

# Allianz Defensive Mix FCP-FIS

Offering Document/Management Regulations

30 MAY 2023

# General Information

This offering document is valid only if accompanied by the latest annual report published no more than eighteen months ago. In particular the respective annual reports as well as the respective offering document, the Management Regulations and subscription and redemption prices can be obtained at the registered office of the Management Company, the AIFM and from the Depositary resp. the Central Administration Agent without charge before and after the conclusion of a contract. They may be requested there in person or applied for in writing or by telephone.

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

## Investment Restrictions applying to US Persons

The Fund is not and will not be registered in the United States of America under the Investment Company Act of 1940 as amended. The United States of America, its territories and possessions, any State of the United States, and the District of Columbia. The Units of the Fund 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 Units 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 Units on behalf of any US Person nor acquiring Units with the intent to sell them to a US Person. Should a unitholder become a US Person, they may be subject to US withholding taxes and tax reporting.

### US Person:

Any person 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.

30 May 2023

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# Information on the Fund

Allianz Defensive Mix FCP-FIS was established as a "fonds commun de placement" (FCP) – "fonds d'investissement spécialisé" (FIS) in the category of specialised investment funds under the law of the Grand Duchy of Luxembourg on 7 January 2019 in the Grand Duchy of Luxembourg and as such falls within the scope of the Law of 13 February 2007 on specialised investment funds ("Law") and is qualified as Alternative Investment Fund in accordance with the Law of 12 July 2013 on Alternative Investment Fund Managers. The fact that the Fund is entered on the list of specialized investment funds by the CSSF shall not, under any circumstances, be understood in any way whatsoever as a positive assessment made by the CSSF of the quality of the Units of the Fund. The base currency of the Fund is the EUR.

Units in this Fund may only be issued to experienced investors as defined in the Law.

If the well-informed investor is neither an institutional nor a professional investor as defined in the Law, his status as an well-informed investor shall be confirmed by the latter to the Company in writing. In addition, the acquisition of units depends on meeting at least one of the following two criteria:

- The investor places at least EUR 125,000.00 (after deduction of any sales charge) across all unit classes; additional investments at lesser amounts are allowed if the total of the current value of the units already held by the investor at the time of the additional investment, across all unit classes if applicable, and the amount of the additional investment (after deduction of any sales charge) corresponds to at least the minimum investment amount. If the investor is acting as intermediary for third-party final beneficiaries, then the units may only be acquired if the conditions listed above are separately fulfilled for each of the third-party final beneficiaries. A condition may be set on the issue of units requiring the prior submission by the investor of a written guarantee to that effect.
- The investor has an appraisal from a financial institution, securities company or management company as defined in the Law, confirming that his expertise, experience and knowledge are such that he can adequately assess the investment in a specialised investment fund as defined in the Law. The issue of units may be made dependent on the investor submitting a written appraisal as defined above to the Management Company.

The Alternative Investment Fund Manager ("AIFM") is Allianz Global Investors GmbH. The Fund is managed by Carne Global Fund Managers (Luxembourg) S.A.

This offering document entered into force on 30 May 2023.

Moreover the Fund uses the option according to § 161 paragraph 1 of the Law, whereby the Fund is authorised to create a document also for investment funds other than a UCITS in terms of the Law, which contains the key investor information in terms of the Law ("the Key Investor Information"). The Fund is consequently exempted from the requirement to produce a key information document in accordance with Article 32 (4) of Regulation (EU) N° 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents relating to investment products packaged retail and based on insurance (the "PRIIPS regulations") until 31 December 2021.

The units of this Fund are exclusively offered and sold to professional investors. As a consequence the Fund does not issue a key information document (PRIIP KID) according to REGULATION (EU) No 1286/2014.

The Fund's management regulations entered into force on 22 August 2022. A notice of lodging with the commercial register in the Grand Duchy of Luxembourg was published on 27 October 2022 in the RESA, Recueil électronique des sociétés et associations („RESA“).

## Investment Objective

The investment objective is geared toward generating long term capital growth and income by investing in a broad range of asset classes, in particular in the bond-, equity- and markets for alternative assets. To achieve this investment objective the Fund invests in particular in investment funds with different regional focuses from a global investment universe.

