winding up a scheme if the indemnity is given for the purposes of arrangements by which the whole or part of the property of that scheme becomes the first property of the Funds and the holders of units in that scheme become the first shareholders in a Fund.

## 47. EPM techniques

- 47.1 The use of EPM techniques for the account of a Fund (in particular securities lending arrangements and/or repurchase/reverse repurchase contracts) is permitted for the generation of additional income for the benefit of a Fund, and hence for its investors. The use of such EPM techniques shall not change the declared investment objective of a Fund or add supplementary risks to those disclosed in this Prospectus. The use of such techniques shall be in line with the best interests of the Fund.
- 47.2 There are certain risks involved in using efficient portfolio management techniques. Please see in particular the following risk factors set out above: 'Counterparty Risk', 'Derivative Transactions' and 'Specific Risks Linked to EPM Techniques'. These risks may expose investors to an increased risk of loss. Please also note that certain potential conflicts of interests may arise in relation to efficient portfolio management techniques. For further details please see the 'Conflicts of Interest' disclosure set out above.
- 47.3 The EPM techniques permitted by this section may be exercised by a Fund when it reasonably appears to the Company to be appropriate to do so with a view to generating additional income for a Fund with an acceptable degree of risk.
- 47.4 The Company or the Depositary at the request of Company may enter into a securities lending arrangement and/or repurchase/reverse repurchase contracts of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263C), but only if:
- 47.4.1 all the terms of the agreement under which securities are to be reacquired by the Depositary for the account of the Company are in a form which is acceptable to the Depositary and are in accordance with good market practice;
  - 47.4.2 the counterparty is:
    - 47.4.2.1 an authorised person; or
    - 47.4.2.2 a person authorised by a Home State regulator; or
    - 47.4.2.3 a person registered as a broker-dealer with the Securities and Exchange Commission of the United States of America; or
    - 47.4.2.4 a bank, or a branch of a bank, supervised and authorised to deal in investments as principal, with respect to OTC derivatives by at least one of the following federal banking supervisory authorities of the United States of America: the Office of the Comptroller of the Currency; the Federal

Deposit Insurance Corporation; the Board of Governors of the Federal Reserve System; and the Office of Thrift Supervision; and

- 47.4.3 collateral is obtained to secure the obligation of the counterparty under the terms referred to in 47.4.1 and the collateral is:
  - 47.4.3.1 acceptable to the Depositary;
  - 47.4.3.2 adequate; and
  - 47.4.3.3 sufficiently immediate.
- 47.5 The counterparty for the purpose of paragraph 47.4 is the person who is obliged under the agreement referred to in paragraph 47.4.1 to transfer to the Depositary the securities transferred by the Depositary under the securities lending arrangement and/or repurchase/reverse repurchase transactions or securities of the same kind.
- 47.6 Paragraph 47.4.3 does not apply to a securities lending and/or repurchase/reverse repurchase transactions made through Euroclear Bank SA/NV's Securities Lending and Borrowing Programme.
- 47.7 There is no limit on the value of the Scheme Property which may be the subject of securities lending arrangements and/or repurchase/reverse repurchase transactions.
- 47.8 A Fund will have the right to terminate a securities lending arrangement at any time and demand the return of any or all of the securities loaned.
- 47.9 Where a Fund enters into a reverse repurchase agreement, it will have the right to recall the full amount of cash or to terminate the reverse repurchase agreement on either an accrued or a mark-to market basis at any time. Where the cash is recallable at any time on a mark-to market basis, the mark-to-market value of the reverse repurchase agreement shall be used for the purposes of the calculation of the Net Asset Value of the Fund.
- 47.10 Where a Fund enters into a repurchase agreement, the Fund will have the right to recall any securities subject to the agreement or to terminate the repurchase agreement at any time.
- 47.11 Fixed term repurchase and reverse repurchase contracts which do not exceed seven days shall be regarded as arrangements on terms which allow the assets to be recalled at any time by the Fund.
- 47.12 All the revenues arising from EPM techniques including total return swaps and Securities Financing Transactions shall be returned to the relevant Fund following the deduction of any direct and indirect operational costs and fees arising. Such direct and indirect operational costs and fees shall include:
  - 47.12.1 fees and expenses payable to repurchase/reverse repurchase agreements counterparties;
  - 47.12.2 fees payable to Securities Lending Agents engaged by the Company for the account of the Fund from time to time; and/or
  - 47.12.3 fees payable to the ACD, where the ACD has carried out Securities Lending Services for the account of the Fund.

Such fees and expenses of any repurchase/reverse repurchase agreements counterparties and/or Securities Lending Agents engaged by the Company for the account of the Fund as well as the fees of the ACD in respect of any Securities Lending Services carried out by the ACD for the account of the Fund, will be at normal commercial rates together with VAT, if any, thereon, and will be borne by the Company or the relevant Fund in respect of which the relevant party has been engaged. Further details of the fees and charges relating to Securities Lending Services are set out in the section on "Fees and Expenses" above.

- 47.13 From time to time, a Fund may engage repurchase and reverse repurchase agreements with counterparties and/or Securities Lending Agents that are related parties to the Custodian or other service providers of the Fund. Such engagement may on occasion cause a conflict of interest with the role of the Custodian or other service provider in respect of the Fund. Please refer to "Conflicts of Interest" for further details on the conditions applicable to any such related party transactions.

- 47.14 All assets received by the UK UCITS in the context of EPM techniques shall be considered as collateral and shall comply with the criteria in paragraphs 48 and 49.

## 48. Treatment of collateral for EPM techniques

- 48.1 In accordance with the collateral policy of the Funds, and subject to the criteria in paragraph 49, collateral received by the Funds must be:
- 48.1.1 transferred to the Depositary or its agent;
  - 48.1.2 at least equal in value, at the time of the transfer to the Depositary, to the value of the securities transferred by the Depositary; and
  - 48.1.3 in the form of one or more of:
    - 48.1.4 cash; or
    - 48.1.5 a certificate of deposit; or
    - 48.1.6 a letter of credit; or
    - 48.1.7 a readily realisable security ; or
    - 48.1.8 commercial paper with no embedded derivative content; or
    - 48.1.9 a qualifying money market fund.
- 48.2 Where the collateral is invested in units in a qualifying money market fund managed or operated by (or, for an ICVC, whose authorised corporate director is) the ACD or an associate of the ACD, the conditions in paragraph 18.1 must be complied with.
- 48.3 Collateral is sufficiently immediate for the purposes of this paragraph if:
- 48.3.1 it is transferred before or at the time of the transfer of the securities by the Depositary; or
  - 48.3.2 the Depositary takes reasonable care to determine at the time referred to in paragraph 48.3.1 that it will be transferred at the latest by the close of business on the day of the transfer.
- 48.4 The Depositary must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Depositary.
- 48.5 The duty in paragraph 48.4 may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Depositary takes reasonable care to determine that sufficient collateral will again be transferred at the latest by the close of business on the day of expiry.
- 48.6 Any agreement for transfer at a future date of securities or of collateral (or of the equivalent of either) under this paragraph may be regarded, for the purposes of valuation and pricing of the Company or this Appendix, as an unconditional agreement for the sale or transfer of property, whether or not the property is part of the Scheme Property of the authorised fund.
- 48.7 Collateral transferred to the Depositary is part of the Scheme Property for the purposes of the rules in the COLL Sourcebook, except in the following respects:
- 48.7.1 it does not fall to be included in any calculation of NAV or this Appendix, because it is offset under paragraph 48.6 by an obligation to transfer; and
  - 48.7.2 it does not count as Scheme Property for any purpose of this Appendix other than this paragraph.

Paragraphs 48.6 and 48.7.1 do not apply to any valuation of collateral itself for the purposes of this paragraph.