## Management approach of the Fund

A fund is managed in reference to a benchmark index pursuant to Article 7 Section 1 letter d) of Commission Regulation (EU) No. 583/2010 where a benchmark index either plays a role in (i) the explicit or implicit definition of the portfolio composition of the fund and/or in (ii) the performance objectives and indicators of the fund. In both cases, fund management adopts an active management approach, i.e. the benchmark is neither tracked nor replicated. Through this approach, fund management aims to outperform the benchmark index.

If a unit class of the Fund is hedged against a specific currency, the respective benchmark index is also hedged against this currency.

This Fund is not managed in reference to a benchmark index.

The AIFM 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. The Sustainability Risks assessment does not cover cash and deposits, derivatives and non-rated investments. Sustainability Risks are clustered as

- Sustainability macro risks with global relevance (for example global warming and climate change).
- Sustainability sector risks with relevance for funds exposed to specific sectors (for example stranded asset risks for Oil & Gas sector).
- Sustainability idiosyncratic risks on the level of individual corporate and sovereign issuers with relevance for funds exposed to these issuers (for example climate transition risk).
- Sustainability investment risks on portfolio level that derive from portfolio exposure on Sustainability macro risk, Sustainability sector risks and in particular invested Sustainability issuers.

Sustainability risks are assessed using external sustainability research data and/or internal research and analysis. Both external and internal research aims at identifying potential financial risks of an investment in securities of an issuer related to sustainability. Issuers can be corporate issuers, sovereign issuers or sub-sovereign agency issuers. Details can be found in the Risk Management Policy Statement available at <https://www.allianzgi.com/en/our-firm/esg>.

Furthermore, the AIFM considers PAI indicators on sustainability factors in a similar manner as described before in the course of all investment decisions to be taken for a Sub-Fund. Further details are included in the AIFM's Principal Adverse Impact Statement available on the website [www.allianzglobalinvestors.com](http://www.allianzglobalinvestors.com).

PAI Indicator(s) are various indicators which intend to show the material or likely to be material impact of investment decisions on Sustainability Factors. PAI Indicators include, but are not limited to, greenhouse gas emissions, biodiversity, water, waste as well as social and employee matters for corporate issuers, and, where relevant, an indicator applicable to investments in securities of sovereign issuers. PAI indicators are used to measure how issuers negatively impact Sustainability Factors.

All investments which are made by this Fund do not take into account the EU criteria for environmentally sustainable economic activities. The Fund does not mitigate PAI indicators as the fund does not apply the sustainable minimum exclusion criteria.

## Investment Principles

1. The Fund's assets are invested in accordance with the principle of risk diversification, as follows:
  - a) UCITS and/or UCI as defined in Article 4 No. 2 of the management regulations ("target funds").
  - b) **Equities** means all equities and similar securities, including but not limited to, preference Units, convertible preference Units, equity warrants, depositary receipts (e.g. American depositary receipts, global depositary receipts), REIT equities, REIT units, equity linked notes, warrants to subscribe for equities. Equities also include index certificates, equity certificates, other comparable certificates and equity baskets as well as assets whose risk profile correlates with the relevant equity or with the investment markets to which these assets can be allocated. ("Equities").

- c) **Debt securities** means any security which bears interest, including, but not limited to, government bonds, money market Instruments, mortgage bonds and similar foreign asset-backed securities issued by financial institutions, public-sector bonds, floating-rate notes, contingent convertible bonds, convertible debt securities, corporate bonds, Asset-Backed Securities (ABS) and Mortgage-Backed Securities (MBS), as well as other collateralized bonds. Convertible debt securities include, but are not limited to, convertible bonds, bonds with warrants and/or equity warrant bonds. Debt securities also include index certificates and other certificates with a risk profile that typically correlates with the aforementioned assets or with the investment markets to which these assets can be allocated, as well as non-interest bearing securities such as zero coupon bonds. ("Debt Securities").
- d) **Certificates** (although only securities as defined in the Law of 17 December 2010), whose underlyings are
- Equities,
  - Debt Securities,
  - UCITS or UCI as defined in Article 4 No. 2 of the management regulations,
  - financial indices (including hedge funds, commodity futures, precious metal and commodity indices as well as indices that refer to companies operating in the area of private equity/debt),
  - commodities,
  - precious metals or
  - baskets consisting of the above-mentioned underlying securities ("certificates").

The acquisition of certificates with the above-mentioned underlyings is possible regardless of whether the underlying can be replaced or modified under the respective terms and conditions of the certificate, as long as the replaced or modified underlying is one that is admissible for certificates as defined in this letter.