## 49. Permitted types of collateral for OTC derivative transactions and EPM techniques

- 49.1** Where a Fund enters into OTC financial derivative transactions, securities lending or, repurchase or reverse repurchase transactions, all collateral used to reduce counterparty risk exposure shall comply with the following criteria at all times:
- 49.1.1 Liquidity. Any collateral received other than cash shall be liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation. Collateral received shall also comply with the provisions in paragraph 9 and 10 above.
  - 49.1.2 Valuation. Collateral received shall be valued on at least a daily basis and assets that exhibit high price volatility shall not be accepted unless suitable haircuts are in place.
  - 49.1.3 Issuer Credit Quality. Collateral shall be of a high quality.
  - 49.1.4 Correlation. The collateral received shall be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty.
  - 49.1.5 Diversification. Collateral shall be sufficiently diversified in terms of country, markets and issuers. The criterion of sufficient diversification with respect to issuer concentration is considered to be respected if the Fund receives, from a counterparty of securities lending, repurchase and reverse repurchase transactions and over-the-counter financial derivative transactions, a basket of collateral with a maximum exposure to a given issuer of 20% of its Net Asset Value. When a Fund is exposed to different counterparties, the different baskets of collateral shall be aggregated to calculate the 20% limit of exposure to a single issuer.
  - 49.1.6 Immediately available. Collateral received shall be capable of being fully enforced by the Fund at any time without reference to or approval from the counterparty.
  - 49.1.7 Where there is a title transfer, the collateral received shall be held by the Custodian. For other types of collateral arrangement, the collateral can be held by a third party custodian which is subject to prudential supervision, and which is unrelated to the provider of the collateral.
- 49.2** Non- cash collateral received shall not be sold, re-invested or pledged.
- 49.3** Cash collateral shall only be:
- 49.3.1 placed on deposit with entities as prescribed in article 50(f) of the UCITS Directive;
  - 49.3.2 invested in high-quality government bonds;
  - 49.3.3 used for the purpose of reverse repurchase transactions provided the transactions are with credit institutions subject to prudential supervision and the Fund is able to recall at any time the full amount of cash on accrued basis;
  - 49.3.4 invested in short-term money market funds as defined in the “CESR Guidelines on a Common Definition of European Money Market Funds”.
- 49.4** While re-invested cash is required to be diversified and may only be re-invested in the manner set out above, there remains a risk that the value of the asset invested in using cash collateral received by the Fund falls below the amount required to be returned to the cash collateral provider. Any shortfall will be borne by the Fund causing loss to the Fund and consequently investors.
- 49.5** Re-invested cash collateral shall be diversified in accordance with the diversification requirements applicable to non-cash collateral.
- 49.6** A haircut policy in respect of each class of assets received as collateral has been established for each Fund. The haircut is a percentage by which the market value of the collateral will be reduced. The Company typically deducts the haircuts from the market value in order to protect against credit, interest rate, foreign exchange and liquidity risk

during the period between collateral calls. The haircut generally is contingent on such factors as price volatility of the relevant asset class, the prospective time to liquidate the asset, the maturity of the asset, and the creditworthiness of the issuer. A more volatile (whether because of longer duration or other factors), less liquid asset typically carries a higher haircut. Haircuts are defined with the approval of the risk management function and may be subject to changes depending on changing market conditions. Haircuts may differ depending on the underlying transaction type, e.g. haircuts applied for OTC derivatives may differ from haircuts applied for securities lending transactions. Generally, equities will only be accepted as collateral if they are included in major stock indices. Additional (additive) haircuts apply for securities received as collateral in which their currency differ from the Base Currency of the Sub-Fund.

## Part 2: Investment and Borrowing Powers of the Allianz Gilt Yield Fund, Allianz Index-Linked Gilt Fund and Allianz Strategic Bond Fund

### 50. Investment restrictions

**50.1** The Scheme Property of each Fund will be invested with the aim of achieving the investment objective of that Fund but subject to the limits set out in the Fund's investment policy and the limits set out in Chapter 5 of the COLL Sourcebook ("COLL 5"). These limits apply to each Fund, subject to its investment policy, as summarised below.

**50.2 General Exclusion of certain issuers.**

All Funds shall refrain from direct investing in securities of issuers which engage in undesirable business activities. Undesirable business activities comprise particularly of the following:

- Certain controversial weapons: The type of controversial weapons which are in the scope of the exclusion policy may be updated from time to time and can be consulted on the website [https://regulatory.allianzgi.com/ESG/Exclusion\\_Policy](https://regulatory.allianzgi.com/ESG/Exclusion_Policy).
- Coal: Issuers engaged in business activities related to coal will only be in scope of the exclusion policy if they exceed certain quantitative criteria. Such criteria may be updated from time to time and can be consulted on the website [https://regulatory.allianzgi.com/ESG/Exclusion\\_Policy](https://regulatory.allianzgi.com/ESG/Exclusion_Policy).

The exclusion policy applies to corporate issuers only. The Funds might invest in securities baskets such as indices which can contain securities falling under the aforementioned exclusion criteria. To undertake this exclusion, various external data and research providers are used. Debt Securities of issuers which are in scope of the exclusion policy may be kept until the earlier of either maturity of the respective instrument or 30 June 2022 provided that such instrument was acquired on behalf of the relevant Fund prior to the implementation of the exclusion policy on 15 December 2021.

**50.3 Prudent spread of risk**

The ACD must ensure that, taking account of the investment objectives and policy of each Fund, the Scheme Property of each Fund aims to provide a prudent spread of risk.

### 51. Treatment of obligations

**51.1** Where the COLL Sourcebook allows a transaction to be entered into or an investment to be retained only (for example, investment in warrants and nil and partly paid securities and the general power to accept or underwrite) if possible obligations arising out of the investment transactions or out of the retention would not cause any breach of any limits in COLL 5, it must be assumed that the maximum possible liability of the Funds under any other of those rules has also to be provided for.

**51.2** Where a rule in the COLL Sourcebook permits an investment transaction to be entered into or an investment to be retained only if that investment transaction, or the retention, or other similar transactions, are covered:

**51.2.1** it must be assumed that in applying any of those rules, each Fund must also simultaneously satisfy any other obligation relating to cover; and

51.2.2 no element of cover must be used more than once.

## 52. UK UCITS schemes: permitted types of Scheme Property

52.1 Subject to the investment objectives and policy of a Fund, the Scheme Property of a Fund must, except where otherwise provided in COLL 5 (and please see below regarding investment in collective investment schemes and the use of derivatives for Efficient Portfolio Management), only consist solely of any or all of:

52.1.1 transferable securities;

52.1.2 approved money-market instruments;

52.1.3 units in collective investment schemes;

52.1.4 derivatives and forward transactions;

52.1.5 deposits; and

52.1.6 movable and immovable property that is essential for the direct pursuit of the Company's business;

in accordance with the rules in COLL 5.2.

52.2 The requirements on spread do not apply until the expiry of a period of six months after the date of effect of the authorisation order in respect of a Fund (or on which the initial offer commenced if later) provided that the requirement to maintain prudent spread of risk is complied with.

52.3 It is not intended that the Funds will have an interest in any immovable property or tangible movable property.

## 53. Transferable Securities

53.1 A transferable security is an investment falling within article 76 (Shares etc), article 77 (instruments creating or acknowledging indebtedness), article 77a (alternative finance investment bonds), article 78 (government and public securities), article 79 (instruments giving entitlement to investments) and article 80 (certificates representing certain securities) of the Regulated Activities Order.

53.2 An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.

53.3 In applying paragraph 53.2 to an investment which is issued by a body corporate, and which is an investment falling within articles 76 (shares, etc) or 77 (instruments creating or acknowledging indebtedness) of the Regulated Activities Order, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.

53.4 An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.

## 54. Investment in transferable securities

54.1 A Fund may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:

54.1.1 the potential loss which a Fund may incur with respect to holding the transferable security is limited to the amount paid for it;

54.1.2 its liquidity does not compromise the ability of the ACD to comply with its obligation to redeem units at the request of any qualifying Shareholder (see COLL 6.2.16R(3));

54.1.3 reliable valuation is available for it as follows:

54.1.3.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;

54.1.3.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;

54.1.4 appropriate information is available for it as follows:

54.1.4.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;

54.1.4.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to the ACD on the transferable security or, where relevant, on the portfolio of the transferable security;

54.1.5 it is negotiable; and

54.1.6 its risks are adequately captured by the risk management process of the ACD.

54.2 Unless there is information available to the ACD that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed:

54.2.1 not to compromise the ability of the ACD to comply with its obligation to redeem shares at the request of any qualifying Shareholder; and

54.2.2 to be negotiable.

54.3 Not more than 5% in value of a Fund is to consist of warrants.

## 55. Closed end funds constituting transferable securities

55.1 A unit in a closed end fund shall be taken to be a transferable security for the purposes of investment by a Fund, provided it fulfils the criteria for transferable securities set out in paragraph 54 (investment in transferable securities), and either:

55.1.1 where the closed end fund is constituted as an investment company or a unit trust:

55.1.1.1 it is subject to corporate governance mechanisms applied to companies; and

55.1.1.2 where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or

55.1.2 where the closed end fund is constituted under the law of contract:

55.1.2.1 it is subject to corporate governance mechanisms equivalent to those applied to companies; and

55.1.2.2 it is managed by a person who is subject to national regulation for the purpose of investor protection.

## 56. Transferable securities linked to other assets

56.1 A Fund may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by a Fund provided the investment:

56.1.1 fulfils the criteria for transferable securities set out in paragraph 54 (investment in transferable securities) above; and

56.1.2 is backed by or linked to the performance of other assets, which may differ from those in which a Fund can invest.

56.2 Where an investment in 56.1 contains an embedded derivative component (see COLL 5.2.19R(3A)), the requirements of COLL 5 with respect to derivatives and forwards will apply to that component.

## 57. Approved Money Market Instruments

57.1 An approved money-market instrument is a money-market instrument which is normally dealt in on the money market, is liquid and has a value which can be accurately determined at any time.

57.2 A money-market instrument shall be regarded as normally dealt in on the money market if it:

57.2.1 has a maturity at issuance of up to and including 397 days;

57.2.2 has a residual maturity of up to and including 397 days;

57.2.3 undergoes regular yield adjustments in line with money market conditions at least every 397 days; or

57.2.4 has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in 57.2.1 or 57.2.2 or is subject to yield adjustments as set out in 57.2.3.

57.3 A money-market instrument shall be regarded as liquid if it can be sold at limited cost in an adequately short time frame, taking into account the obligation of the ACD to redeem units at the request of any qualifying Shareholder (see COLL 6.2.16R(3)).

57.4 A money-market instrument shall be regarded as having a value which can be accurately determined at any time if accurate and reliable valuations systems, which fulfil the following criteria, are available:

57.4.1 enabling the ACD to calculate a net asset value in accordance with the value at which the instrument held in the portfolio could be exchanged between knowledgeable willing parties in an arm's length transaction; and

57.4.2 based either on market data or on valuation models including systems based on amortised costs.

57.5 A money-market instrument that is normally dealt in on the money market and is admitted to or dealt in on an eligible market shall be presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the ACD that would lead to a different determination.

## 58. Transferable securities and money market instruments generally to be admitted or dealt in on an Eligible Market

58.1 Transferable securities and approved money market instruments held within a Fund must be:

58.1.1 admitted to or dealt on an eligible market (as described in paragraph 59.3); or

58.1.2 dealt on an eligible market as described (in paragraph 59.3.2).

58.1.3 for an approved money market instrument not admitted to or dealt in on an eligible market, within 60.1; or

58.1.4 recently issued transferable securities provided that:

58.1.5 the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and

58.1.6 such admission is secured within a year of issue.

58.2 However, a Fund may invest no more than 10% of its value in transferable securities and approved money-market instruments other than those referred to in 58.1.



## 59. Eligible markets regime: purpose and requirements

- 59.1 To protect investors the markets on which investments of a Fund are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold.
- 59.2 Where a market ceases to be eligible, investments on that market cease to be approved securities. The 10% restriction on investing in non-approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.
- 59.3 A market is eligible for the purposes of the rules if it is:
- 59.3.1 a regulated market (as defined for the purposes of COLL);
  - 59.3.2 a market in the United Kingdom or an EEA State which is regulated, operates regularly and is open to the public; or
  - 59.3.3 any market within 59.4.
- 59.4 A market not falling within paragraph 59.3 is eligible for the purposes of COLL 5 if:
- 59.4.1 the ACD, after consultation with and notification to the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property;
  - 59.4.2 the market is included in a list in the prospectus; and
  - 59.4.3 the Depositary has taken reasonable care to determine that:
    - 59.4.3.1 adequate custody arrangements can be provided for the investment dealt in on that market; and
    - 59.4.3.2 all reasonable steps have been taken by the ACD in deciding whether that market is eligible.
- 59.5 In paragraph 59.4.1, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised as a market or exchange or as a self-regulatory organisation by an overseas regulator, is open to the public, and is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.
- 59.6 The eligible markets in which the Funds may invest are set out in Appendix II.

## 60. Money-market instruments with a regulated issuer

- 60.1 In addition to instruments admitted to or dealt in on an eligible market, a Fund may invest in an approved money-market instrument provided it fulfils the following requirements:
- 60.1.1 the issue or the issuer is regulated for the purpose of protecting investors and savings; and
  - 60.1.2 the instrument is issued or guaranteed in accordance with paragraph 61 below (issuers and guarantors of money market instruments).
- 60.2 The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting investors and savings if:
- 60.2.1 the instrument is an approved money-market instrument;
  - 60.2.2 appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with paragraph 62 below (appropriate information for money market instruments); and
  - 60.2.3 the instrument is freely transferable.

## 61. Issuers and guarantors of money-market instruments

61.1 A Fund may invest in an approved money-market instrument if it is:

61.1.1 issued or guaranteed by any one of the following:

61.1.1.1 a central authority of the United Kingdom or an EEA State or, if the EEA State is a federal state, one of the members making up the federation;

61.1.1.2 a regional or local authority of the United Kingdom or an EEA State;

61.1.1.3 the Bank of England, the European Central Bank or a central bank of an EEA State;

61.1.1.4 the European Union or the European Investment Bank;

61.1.1.5 a non-EEA State or, in the case of a federal state, one of the members making up the federation;

61.1.1.6 a public international body to which the United Kingdom or one or more EEA States belong; or

61.1.2 issued by a body, any securities of which are dealt in on an eligible market; or

61.1.3 issued or guaranteed by an establishment which is:

61.1.3.1 subject to prudential supervision in accordance with criteria defined by UK or EU law; or

61.1.3.2 subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by UK or EU law.

61.2 An establishment shall be considered to satisfy the requirement in 61.1.3.2 if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:

61.2.1 it is located in the EEA;

61.2.2 it is located in an OECD country belonging to the Group of Ten;

61.2.3 it has at least investment grade rating;

61.2.4 on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by UK or EU law.

## 62. Appropriate information for money-market instruments

62.1 In the case of an approved money-market instrument within 61.1.2 or issued by a body of the type referred to in COLL 5.2.10E(G); or which is issued by an authority within 61.1.1.2 or a public international body within 61.1.1.6 but is not guaranteed by a central authority within 61.1.1.1 the following information must be available:

62.1.1 information on both the issue or the issuance programme, and the legal and financial situation of the issuer prior to the issue of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;

62.1.2 updates of that information on a regular basis and whenever a significant event occurs; and

62.1.3 available and reliable statistics on the issue or the issuance programme.

62.2 In the case of an approved money-market instrument issued or guaranteed by an establishment within 61.1.3, the following information must be available:

62.2.1 information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the instrument;

62.2.2 updates of that information on a regular basis and whenever a significant event occurs; and

62.2.3 available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risks related to investment in those instruments.

62.3 In the case of an approved money-market instrument:

62.3.1 within 61.1.1.1, 61.1.1.4 or 61.1.1.5; or

62.3.2 which is issued by an authority within 61.1.1.2 or a public international body within 61.1.1.6 and is guaranteed by a central authority within 61.1.1.1;

information must be available on both the issue or the issuance programme, and on the legal and financial situation of the issuer prior to the issue of the instrument.

### 63. Spread: general

63.1 This paragraph 63 on spread does not apply to government and public securities.

63.2 For the purposes of this requirement companies included in the same group for the purposes of consolidated accounts as defined in accordance with Directive 83/349/EEC or in the same group in accordance with international accounting standards are regarded as a single body.

63.3 Not more than 20% in value of the Scheme Property of a Fund is to consist of deposits with a single body.

63.4 Not more than 5% in value of the Scheme Property of a Fund is to consist of transferable securities or approved money market instruments issued by any single body.

63.5 The limit of 5% in paragraph 63.4 is raised to 10% in respect of up to 40% in value of the Scheme Property. Covered bonds need not to be taken into account for the purpose of applying the limit of 40%.

63.6 The limit of 5% in paragraph 63.4 is raised to 25% in value of the Scheme Property in respect of covered bonds, provided that when a Fund invests more than 5% in covered bonds issued by a single body. The total value of covered bonds held must not exceed 80% in value of the Scheme Property.

63.7 In applying paragraphs 63.4 and 63.5 certificates representing certain securities are treated as equivalent to the underlying security.

63.8 The combined exposure to any one counterparty in OTC derivative transactions and efficient portfolio management techniques ("EPM techniques") (including securities lending, repurchase and/or reverse repurchase transactions) must not exceed 5% in value of the Scheme Property. This limit is raised to 10% where the counterparty is an Approved Bank.

63.9 Not more than 20% in value of the Scheme Property of a Fund is to consist of transferable securities and approved money market instruments issued by the same group (as referred to in paragraph 63.2).

63.10 According to the COLL Sourcebook, not more than 20% in value of the Scheme Property of a Fund is to consist of the units of any one collective investment scheme. Each of the Funds has its own limit as to the extent to which it will invest in any one collective investment scheme. The current limit for all Funds is 5%. This limit can be raised in accordance with the COLL Sourcebook.