Certificates with an underlying security as defined in the fifth to seventh indent may only be acquired if the certificate structure does not provide for the use of a leverage effect; in other words, it seeks to track the underlying security precisely and reflects its risk profile as much as possible.

- e) **Deposits** as defined in Article 4 No. 3 of the management regulations ("Deposits") and money-market instruments as set out in Articles 4 No. 5 and Article 5 of the management regulations ("Money Market Instruments").
- f) **Use of techniques and instruments** (in accordance with Articles 8 and the following of the management regulations and the explanations in the offering document under "The Use of Techniques and Instruments and Special Risks associated with such Use") ("techniques and instruments").

## 2. The following investment limits are observed in investing the assets of the Fund:

- a) The majority of the value of the Fund's assets will be invested in target funds.
- b) Subject in particular to **No. 3 letter f)**, not more than 40% of the value of the Fund's assets are invested in equity funds, Equities and Certificates whose risk profile typically correlates with one or more equity markets. Equity funds in which investments are made may either be broadly diversified equity funds or funds specialising in particular countries, regions or sectors. Any UCITS or UCI is an equity fund if its risk profile typically correlates with that of one or more equity markets.
- c) Subject in particular to **No. 3 letter f)**, the Fund's assets may be invested without restriction in bond funds, Debt Securities and Certificates whose risk profile typically correlates with one or more bond markets whereas the acquisition of ABS/MBS is limited to max. 20% of Fund assets. Bond funds in which investments are made may either be broadly diversified bond funds or funds specialising in particular countries, regions or sectors, or oriented towards specific maturities or currencies. Any UCITS or UCI is a bond fund if its risk profile typically correlates with that of one or more bond markets.
- d) Subject in particular to **No. 3 letter f)**, the Fund's assets may be invested without restriction in Deposits, Money Market Instruments, money market funds and Certificates whose risk profile typically correlates with one or more of the above assets or investment markets to which these assets can be allocated. Money-market funds in which investments are made may either be broadly diversified money-market funds or money-market funds focused on specific groups of issuers or oriented towards specific maturities or currencies. Any UCITS or UCI is a money-market fund as defined above if its risk profile correlates with that of one or more money markets.

- e) Subject in particular to **No. 3 letter f)**, a minimum of 40% of the value of the Fund's assets shall be invested in assets as defined in letters c) and d).
- f) Subject to **No. 3 letter f)**, not more than 20% of the value of the Fund's assets may be invested in **emerging markets related assets**, including, but not limited to,
- target funds that are either classified as emerging market investments or assigned to a country or a region that is not classified by the World Bank as "high gross national income per capita", i.e. is not classified as "developed" in accordance with Morningstar GIFS (Morningstar's Global Investment Fund Sector) ("emerging market"),
  - Equities or Debt Securities whose issuer has its registered office in an emerging market, and
  - Certificates as defined in No. 1 letter d), whose underlyings can be allocated to the first two indents of this letter.
- g) Subject to **No. 3 letter f)**, not more than 20% of the value of the Fund's assets may be invested in **high-yield markets related assets**, including, but not limited to,
- target funds that are allocated to the high-yield bond sector in accordance with the Morningstar GIFS classification,
  - Debt Securities which, at the time of acquisition, do not have an investment grade rating from a recognised rating agency or are not rated at all, but for which in the opinion of fund management, it can be assumed that they would not have an investment grade rating if they were to be rated ("high-yield" investments),
  - Certificates as defined in No. 1 letter d), whose underlyings can be allocated to the first two indents of this letter.
- h) Subject in particular to **No. 3 letter f)**, the assets as defined in letters f) and g) may not exceed a total of 30% of the Fund's assets.
- i) Subject to **No. 3 letter f)**, not more than 30% of the value of the Fund's assets may be invested in **alternative investments**. Alternative investments aim to have a low correlation to Equities or Debt Securities. Typical alternative asset classes are (i) real estate, (ii) commodities, (iii) private equity and/or private debt or (iv) alternative markets related assets.