63.11 In applying the limits in paragraphs 63.3, 63.4, 63.5, 63.7 and 63.8 and subject to 63.6, not more than 20% in value of the Scheme Property is to consist of any combination of two or more of the following:

63.11.1 transferable securities (including covered bonds) or approved money market instruments issued by; or

63.11.2 deposits made with; or

63.11.3 exposures from OTC derivatives transactions; or

#### 63.11.4 EPM techniques

made with a single body.

### 64. Counterparty risk and issuer concentration

- 64.1 The ACD must ensure that counterparty risk arising from OTC derivatives and EPM techniques is subject to the limits set out in paragraphs 63.8 and 63.11 above.
- 64.2 When calculating the exposure of a Fund to a counterparty in accordance with the limits in paragraph 63.8 the ACD must use the positive mark-to-market value of the OTC derivative contract with that counterparty.
- 64.3 The ACD may net the OTC derivative positions of a Fund with the same counterparty, provided they are able legally to enforce netting agreements with the counterparty on behalf of the Fund.
- 64.4 The netting agreements in paragraph 64.3 above are permissible only with respect to OTC derivatives with the same counterparty and not in relation to any other exposures the Fund may have with that same counterparty.
- 64.5 The ACD may reduce the exposure of scheme property to a counterparty of an OTC derivative through the receipt of collateral. Collateral received must be sufficiently liquid so that it can be sold quickly at a price that is close to its pre-sale valuation.
- 64.6 The ACD must take collateral into account in calculating exposure to counterparty risk in accordance with the limits in paragraph 63.8 when it passes collateral to an OTC counterparty on behalf of a Fund.
- 64.7 Collateral passed in accordance with paragraph 64.6 may be taken into account on a net basis only if the ACD is able legally to enforce netting arrangements with this counterparty on behalf of that Fund.
- 64.8 In relation to the exposure arising from OTC derivatives as referred to in paragraph 63.8 the ACD must include any exposure to OTC derivative counterparty risk in the calculation.
- 64.9 The ACD must calculate the issuer concentration limits referred to in paragraph 63.8 on the basis of the underlying exposure created through the use of OTC derivatives pursuant to the commitment approach.

### 65. Spread: Government and public securities

- 65.1 The above restrictions do not apply to government and public securities ("such securities"). The restrictions in relation to such securities are set out below.
- 65.2 Where no more than 35% in value of the Scheme Property of a Fund is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.
- 65.3 Any Fund may invest more than 35% in value of the Scheme Property in such securities issued by any one body provided that:
  - 65.3.1 the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the Funds;
  - 65.3.2 no more than 30% in value of the Scheme Property consists of such securities of any one issue;
  - 65.3.3 the Scheme Property of a Fund includes such securities issued by that or another issuer, of at least six different issues; and
  - 65.3.4 the disclosures required by COLL have been made.
- 65.4 In relation to such securities:
  - 65.4.1 issue, issuer and guarantor include guarantee, guaranteed and guarantor; and

65.4.2 an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of the issue.

65.5 Notwithstanding paragraph 63.1 above, and subject to paragraphs 65.2 and 65.3, in applying the 20% limit in 63.11 with respect to a single body, government and public securities issued by that body shall be taken into account.

## 66. Investment in collective investment schemes

66.1 No more than 10% of the value of the Scheme Property of a Fund may be invested in units or shares in other collective investment schemes ("Second Scheme"). The Second Scheme must comply with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive, or the conditions referred to in paragraph 66.4-66.7 below.

66.2 Where the Second Scheme is not a scheme which complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive, the Second Scheme must satisfy all of the following conditions set out in paragraph 66.3 – 66.7 below

66.3 The Second Scheme must:

66.3.1 be a recognised scheme that is authorised by the supervisory authorities of Guernsey, Jersey or the Isle of Man (provided the requirements of COLL 5.2.13A R are met); or

66.3.2 be an authorised non-UCITS retail scheme (provided the requirements of COLL 5.2.13A R (1), (3) and (4) are met); or

66.3.3 be authorised in an EEA State (provided the requirements of COLL 5.2.13A R are met); or

66.3.4 be authorised by the competent authority of an OECD member country (other than an EEA State) which has:

66.3.4.1 signed the IOSCO Multilateral Memorandum of Understanding; and

66.3.4.2 approved the Second Scheme's management company, rules and depositary/custody arrangements (provided the requirements of COLL 5.2.13A R are met).

66.4 The Second Scheme must comply where relevant with paragraph 67 (Investment in associated collective investment schemes) below; and

66.5 The Second Scheme must have terms which prohibit more than 10% in value of the Scheme Property consisting of units in collective investment schemes.

66.6 For the purposes of paragraphs 66.2.4 and 66.2.5 each sub-fund of an umbrella scheme is to be treated as if it were a separate scheme but no sub-fund of an umbrella scheme may invest in another sub-fund of that umbrella scheme.

## 67. Investment in associated collective investment schemes

67.1 A Fund must not invest in or dispose of units in another collective investment scheme if that collective investment scheme is managed or operated by (or, if it is an open-ended investment company has as its authorised corporate director) the ACD of the Company or an associate of the ACD, unless the prospectus of the investing authorised fund clearly states that the property of that investing fund may include such units; and the rules in paragraph 68 are complied with.

67.2 Where a Fund invests in or disposes of units in another Fund of the Company (the "Second Fund") the Prospectus must clearly state that the scheme property attributable to the investing or disposing Fund may include units in another Fund; and the rules in paragraph 68 are complied with.

67.3 In accordance with COLL 5.2.15R the Fund may include units in collective investment schemes managed or operated by (or, if it is an open-ended investment company has as its authorised corporate director), the ACD or an associate of the ACD.

## 68. Investment in other group schemes

- 68.1 Where an investment or disposal is made under paragraph 67, and there is a charge in respect of such investment or disposal, the ACD of the Fund making the investment or disposal must pay the Fund the amounts referred to in paragraphs 68.2 and 68.3 within four business days following the date of the agreement to invest or dispose.
- 68.2 When an investment is made, the amount referred to in paragraph 68.1 is, either:
- 68.2.1 any amount by which the consideration paid by the Fund for the units in the Second Scheme or the Second Fund exceeds the price that would have been paid for the benefit of the Second Scheme or the Second Fund had the units been newly issued or sold by it; or
  - 68.2.2 if such price cannot be ascertained by the ACD, the maximum amount of any charge permitted to be made by the seller of units in the Second Scheme or the Second Fund;
- 68.3 When a disposal is made, the amount referred to in paragraph 68.1 is any charge made for the account of the authorised fund manager or operator of the Second Scheme or the Second Fund or an Associate of any of them in respect of the disposal; and
- 68.4 In paragraphs 68.1 to 68.2.2 above:
- 68.4.1 any addition to or deduction from the consideration paid on the acquisition or disposal of units in the Second Scheme or the Second Fund, which is applied for the benefit of the Second Scheme or the Second Fund and is, or is like, a dilution levy or dilution adjustment, is to be treated as part of the price of the units and not as part of any charge; and
  - 68.4.2 any switching charge made in respect of an exchange of units in one Fund or separate part of the Second Scheme or the Second Fund for units in another Fund or separate part of that scheme or Second Fund is to be included as part of the consideration paid for the units.

## 69. Investment in nil and partly paid securities

- 69.1 A transferable security or an approved money market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by a Fund, at the time when payment is required, without contravening the rules in COLL 5.

## 70. Derivatives: general

- 70.1 Under the COLL Sourcebook derivatives are permitted for UK UCITS schemes for investment purposes and derivative transactions may be used for the purposes of hedging or meeting the investment objective or both. The Fund may use derivatives and forward transactions for investment purposes, and for the purposes of efficient portfolio management techniques (see paragraph 71, "Efficient Portfolio Management" below). The use of derivatives for investment purposes is expected to increase the risk profile of the fund.
- 70.2 A transaction in derivatives or a forward transaction must not be effected for a Fund unless the transaction is of a kind specified in paragraph 72 (Permitted transactions (derivatives and forwards)) below, and the transaction is covered, as required by paragraph 87 (Cover for derivatives and forward transactions) of this Appendix.
- 70.3 Where a Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in the COLL Sourcebook in relation to spread (COLL 5.2.11R Spread: general, COLL 5.2.12R Spread: government and public securities) except for index based derivatives where the rules below apply.
- 70.4 Where a transferable security or approved money market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.
- 70.5 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:

- 70.5.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;
  - 70.5.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
  - 70.5.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.
- 70.6 A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component shall be deemed to be a separate instrument.
- 70.7 Where a Fund invests in an index based derivative, provided the relevant index falls within paragraph 73 (Financial Indices underlying derivatives), the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.2.11R and COLL 5.2.12R.
- 70.8 The relaxation in paragraph 70.7 is subject to the ACD's taking account of paragraph 50.3 (prudent spread of risk).