Alternative markets related assets include, but are not limited to,

- Alternative funds that are either allocated to the alternative investments sector in accordance with the Morningstar classification or which typically correlate with alternative investment markets and / or alternative investment strategies whereas the alternative fund's risk profile typically does not or only low correlate with those of standard asset classes as a result of the use of derivatives and the use of appropriate strategies. Alternative fund include investment funds, but are not limited to, which can in particular pursue so-called "long / short strategies", "event-driven strategies" and "alternative volatility strategies".
- Certificates which are oriented towards alternative funds or alternative asset classes as mentioned above and do not provide for the use of leverage in their derivative structure; in other words, which seek to track the base index, target fund or alternative asset precisely and reflect their risk profiles as much as possible.
- Certificates which are oriented towards alternative investment indices.
- Techniques and instruments, especially swaps and futures, based on alternative investment indices, on alternative target funds or on other alternative investments as mentioned above (e.g. (i) real estate, (ii) commodities, (iii) private equity and/or private debt).

### 3. The following selection principles are observed in investing the assets of the Fund:

- a) Fund management will invest the Fund's assets after a thorough analysis of all the information available, subject to a careful evaluation of risks and opportunities in securities, target funds and other permissible assets. The performance of fund units, however, remains dependent on price changes on the markets. Therefore, no warranty can be given that the objectives of the investment policy will be achieved. Investors assume the risk of receiving a lesser amount than they originally invested.

Fund management adjusts the composition of the Fund according to its assessment of the market situation and taking into consideration the investment objective and investment principles, which may result in a complete or partial reorientation of the composition of the Fund. For this reason, such adjustments may be made, and frequently if appropriate.

- b) Target funds may in particular be broadly diversified funds (including balanced funds, if indicated, funds pursuing an absolute return approach and, in particular, alternative investment funds), equity (including REIT), bond or money-market funds, target funds that participate in one or more commodity futures, precious metals or commodity indices, country, region or sector funds (including funds oriented towards companies operating in the area of private equity), or funds oriented towards certain issuers, currencies or maturities. The Fund's assets are generally invested in a balanced ratio between, on the one hand, target funds that are managed, directly or indirectly, by the Management Company itself or by any other company with which the Management Company is linked by a substantial direct or indirect investment. In derogation of this general rule, the proportion of other target funds may predominate.
- c) The Fund's assets may also be denominated in foreign currencies. With unit classes in particular, transactions may be entered into that, to a large extent, serve as a hedge against another currency. Investment instruments that are not denominated in a currency are considered to be denominated in the currency of the country in which the registered office of the issuer is located (the company, in the case of instruments representing equities; for certificates: the underlying) is located.
- d) In the framework of and taking into account the above restrictions, the Fund's assets may – depending on the market situation – focus on
- individual types of assets, and/or
  - individual currencies, and/or
  - individual sectors, and/or
  - individual countries, and/or
  - assets with shorter or longer (residual) maturities, and/or
  - assets from specific issuers/debtors (e.g. countries or companies),

or have a broad investment focus. No provision has been made for a restriction on the average, cash-value weighted residual maturity (duration) of the bond and money-market element of the Fund.

Fund management may invest indirectly, particularly in the corresponding securities issued by companies of any size. Depending on the market situation, fund management may focus either on companies of a certain size or individually determined sizes, or have a broad investment focus.

In particular where very small cap stocks are acquired, these may be specialist stocks, some of which operate in niche markets.

Fund management may also in particular invest indirectly in securities that it considers to be undervalued in terms of their fundamentals in comparison with the industry (value stocks) as well as in equities that it considers to have growth potential that is not factored into the current price (growth stocks). Depending on the market situation, fund management may either concentrate on value or growth stocks, or have a broad investment focus.

Depending on the specific investment approach of a target fund manager, the above criteria may also not be taken into consideration at all in making investment decisions, with the result that the Fund may have either a narrow or a broad investment focus.

- e) The limits described in No. 2 letters b) to i) above may be either exceeded or not met if this occurs through changes in the value of assets held in the Fund, or through a change in the value of the Fund as a whole, as in the case of the issue or redemption of units ("passive violation of limits"). In such cases, fund management will seek to adhere to those limits within an appropriate time frame.
- f) It is permissible for the limits described in No. 2 letters b) to i) to be exceeded or not met through the acquisition or sale of the corresponding assets if it is simultaneously ensured through the use of techniques and instruments that the respective market risk potential as a whole adheres to the limits.

For this purpose, the techniques and instruments are taken into account with the delta-weighted value of the respective underlying assets in the manner prescribed. Market-contrary techniques and instruments are also considered to be risk-reducing if their underlying instruments do not fully match the assets in the Fund.