## 71. Efficient Portfolio Management

- 71.1 The Company may utilise the property of each Fund to enter into transactions for the purposes of Efficient Portfolio Management ("EPM"). Permitted EPM transactions include transactions in derivatives e.g. to hedge against price or currency fluctuations, dealt with or traded on an eligible derivatives market; off-exchange options or contracts for differences resembling options; or synthetic futures in certain circumstances. There is no limit on the amount or value of the Scheme Property which may be used for EPM but the ACD must take reasonable care to ensure that the transaction is economically appropriate to the reduction of the relevant risks (whether in the price of investments, interest rates or exchange rates) or to the reduction of the relevant costs and/or to the generation of additional capital or income with an acceptably low level of risk. The exposure must be fully "covered" by cash and/or other property sufficient to meet any obligation to pay or deliver that could arise.
- 71.2 Permitted transactions are those that the Company reasonably regards as economically appropriate to EPM, that is:
- 71.2.1 Transactions undertaken to reduce risk or cost in terms of fluctuations in prices, interest rates or exchange rates where the ACD reasonably believes that the transaction will diminish a risk or cost of a kind or level which it is sensible to reduce; or
  - 71.2.2 Transactions for the generation of additional capital growth or income for a Fund by taking advantage of gains which the ACD reasonably believes are certain to be made (or certain, barring events which are not reasonably foreseeable) as a result of:
    - 71.2.2.1 pricing imperfections in the market as regards the property which a Fund holds or may hold; or
    - 71.2.2.2 receiving a premium for the writing of a covered call option or a covered put option on property of a Fund which the Company is willing to buy or sell at the exercise price, or
    - 71.2.2.3 Securities lending, repurchase and reverse repurchase transactions.
- A permitted arrangement in this context may at any time be closed out.
- 71.3 Transactions may take the form of "derivatives transactions" (that is, transactions in options, futures or contracts for differences) or forward currency transactions. A derivatives transaction must either be in a derivative which is traded or dealt in on an eligible derivatives market (and effected in accordance with the rules of that market), or be an off-exchange derivative which complies with the relevant conditions set out in the FCA Rules, or be a "synthetic future" (i.e. a composite derivative created out of two separate options). Forward currency transactions must be entered into with counterparties who satisfy the FCA Rules. A permitted transaction may at any time be closed out.

- 71.4 A transaction may not be entered into for the purposes of EPM if its purpose could reasonably be regarded as speculative.

## 72. Permitted transactions (derivatives and forwards)

- 72.1 A transaction in a derivative must be in an approved derivative; or be one which complies with paragraph 76 (OTC transactions in derivatives).
- 72.2 A transaction in a derivative must have the underlying consisting of any one or more of the following to which the scheme is dedicated: transferable securities, approved money market instruments permitted under paragraphs 58.1.1-58.1.3, deposits, permitted derivatives under this paragraph, collective investment scheme units permitted under paragraph 66 (Investment in collective investment schemes), financial indices which satisfy the criteria set out in paragraph 73 (Financial Indices underlying derivatives), interest rates, foreign exchange rates, and currencies.
- 72.3 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
- 72.4 A transaction in a derivative must not cause a Fund to diverge from its investment objectives as stated in the Instrument constituting the scheme and the most recently published version of this Prospectus.
- 72.5 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, approved money market instruments, units in collective investment schemes, or derivatives, provided that a sale is not to be considered as uncovered if the conditions in paragraph 71.2 are satisfied as read in accordance with guidance at COLL 5.2.22A G.
- 72.6 Any forward transaction must be with an Eligible Institution or an Approved Bank.
- 72.7 A derivative includes an instrument which fulfils the following criteria:
- 72.8 It allows the transfer of the credit risk of the underlying independently from the other risks associated with that underlying;
- 72.9 It does not result in the delivery or transfer of assets other than those referred to in paragraph 52 above;
- 72.10 In the case of an OTC derivative, it complies with the requirements in paragraph 76 below;
- 72.11 Its risks are adequately captured by the risk management process of the ACD, and by its internal control mechanisms in the case of risks of asymmetry of information between the ACD and the counterparty to the derivative, resulting from potential access of the counterparty to non-public information on persons whose assets are used as the underlying by that derivative.
- 72.12 A Fund may not undertake transactions in derivatives on commodities.

## 73. Financial Indices underlying derivatives

- 73.1 The financial indices referred to in 72.2 are those which satisfy the following criteria:
- 73.1.1 the index is sufficiently diversified;
  - 73.1.2 the index represents an adequate benchmark for the market to which it refers; and
  - 73.1.3 the index is published in an appropriate manner.
- 73.2 A financial index is sufficiently diversified if:
- 73.2.1 it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;
  - 73.2.2 where it is composed of assets in which a Fund is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this section; and



73.2.3 where it is composed of assets in which a Fund cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this section.

**73.3** A financial index represents an adequate benchmark for the market to which it refers if:

73.3.1 it measures the performance of a representative group of underlyings in a relevant and appropriate way;

73.3.2 it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and

73.3.3 the underlyings are sufficiently liquid, allowing users to replicate it if necessary.

**73.4** A financial index is published in an appropriate manner if:

73.4.1 its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and

73.4.2 material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.

**73.5** Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to 72.2, be regarded as a combination of those underlyings.

## **74. Transactions for the purchase of property**

**74.1** A derivative or forward transaction which will or could lead to the delivery of property for the account of a Fund may be entered into only if that property can be held for the account of that Fund, and the ACD having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the rules in the COLL Sourcebook.

## **75. Requirement to cover sales**

**75.1** No agreement by or on behalf of a Fund to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by that Fund by delivery of property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by a Fund at the time of the agreement. This requirement does not apply to a deposit.

## **76. OTC transactions in derivatives**

**76.1** Any transaction in an OTC derivative under paragraph 72.1 must be:

76.1.1 in a future or an option or a contract for differences;

76.1.2 with an approved counterparty; a counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the FCA Register, permits it to enter into the transaction as principal off-exchange;

76.1.3 on approved terms; the terms of the transaction in derivatives are approved only if, the ACD carries out, at least daily, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely only on market quotations by the counterparty; and can enter into a further transaction to sell, liquidate or close out that transaction at any time, at its fair value; and

- 76.1.4 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:
  - 76.1.4.1 on the basis of an up-to-date market value which has been agreed is reliable; or
  - 76.1.4.2 if the value referred to in 76.1.4.1 is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and
- 76.1.5 subject to verifiable valuation: a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by:
  - 76.1.5.1 an appropriate third party which is independent from the counterparty of the derivative at an adequate frequency and in such a way that the ACD is able to check it; or
  - 76.1.5.2 a department within the ACD which is independent from the department in charge of managing a Fund and which is adequately equipped for such a purpose.
- 76.1.6 For the purposes of this paragraph, "fair value" is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

## 77. Valuation of OTC derivatives

- 77.1 For the purposes of paragraph 76.1.3, the ACD must:
  - 77.1.1 establish, implement and maintain arrangements and procedures which ensure appropriate, transparent and fair valuation of the exposures of a Fund to OTC derivatives; and
  - 77.1.2 ensure that the fair value of OTC derivatives is subject to adequate, accurate and independent assessment.
- 77.2 Where the arrangements and procedures referred to in paragraph 77.1 involve the performance of certain activities by third parties, the ACD must comply with the requirements in SYSC 8.1.13 R (Additional requirements for a management company) and COLL 6.6A.4 R (5) and (6) (Due diligence requirements of AFMs of UCITS schemes).
- 77.3 The arrangements and procedures referred to in this rule must be:
  - 77.3.1 adequate and proportionate to the nature and complexity of the OTC derivative concerned; and
  - 77.3.2 adequately documented.

## 78. Risk management

- 78.1 The ACD uses a risk management process, enabling it to monitor and measure at any time the risk of a Fund's positions and their contribution to the overall risk profile of a Fund.
- 78.2 The following details of the risk management process must be regularly notified by the ACD to the FCA and at least on an annual basis:
  - 78.2.1 a true and fair view of the types of derivatives and forward transactions to be used within a Fund together with their underlying risks and any relevant quantitative limits; and
  - 78.2.2 the methods for estimating risks in derivative and forward transactions.

## 79. Investment in deposits

- 79.1 A Fund may invest in deposits only with an Approved Bank and which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months.

## 80. Significant influence

- 80.1** A Company must not acquire transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if:
- 80.1.1 immediately before the acquisition, the aggregate of any such securities held by the Company gives that Company power significantly to influence the conduct of business of that body corporate; or
  - 80.1.2 the acquisition gives the Company that power.
- 80.2** For the purposes of paragraph 80.1, the Company is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held by it, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

## 81. Concentration

A UK UCITS Scheme:

- 81.1** must not acquire transferable securities other than debt securities which:
- 81.1.1 do not carry a right to vote on any matter at a general meeting of the body corporate that issued them; and
  - 81.1.2 represent more than 10% of these securities issued by that body corporate;
- 81.2** must not acquire more than 10% of the debt securities issued by any single issuing body;
- 81.3** must not acquire more than 25% of the units in a collective investment scheme;
- 81.4** must not acquire more than 10% of the approved money market instruments issued by any single body;
- 81.5** need not comply with the limits in paragraphs 81.2, 81.3 and 81.4 of this Appendix if, at the time of the acquisition, the net amount in issue of the relevant investment cannot be calculated.

## 82. Derivative exposure

- 82.1** Subject to 71.1 the Funds may invest in derivatives and forward transactions as long as the exposure to which a Fund is committed by that transaction itself is suitably covered from within its Scheme Property. Exposure will include any initial outlay in respect of that transaction.
- 82.2** Cover ensures that a Fund is not exposed to the risk of loss of property, including money, to an extent greater than the net value of the Scheme Property. Therefore, a Fund must hold Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which that Fund is committed. Paragraph 87 (Cover for transactions in derivatives and forward transactions) below sets out detailed requirements for cover of that Fund.
- 82.3** A future is to be regarded as an obligation to which a Fund is committed (in that, unless closed out, the future will require something to be delivered, or accepted and paid for); a written option as an obligation to which the scheme is committed (in that it gives the right of potential exercise to another thereby creating exposure); and a bought option as a right (in that the purchaser can, but need not, exercise the right to require the writer to deliver and accept and pay for something).
- 82.4** Cover used in respect of one transaction in derivatives or forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.

## 83. Daily calculation of global exposure

- 83.1** The ACD must calculate the global exposure of a Fund on at least a daily basis.

- 83.2 For the purposes of this section, exposure must be calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

## 84. Calculation of global exposure

- 84.1 The ACD must calculate the global exposure of any Fund it manages either as:
- 84.1.1 the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives as referred to in paragraph 70 (Derivatives: general), which may not exceed 100% of the net value of the scheme property of a Fund, by way of the commitment approach; or
  - 84.1.2 the market risk of the scheme property of a Fund, by way of the value at risk approach.
- 84.2 The ACD must ensure that the method selected above is appropriate, taking into account:
- 84.2.1 the investment strategy pursued by the Fund;
  - 84.2.2 the types and complexities of the derivatives and forward transactions used; and
  - 84.2.3 the proportion of the scheme property comprising derivatives and forward transactions.
- 84.3 Where a Fund employs techniques and instruments including repurchase/reverse repurchase or securities lending transactions in accordance with paragraph 96 (EPM techniques) in order to generate additional leverage or exposure to market risk, the ACD must take those transactions into consideration when calculating global exposure.
- 84.4 For the purposes of paragraph 84.1, value at risk means a measure of the maximum expected loss at a given confidence level over the specific time period.

## 85. Risk Management Process

The ACD will calculate the global exposure of each Fund. The ACD will use for each Fund either the commitment approach, the relative value at risk approach or the absolute value at risk approach. The applied risk management approach for each Fund is displayed in the table below. For those Funds for which the relative value at risk approach is used, the respective reference portfolio is additionally outlined below. Furthermore, for Funds which either use the relative value at risk approach or the absolute value at risk approach, the expected level of leverage of derivatives is disclosed.

The expected level of leverage of derivatives is calculated as the expected average sum of notionals of derivatives (not including the investment portfolio) (the "Sum of Notionals Approach"). Please note that the actual sum of notionals of derivatives might change over time and might temporarily exceed the expected level of leverage of derivatives. Shareholders should be aware that derivatives might be used for different purposes including hedging or investment purposes. The calculation of the expected level of leverage does not distinguish between the different purposes of a derivative. Therefore this figure delivers no indication regarding the true riskiness of the Fund.

Fund	Approach	Expected Annual Average Level of Leverage	Reference Portfolio
Allianz Gilt Yield Fund	Relative value at risk	0-5	FTSE Actuaries UK Conventional Gilts All Stocks Index
Allianz Index-Linked Gilt Fund	Relative value at risk	0-5	FTSE Actuaries UK Government Index-Linked All Stocks Total Return GBP Midday Index
Allianz Strategic Bond Fund	Absolute value at risk	0-10	-

### 85.1 Value at Risk Approach

- 85.1.1 Under the relative VaR approach the global exposure of the UK UCITS is calculated as follows:
- 85.1.1.1 Calculate the VaR of the UK UCITS' current portfolio (which includes derivatives);

85.1.1.2 Calculate the VaR of a reference portfolio;

85.1.1.3 Check that the VaR of the UK UCITS portfolio is not greater than twice the VaR of the reference portfolio in order to ensure a limitation of the global leverage ratio of the UK UCITS to two.

85.1.2 The reference portfolio and the related processes should comply with the following criteria:

85.1.3 The reference portfolio should be unleveraged and should, in particular, not contain any financial derivative instruments or embedded derivatives, except that;

- a UK UCITS engaging in a long/short strategy may select a reference portfolio which uses financial derivative instruments to gain the short exposure;
- a UK UCITS which intends to have a currency hedged portfolio may select a currency hedged index as a reference portfolio.

85.1.4 The risk profile of the reference portfolio should be consistent with the investment objectives, policies and limits of the UK UCITS' portfolio;

85.1.5 If the risk/return profile of a UK UCITS changes frequently or if the definition of a reference portfolio is not possible, then the relative VaR method should not be used.

85.1.6 The process relating to the determination and the ongoing maintenance of the reference portfolio should be integrated in the risk management process and be supported by adequate procedures.

85.1.7 The absolute VaR approach limits the maximum VaR that a UK UCITS can have relative to its Net Asset Value (NAV).

## 85.2 Commitment Approach

85.2.1. Where the ACD uses the commitment approach for the calculation of global exposure, it must:

85.2.1.1 ensure that it applies this approach to all derivative and forward transactions (including embedded derivatives as referred to in paragraph 70 (Derivatives: general)), whether used as part of the Fund's general investment policy, for the purposes of risk reduction or for the purposes of efficient portfolio management in accordance with paragraph 96 (EPM techniques); and

85.2.1.2 convert each derivative or forward transaction into the market value of an equivalent position in the underlying asset of that derivative or forward (standard commitment approach).

85.2.2 The ACD may apply other calculation methods which are equivalent to the standard commitment approach.

85.2.3 For the commitment approach, the ACD may take account of netting and hedging arrangements when calculating global exposure of a Fund, where these arrangements do not disregard obvious and material risks and result in a clear reduction in risk exposure.

85.2.4 Where the use of derivatives or forward transactions does not generate incremental exposure for the Fund, the underlying exposure need not be included in the commitment calculation.

85.2.5 Where the commitment approach is used, temporary borrowing arrangements entered into on behalf of a Fund need not form part of the global exposure calculation.

## 86. Schemes replicating an index

86.1 Notwithstanding COLL 5.2.11R (Spread: general), a Fund may invest up to 20% in value of the Scheme Property in shares and debentures which are issued by the same body where the stated investment policy is to replicate the composition of a relevant index as defined below.

- 86.2 Replication of the composition of a relevant index shall be understood to be a reference to a replication of the composition of the underlying assets of that index, including the use of techniques and instruments permitted for the purpose of efficient portfolio management.
- 86.3 The 20% limit in 86.1 can be raised for a particular Fund up to 35% in value of the Scheme Property, but only in respect of one body and where justified by exceptional market conditions.
- 86.4 In the case of a Fund replicating an index the Scheme Property need not consist of the exact composition and weighting of the underlying in the relevant index in cases where a Fund's investment objective is to achieve a result consistent with the replication of an index rather than an exact replication.
- 86.5 The indices referred to above are those which satisfy the following criteria:
- 86.5.1 the composition is sufficiently diversified;
  - 86.5.2 the index represents an adequate benchmark for the market to which it refers; and
  - 86.5.3 the index is published in an appropriate manner.
- 86.6 The composition of an index is sufficiently diversified if its components adhere to the spread and concentration requirements in this section.
- 86.7 An index represents an adequate benchmark if its provider uses a recognised methodology which generally does not result in the exclusion of a major issuer of the market to which it refers.
- 86.8 An index is published in an appropriate manner if:
- 86.8.1 it is accessible to the public;
  - 86.8.2 the index provider is independent from the index-replicating Fund; this does not preclude index providers and the Fund from forming part of the same group, provided that effective arrangements for the management of conflicts of interest are in place.