- g) Compliance with the limits listed in No. 2 letters a) to i) is not required in the first six months after launching the Fund and in the last two months before a potential liquidation or merger of the Fund takes place.



- h) Techniques and instruments for the purpose of efficient portfolio management of the Fund (including transactions entered into for hedging or speculative purposes) may be used. Under no circumstances may the Fund deviate from its stated investment objectives when using such techniques and instruments.
- i) If the Morningstar GIFS classification should no longer be available or the relevant fund is not classified in Morningstar GIFS, the Management Company may undertake this classification on the basis of an alternative classification system to be determined by the Management Company.

## Exceeding or not Meeting Investment Limits

The investment limits set down in Articles 5, 6, 11 and 26 of the management regulations may be exceeded or not met for a reasonable period provided this appears opportune in the view of the fund management and the principle of risk diversification continues to be observed despite one of the specified investment limits being exceeded or not met. **In addition, the investment limit set down in Article 6 No. 5 may be permanently exceeded to the effect that the Fund does not invest more than 40% of its net assets in one UCITS or UCI if it is ensured that the principles of risk diversification are observed and complied with at all times.**

## Real Estate Investment Trust/REIT

A real estate investment trust (REIT) is a legal entity whose business purpose is aimed at acquiring property and/or activities in connection with the ownership of property. Unless indicated otherwise, REITs are companies incorporated in the legal form of a joint-stock company or a fund. If a REIT is in the legal form of a fund, closed-end REIT funds can be acquired.

In the case of a closed-end REIT fund, the REIT fund itself or the company that issued the REIT fund is not obliged to redeem units in the REIT fund. In these circumstances the units in the REIT fund can only be sold through the secondary market. In contrast, an open-ended REIT fund is legally obliged to redeem units in the REIT fund (in addition to any further option of selling them via the secondary market), either itself or through the company issuing the REIT fund.

## General Exclusion of certain issuers

This Fund refrains from direct investing in securities of issuers which, in the opinion of the AIFM, 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 meet 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. This Fund might invest in securities baskets such as indices which can contain securities falling under 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 such instrument has been acquired on behalf of the Fund prior the enforcement of the exclusion policy.

## Unit Classes

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

Units of distributing and accumulating unit classes may be issued for the Fund. A, C, P, I and W unit class types are distributing unit class types, while AT, CT, PT, IT and WT unit class types are accumulating unit class types, i.e. the income accruing to this unit class type is reinvested in the unit class.

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

EUR (Euro) and USD (US Dollar).

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

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

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

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

For information on the management fee together with administration fee for the unit classes or unit class types, and in relation to other charges, in particular any sales charge or redemption fee, please refer to the information table and the sections entitled "Charges", "Issue of Units and Related Costs" and "Redemption of Units and Related Costs".

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

If a unit class is hedged against the reference currency, an "H" is prefixed to the name of the reference currency [e.g. for unit class type A, reference currency USD and a currency hedge against the reference currency: A (H-USD)]. When this offering document refers to unit classes A, AT, C, CT, P, PT, I, IT, W or WT without additional codes, it relates to the relevant unit class type.

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

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

Information on the distribution policy of each of the unit classes is included in the section entitled "Calculation and Use of Income".

## Information Table

Unit class	A/AT	C/CT	P/PT	I/IT	W/WT
Initial net asset value per unit	EUR 100.00 USD 100.00	EUR 100.00 USD 100.00	EUR 1,000.00 USD 1,000.00	EUR 1,000.00 USD 1,000.00	EUR 1,000.00 USD 1,000.00
Sales charge <sup>1)</sup>	5.00%	2.00%	–	–	–
Redemption fee/divestment fee	No redemption fee or divestment fee is currently levied.				
All-in fee in accordance with the management regulations <sup>2)</sup>	1.25% p.a.	1.95% p.a. <sup>3)</sup>	1.00% p.a.	1.00% p.a.	0.30 % p.a.
Taxe d'abonnement	0.01% p.a.	0.01% p.a.	0.01% p.a.	0.01% p.a.	0.01% p.a.
Minimum investment amount	EUR 125,000.00 <sup>4)</sup>	EUR 125,000.00 <sup>4)</sup>	EUR 125,000.00 <sup>4)</sup>	EUR 4,000,000.00 <sup>5)</sup>	EUR 10,000,000.00 <sup>6)</sup>
Use of income	Unit classes A, C, P, I and W: distribution generally within four months of the end of the financial year. Unit class AT, CT, PT, IT and WT: annual accumulation on 30 April.				
Financial year	The financial year of the Fund begins on 1 May and ends on 30 April. The first financial year of the Fund began with the foundation of the Fund on 7 January 2019 (foundation date) and ends on 30 April 2019.				