## 87. Cover for transactions in derivatives and forward transactions

- 87.1 A Fund may invest in derivatives and forward transactions as part of its investment policy provided:
- 87.1.1 exposure relating to derivatives and forward transactions held in the Fund does not exceed the net value of the scheme property; and
  - 87.1.2 its global exposure to the underlying assets does not exceed in aggregate the investment limits laid down in paragraph 63 above.

## 88. Cover and borrowing

- 88.1 Cash obtained from borrowing, and borrowing which the ACD reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is available for cover under the previous paragraph 87 above (Cover for investments in derivatives) as long as the normal limits on borrowing (see below) are observed.
- 88.2 Where, for the purposes of this paragraph the Company borrows an amount of currency from an Eligible Institution or an Approved Bank; and keeps an amount in another currency, at least equal to such borrowing for the time on deposit with the lender (or his agent or nominee), then this applies as if the borrowed currency, and not the deposited currency, were part of the Scheme Property, and the normal limits on borrowing under paragraph 90 below (General power to borrow) do not apply to that borrowing.

## 89. Cash and near cash

- 89.1** Cash and near cash must not be retained in the Scheme Property except to the extent that, this may reasonably be regarded as necessary in order to enable:
- 89.1.1 the pursuit of a Fund's investment objectives; or
  - 89.1.2 redemption of units; or
  - 89.1.3 efficient management of a Fund in accordance with its investment objectives; or
  - 89.1.4 other purposes which may reasonably be regarded as ancillary to the investment objectives of a Fund.
- 89.2** During the period of the initial offer the Scheme Property may consist of cash and near cash without limitation.

## **90. General power to borrow**

- 90.1** The Funds may, in accordance with this paragraph 90 (General power to borrow), borrow money for the use of a Fund on terms that the borrowing is to be repayable out of the Scheme Property. This power to borrow is subject to the obligation of a Fund to comply with any restriction in the instrument constituting the Fund.
- 90.2** The Funds may borrow under paragraph 90.1 only from an Eligible Institution or an Approved Bank.
- 90.3** The ACD must ensure that any borrowing is on a temporary basis and that borrowings are not persistent, and for this purpose the ACD must have regard in particular to:
- 90.3.1 the duration of any period of borrowing; and
  - 90.3.2 the number of occasions on which resort is had to borrowing in any period.
- 90.4** The ACD must ensure that no period of borrowing exceeds three months, without the consent of the Depositary.
- 90.5** These borrowing restrictions do not apply to "back to back" borrowing for currency hedging purposes.
- 90.6** The Funds must not issue any debenture unless it acknowledges or creates a borrowing that complies with paragraph 90.1 to 90.5.

## **91. Borrowing limits**

- 91.1** The ACD must ensure that a Fund's borrowing does not, on any Business Day, exceed 10% of the value of the Scheme Property of a Fund.
- 91.2** In this paragraph 91, "borrowing" includes, as well as borrowing in a conventional manner, any other arrangement (including a combination of derivatives) designed to achieve a temporary injection of money into the Scheme Property in the expectation that the sum will be repaid.
- 91.3** For each Fund, borrowing does not include any arrangement for a Fund to pay to a third party (including the ACD) any set up costs which a Fund is entitled to amortise and which were paid on behalf of a Fund by the third party.

## **92. Restrictions on lending of money**

- 92.1** None of the money in the Scheme Property of a Fund may be lent and, for the purposes of this prohibition, money is lent by a Fund if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee.
- 92.2** Acquiring a debenture is not lending for the purposes of paragraph 92.1 nor is the placing of money on deposit or in a current account.
- 92.3** Paragraph 92.1 does not prevent a Fund from providing an officer of a Fund with funds to meet expenditure to be incurred by him for the purposes of a Fund (or for the purposes of enabling him properly to perform his duties as an officer of a Fund) or from doing anything to enable an officer to avoid incurring such expenditure.

### 93. Restrictions on lending of property other than money

- 93.1 The Scheme Property of a Fund other than money must not be lent by way of deposit or otherwise.
- 93.2 Transactions permitted by paragraph 96 below (EPM techniques) are not lending for the purposes of paragraph 93.1.
- 93.3 The Scheme Property of a Fund must not be mortgaged.
- 93.4 Paragraph 93.1 does not prevent a Fund from providing an officer of the Fund with funds to meet expenditure to be incurred by him for the purposes of the Fund (or for the purposes of enabling him properly to perform his duties as an officer of the Fund) or from doing anything to enable an officer to avoid incurring such expenditure.

### 94. General power to accept or underwrite placings

- 94.1 Any power in COLL 5 to invest in transferable securities may be used for the purpose of entering into transactions to which this section applies, subject to compliance with any restriction in the Instrument of Incorporation.
- 94.2 This section applies, subject to paragraph 94.3, to any agreement or understanding which:
- 94.2.1 is an underwriting or sub-underwriting agreement; or
  - 94.2.2 contemplates that securities will or may be issued or subscribed for or acquired for the account of a Fund.
- 94.3 Paragraph 94.2 does not apply to:
- 94.3.1 an option; or
  - 94.3.2 a purchase of a transferable security which confers a right to:
    - 94.3.2.1 subscribe for or acquire a transferable security; or
    - 94.3.2.2 convert one transferable security into another.
- 94.3.3 The exposure of the Funds to agreements and understandings within paragraph 94.2 must, on any Business Day:
- 94.3.3.1 be covered in accordance with the requirements of rule 5.3.3AR of the COLL Sourcebook; and
  - 94.3.3.2 be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in COLL 5.

### 95. Guarantees and indemnities

- 95.1 The Funds or the Depositary for the account of a Fund must not provide any guarantee or indemnity in respect of the obligation of any person.
- 95.2 None of the Scheme Property of the Funds may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.
- 95.3 Paragraphs 95.1 and 95.2 do not apply in respect of a Fund to:
- 95.3.1 any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with the FCA Rules;
  - 95.3.2 an indemnity falling within the provisions of regulation 62(3) (Exemptions from liability to be void) of the OEIC Regulations;



- 95.3.3 an indemnity (other than any provision in it which is void under regulation 62 of the OEIC Regulations) given to the Depositary against any liability incurred by it as a consequence of the safekeeping of any of the Scheme Property by it or by anyone retained by it to assist it to perform its function of the safekeeping of the Scheme Property; and
- 95.3.4 an indemnity given to a person winding up a scheme if the indemnity is given for the purposes of arrangements by which the whole or part of the property of that scheme becomes the first property of the Funds and the holders of units in that scheme become the first shareholders in a Fund.

## 96. EPM techniques

- 96.1 The use of EPM techniques for the account of a Fund (in particular securities lending arrangements and/or repurchase/reverse repurchase contracts) is permitted for the generation of additional income for the benefit of a Fund, and hence for its investors. The use of such EPM techniques shall not change the declared investment objective of a Fund or add supplementary risks to those disclosed in this Prospectus. The use of such techniques shall be in line with the best interests of the Fund.
- 96.2 There are certain risks involved in using efficient portfolio management techniques. Please see in particular the following risk factors set out above: 'Counterparty Risk', 'Derivative Transactions' and 'Specific Risks Linked to EPM Techniques'. These risks may expose investors to an increased risk of loss. Please also note that certain potential conflicts of interests may arise in relation to efficient portfolio management techniques. For further details please see the 'Conflicts of Interest' disclosure set out above.
- 96.3 The EPM techniques permitted by this section may be exercised by a Fund when it reasonably appears to the Company to be appropriate to do so with a view to generating additional income for a Fund with an acceptable degree of risk.
- 96.4 The Company or the Depositary at the request of Company may enter into a securities lending arrangement and/or repurchase/reverse repurchase contracts of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263C), but only if:
  - 96.4.1 all the terms of the agreement under which securities are to be reacquired by the Depositary for the account of the Company are in a form which is acceptable to the Depositary and are in accordance with good market practice;
  - 96.4.2 the counterparty is:
    - 96.4.2.1 an authorised person; or
    - 96.4.2.2 a person authorised by a Home State regulator; or
    - 96.4.2.3 a person registered as a broker-dealer with the Securities and Exchange Commission of the United States of America; or
    - 96.4.2.4 a bank, or a branch of a bank, supervised and authorised to deal in investments as principal, with respect to OTC derivatives by at least one of the following federal banking supervisory authorities of the United States of America: the Office of the Comptroller of the Currency; the Federal Deposit Insurance Corporation; the Board of Governors of the Federal Reserve System; and the Office of Thrift Supervision; and
  - 96.4.3 collateral is obtained to secure the obligation of the counterparty under the terms referred to in 96.4.1 and the collateral is:
    - 96.4.3.1 acceptable to the Depositary;
    - 96.4.3.2 adequate; and
    - 96.4.3.3 sufficiently immediate.