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

2) The Management Company may levy a lower fee at its own discretion.

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

4) Or, with reference to the unit classes with the respective reference currency: EUR 125,000.00; equivalent of EUR 125,000.00 in USD

5) USD 4,000,000.00

6) USD 10,000,000.00

At the time of printing this offering document, the following unit class has been launched:

- Unit class WT (EUR) (ISIN LU1899053786/ WKN A2N729): 18 January 2019

## Calculation and Use of Income

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

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

The current distribution policy for units of distributing unit classes provides for the annual distribution of essentially all income, less costs, that can be distributed as defined above from a corresponding time period. Nevertheless, the Management Company may decide to distribute realised capital gains and other income – taking into account the corresponding income equalisation – and unrealised capital gains and capital in accordance with Article 15 in conjunction with Article 21 of the Law. At present, distribution is generally expected within four months of the end of the respective financial year. The Management Company may also make interim distributions.

Accumulating unit classes retain all income (interest, dividend income, income from target fund units, compensation for securities lending and securities repurchase agreements, other income and realised capital gains, while taking into account the corresponding income equalisation) less payable charges, fees, taxes and other expenses as at the end of the Fund's financial year, and reinvest these amounts. For this reason, it should not be expected that distributions will be paid out to unitholders. Nevertheless, the Management Company may decide how income and realised capital gains – taking into account the corresponding income equalisation – are to be used, that capital may be distributed in accordance with Article 15 in conjunction with Article 21 of the Law and that distributions in the form of cash payments may be made. An annual accumulation is currently scheduled for 30 April of each calendar year.

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

Payments in connection with any distributions are made in the reference currency of the respective unit class. Currently, for all unit classes, this is normally within two valuation days after the distribution date, although no later than within ten valuation days after the respective distribution date in each case. The Registrar and Transfer Agent is only obliged to make

payment if there are no legal provisions such as exchange control regulations or other circumstances beyond the Registrar and Transfer Agent's control (e.g. public holidays in countries in which investors or intermediaries/service providers engaged to process the payment are domiciled) forming an obstacle to transfer of the distribution.

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

## Income Equalisation Procedure

The Management Company uses an income equalisation procedure for the Fund's unit classes. This means that the proportional income and realised capital gains/losses accruing during the financial year which the acquirer of units must pay as part of the subscription price and which the seller of units receives as payment as part of the redemption price is continuously netted. The expenses incurred are taken into account in calculating the income equalisation.

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

## Risk Factors

An investment in the Fund is associated with the following general and specific risk factors:

### Asset-Backed Securities (ABS) and Mortgage-Backed Securities (MBS)

The income, performance and/or capital repayment amounts of ABS and MBS are linked to the income, performance, liquidity and credit rating of the underlying or covering pool of reference assets (e.g. receivables, securities and/or credit derivatives), as well as the individual assets included in the pool or their issuers. If the performance of the assets in the pool is unfavourable for investors, depending on the form of the ABS or MBS, those investors may suffer losses up to and including total loss of invested capital.

ABS and MBS may be issued with or without the use of a special-purpose vehicle ("SPV"). Such SPVs normally do not engage in any other business aside from issuing ABS or MBS. The pool underlying the ABS or MBS, which also often consists of non-fungible assets, normally represents the only assets of the SPV or the only assets from which the ABS and MBS are to be serviced. If ABS or MBS are issued without the use of a SPV, there is the risk that the liability of the issuer will be limited to the assets included in the pool. The principal risks in respect of the assets included in the pool are concentration risk, liquidity risk, interest-rate risk, creditworthiness risk, company-specific risk, general market risk, risk of default and counterparty risk as well as the general risks of investing in bonds and derivatives, in particular interest-rate risk, creditworthiness risk, company-specific risk, general market risk, risk of default, counterparty risk and liquidity risk.