- 96.5 The counterparty for the purpose of paragraph 96.4 is the person who is obliged under the agreement referred to in paragraph 96.4.1 to transfer to the Depositary the securities transferred by the Depositary under the securities lending and/or repurchase/reverse repurchase transactions or securities of the same kind.
- 96.6 Paragraph 96.4.3 does not apply to a securities lending and/or repurchase/reverse repurchase transactions made through Euroclear Bank SA/NV's Securities Lending and Borrowing Programme.
- 96.7 There is no limit on the value of the Scheme Property which may be the subject of securities lending transactions and/or repurchase/reverse repurchase.
- 96.8 A Fund will have the right to terminate a securities lending arrangement at any time and demand the return of any or all of the securities loaned.
- 96.9 Where a Fund enters into a reverse repurchase agreement, it will have the right to recall the full amount of cash or to terminate the reverse repurchase agreement on either an accrued or a mark-to market basis at any time. Where the cash is recallable at any time on a mark-to market basis, the mark-to-market value of the reverse repurchase agreement shall be used for the purposes of the calculation of the Net Asset Value of the Fund.
- 96.10 Where a Fund enters into a repurchase agreements, the Fund will have the right to recall any securities subject to the agreement or to terminate the repurchase agreement at any time.
- 96.11 Fixed term repurchase and reverse repurchase contracts which do not exceed seven days shall be regarded as arrangements on terms which allow the assets to be recalled at any time by the Fund.
- 96.12 All the revenues arising from EPM techniques including total return swaps and Securities Financing Transactions shall be returned to the relevant Fund following the deduction of any direct and indirect operational costs and fees arising. Such direct and indirect operational costs and fees shall include:
- 96.12.1 fees and expenses payable to repurchase/reverse repurchase agreements counterparties;
  - 96.12.2 fees payable to Securities Lending Agents engaged by the Company for the account of the Fund from time to time; and/or
  - 96.12.3 fees payable to the ACD, where the ACD has carried out Securities Lending Services for the account of the Fund.

Such fees and expenses of any repurchase/reverse repurchase agreements counterparties and/or Securities Lending Agents engaged by the Company for the account of the Fund as well as the fees of the ACD in respect of any Securities Lending Services carried out by the ACD for the account of the Fund, will be at normal commercial rates together with VAT, if any, thereon, will be borne by the Company or the relevant Fund in respect of which the relevant party has been engaged. Further details of the fees and charges relating to Securities Lending Services are set out in the section on "Fees and Expenses" above.

- 96.13 From time to time, a Fund may engage repurchase and reverse repurchase agreements with counterparties and/or Securities Lending Agents that are related parties to the Custodian or other service providers of the Fund. Such engagement may on occasion cause a conflict of interest with the role of the Custodian or other service provider in respect of the Fund. Please refer to "Conflicts of Interest" for further details on the conditions applicable to any such related party transactions. The identity of any such related parties will be specifically identified in the Fund's annual report.
- 96.14 All assets received by the UK UCITS in the context of EPM techniques shall be considered as collateral and shall comply with the criteria in paragraphs 97 and 98.

## 97. Treatment of collateral for EPM techniques

- 97.1 In accordance with the collateral policy of the Funds, and subject to the criteria in paragraph 98, collateral received by the Funds must be:
- 97.1.1 transferred to the Depositary or its agent;

- 97.1.2 at least equal in value, at the time of the transfer to the Depositary, to the value of the securities transferred by the Depositary; and
  - 97.1.3 in the form of one or more of:
  - 97.1.4 cash; or
  - 97.1.5 a certificate of deposit; or
  - 97.1.6 a letter of credit; or
  - 97.1.7 a readily realisable security ; or
  - 97.1.8 commercial paper with no embedded derivative content; or
  - 97.1.9 a qualifying money market fund.
- 97.2 Where the collateral is invested in units in a qualifying money market fund managed or operated by (or, for an ICVC, whose authorised corporate director is) the ACD or an associate of the ACD, the conditions in paragraph 97.1 must be complied with.
- 97.3 Collateral is sufficiently immediate for the purposes of this paragraph if:
- 97.3.1 it is transferred before or at the time of the transfer of the securities by the Depositary; or
  - 97.3.2 the Depositary takes reasonable care to determine at the time referred to in paragraph 97.3.1 that it will be transferred at the latest by the close of business on the day of the transfer.
- 97.4 The Depositary must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Depositary.
- 97.5 The duty in paragraph 97.4 may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Depositary takes reasonable care to determine that sufficient collateral will again be transferred at the latest by the close of business on the day of expiry.
- 97.6 Any agreement for transfer at a future date of securities or of collateral (or of the equivalent of either) under this paragraph may be regarded, for the purposes of valuation and pricing of the Company or this Appendix, as an unconditional agreement for the sale or transfer of property, whether or not the property is part of the Scheme Property of the authorised fund.
- 97.7 Collateral transferred to the Depositary is part of the Scheme Property for the purposes of the rules in the COLL Sourcebook, except in the following respects:
- 97.7.1 it does not fall to be included in any calculation of NAV or this Appendix, because it is offset under paragraph 97.6 by an obligation to transfer; and
  - 97.7.2 it does not count as Scheme Property for any purpose of this Appendix other than this paragraph.
- 97.8 Paragraphs 97.6 and 97.7.1 do not apply to any valuation of collateral itself for the purposes of this paragraph.

## 98. Permitted types of collateral for OTC derivative transactions and EPM techniques

- 98.1 Where a Fund enters into OTC financial derivative transactions, securities lending or, repurchase or reverse repurchase transactions, all collateral used to reduce counterparty risk exposure shall comply with the following criteria at all times:
- 98.1.1 Liquidity. Any collateral received other than cash shall be liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation. Collateral received shall also comply with the provisions in paragraph 9 10 above.

- 98.1.2 Valuation. Collateral received shall be valued on at least a daily basis and assets that exhibit high price volatility shall not be accepted unless suitable haircuts are in place.
- 98.1.3 Issuer Credit Quality. Collateral shall be of a high quality.
- 98.1.4 Correlation. The collateral received shall be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty.
- 98.1.5 Diversification. Collateral shall be sufficiently diversified in terms of country, markets and issuers. The criterion of sufficient diversification with respect to issuer concentration is considered to be respected if the Fund receives, from a counterparty of securities lending, repurchase and reverse repurchase transactions and over-the-counter financial derivative transactions, a basket of collateral with a maximum exposure to a given issuer of 20% of its Net Asset Value. When a Fund is exposed to different counterparties, the different baskets of collateral shall be aggregated to calculate the 20% limit of exposure to a single issuer.
- 98.1.6 Immediately available. Collateral received shall be capable of being fully enforced by the Fund at any time without reference to or approval from the counterparty.
- 98.1.7 Where there is a title transfer, the collateral received shall be held by the Custodian. For other types of collateral arrangement, the collateral can be held by a third party custodian which is subject to prudential supervision, and which is unrelated to the provider of the collateral.
- 98.2 Non-cash collateral received shall not be sold, re-invested or pledged.
- 98.3 Cash collateral shall only be:
  - 98.3.1 placed on deposit with entities as prescribed in article 50(f) of the UCITS Directive;
  - 98.3.2 invested in high-quality government bonds;
  - 98.3.3 used for the purpose of reverse repurchase transactions provided the transactions are with credit institutions subject to prudential supervision and the Fund is able to recall at any time the full amount of cash on accrued basis;
  - 98.3.4 invested in short-term money market funds as defined in the “CESR Guidelines on a Common Definition of European Money Market Funds”.
- 98.4 Re-invested cash collateral shall be diversified in accordance with the diversification requirements applicable to non-cash collateral.
- 98.5 A haircut policy in respect of each class of assets received as collateral has been established for each Fund. The haircut is a percentage by which the market value of the collateral will be reduced. The Company typically deducts the haircuts from the market value in order to protect against credit, interest rate, foreign exchange and liquidity risk during the period between collateral calls. The haircut generally is contingent on such factors as price volatility of the relevant asset class, the prospective time to liquidate the asset, the maturity of the asset, and the creditworthiness of the issuer. A more volatile (whether because of longer duration or other factors), less liquid asset typically carries a higher haircut. Haircuts are defined with the approval of the risk management function and may be subject to changes depending on changing market conditions. Haircuts may differ depending on the underlying transaction type, e.g. haircuts applied for OTC derivatives may differ from haircuts applied for securities lending transactions. Generally, equities will only be accepted as collateral if they are included in major stock indices. Additional (additive) haircuts apply for securities received as collateral in which their currency differ from the Base Currency of the Sub-Fund.

# Directory

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