As a result, ABS and MBS may be highly illiquid and prone to substantial price volatility. These instruments may therefore be subject to greater credit, liquidity and interest-rate risks compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities, the Net Asset Value of the relevant Fund or investors.

### Active Currency Positions Risk

The Fund may implement active currency derivative positions that may not be correlated with the underlying securities positions held by the Fund. Therefore, the Fund may suffer a significant or total loss even if there is no loss of the value of the underlying securities positions (eg. equities, debt securities) held by the Fund.

### Asset Allocation Risk

The performance of the Fund is partially dependent on the success of the asset allocation strategy employed by that Fund. There is no assurance that the strategy employed by the Fund will be successful and therefore the investment objective of the Fund may not be achieved. The investments of the Fund may be periodically rebalanced and therefore that Fund may incur greater transaction costs than a Fund with static allocation strategy.

**Capital Risk**

There is a risk that capital of a Fund or the capital that can be allocated to a Class will decrease. Excessive redemptions of a Fund's Units or an excessive distribution of returns on investments could have the same effect. A reduction in the capital of a Fund or the capital that can be allocated to a Class could make the management of the Company, a Fund or a Class unprofitable, which could lead to the liquidation of the Company, a Fund or a Class and to investor losses.

**Certificate Investments Risk**

A certificate vests the right, subject to the terms and conditions of the certificate, for the certificate holder to demand payment of a specific amount of money or delivery of certain assets on the settlement date. Whether the certificate holder has a corresponding claim on performance and, if so, to what extent, depends on certain criteria, such as the performance of the underlying asset during the term of the certificate or its price on certain days. As an investment vehicle, certificates are subject to the following risks in relation to the issuer of the certificate: creditworthiness risk, company-specific risk, settlement default risk and counterparty risk. Other risks that should be emphasised are general market risk, liquidity risk and, if applicable, currency risk. Certificates are not hedged through other assets or through third-party guarantees. This applies likewise to any permissible position held through another instrument based on the law of obligations.

**Changes in Underlying Conditions Risk**

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

**Closed-End Fund Risk**

When investing in closed-end funds, the income, performance and/or capital repayment will depend on the income, performance and credit rating of the underlying investments of the closed-end funds. If the performance of the assets of the closed-end-funds are unfavourable for its investors, depending on the form of the closed-end-funds, investors of the relevant Fund can suffer partial, or even total loss.

Redemptions of investments in closed-end funds may not be possible. Since such funds commonly have a fixed term which makes continuous liquidation/termination of such investments in closed-end funds prior to maturity impossible. In the case of a closed-end fund which maturity is not already determined, the liquidity risk may be even higher. Eventually, investments in closed-end funds might be sold on a secondary market, if any, with the risk of significant bid/offer spreads. Investments in closed-end funds may also be fully or partially repaid prior to maturity, which could lead to a less attractive total investment in the respective close-end fund as well as to a less attractive reinvestment. In addition, the corporate governance mechanisms, the transferability as well as the possibility to rate, to receive adequate information about and to evaluate investments in closed-end-funds may deteriorate before maturity.

The principal risks for investments in closed-end funds are general market risk, concentration risk, liquidity risk, the risk of interest rate changes, creditworthiness risk, company-specific risk, settlement default risk and counterparty risk. Specific risks vary depending on the particular type of closed-end fund.

When investing in closed-end funds, costs are regularly incurred both at the level of the funds themselves particularly in respect of service provider fees, as well as at the level of the portfolio making the investment. These may result in increased charges to the investors in the portfolio making the investment in the closed-end fund.

**Commodities Markets Risk**

Positions in commodity futures, precious metals or commodity markets ("Commodities") are subject to general market risk. The performance of Commodities depends on the general supply and demand of the respective goods, as well as the expected demand, output, extraction and production. Therefore, the performance of Commodities can be especially volatile.

Certificate Investments will be exposed to Certificate Investments risks. Derivative-based investments are subject to the general risks associated with investment in derivatives. Investment in funds oriented towards Commodities is also subject to the specific risks of investing in target funds. With respect to index-based investments, the Index-based Investments Risk will apply.

In addition to the costs incurred in the acquisition and sale of a certificate, a derivative, or shares in funds oriented towards Commodities, additional costs may be incurred at the level of an index, a certificate, a derivative or the above-mentioned funds, which could affect the value of the investment, possibly to a substantial extent.

### Company-Specific Risk

The value of the Fund's assets (in particular of securities and money-market instruments directly or indirectly held by such Fund) may be affected by company-specific factors (e.g. the issuer's business situation). If a company-specific factor deteriorates, the price of the respective asset may drop significantly and for an extended period of time, possibly without regard to an otherwise generally positive market trend. This may have an adverse impact on the Fund and/or the investor.

### Concentration Risk

If the Fund focuses its investments on certain markets, types of investments, particular countries, regions or industries, this may reduce risk diversifications. Consequently, the Fund may be particularly dependent on the development of these investments, markets or related markets, individual or interdependent countries or regions, industries or industries that influence each other or companies of such markets, countries, regions or industries. As such, the Fund is likely to be more volatile than a fund that has a more diversified investment strategy. It may be more susceptible to fluctuations in value resulting from a limited number of holdings or the impact of adverse conditions on a particular investment or market. This may have an adverse impact on the performance of the Fund and consequently adversely affect an investor's investment in the Fund.

### Contingent Convertible Bonds Investment Risk

Investing in contingent convertible bonds ("CoCos") are associated with the following special risks as issued in the statement ESMA/2014/944 ("Potential Risks Associated with Investing in Contingent Convertible Instruments") issued by the European Securities and Markets Authority ("ESMA") which include, but are not limited to (i) Trigger level risk: trigger levels differ; they determine exposure to conversion risk depending on the distance between equity and the trigger level; (ii) Coupon cancellation risk: coupon payments may be cancelled by the issuer at any point and for any length of time; (iii) Capital structure inversion risk: contrary to classic capital hierarchy, CoCo investors may suffer a loss of capital when equity holders do not; (iv) Call extension risk: CoCos are issued as perpetual instruments, callable at predetermined levels only with the approval of the competent authority; (v) Unknown risk: the structure of the instruments is innovative yet untested; (vi) Yield/valuation risk: investors are drawn to CoCos as a result of their frequently attractive yield, which may, however, also represent a complexity premium.

### Convertible Bonds Investments Risk

Investing in convertible bonds are normally associated with increased creditworthiness risk, risk of default, risk of interest rate changes, prepayment risk, general market risk, and liquidity risk (for example, the asset cannot be sold or can only be sold at a significant discount to the purchase price), all of which may adversely impact the Net Asset Value of the Fund.

The value of convertible bonds may be affected by the price movement of the underlying securities (i.e. equities), among other things. Convertible bonds may also have call provisions and other features which may give rise to the risk of a call. All these factors may adversely impact the Net Asset Value of the Fund.

### Counterparty Risk

Transactions not handled through a stock exchange or a Regulated Market (e.g. OTC trades, securities lending or (reverse) repurchase agreement transactions) are exposed to the risk that a counterparty may default or not completely fulfil its obligations in addition to the general risk of settlement default. This is particularly true of OTC financial derivative instruments and other transactions based on techniques and instruments (including securities lending and (reverse) repurchase agreement transactions). Default by a counterparty may result in losses for the Fund. However, such risk can be significantly reduced, especially with respect to OTC derivative transactions, by receipt of collateral from the counterparty in accordance with the AIFMs collateral management policy as described in "Principles relating to collateral management".

### Country and Region Risk

If the Fund focuses its investments on particular countries or regions, this may increase the concentration risk. Consequently, the Fund is particularly susceptible to the adverse development and risks of individual or interdependent countries and regions, or of companies based and/or operating in those countries or regions. Any adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event or development in such countries, regions or companies may adversely impact the performance of the Fund and/or the value of Units held by investors.

Economic or political instability in certain countries in which the Fund is invested may lead to a situation in which the Fund does not receive part or all of the monies owed to it in spite of the solvency of the issuer of the relevant assets. Currency or transfer restrictions or other legal changes may have a significant effect.

**Credit Rating Risk**

Credit ratings of Investment Grade debt securities assigned by rating agencies (e.g. Fitch, Moody's and/or Standard & Poor's) are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

**Creditworthiness and Downgrading Risk**

The creditworthiness (ability to pay) of the issuer of an asset (in particular, of a security or money-market instrument directly or indirectly held by the Fund) may fall. This usually leads to a decrease in the price of the asset greater than that caused by general market fluctuations. Further, there is a risk that the credit rating of certain debt securities, or the issuers of debt securities, may be downgraded due to adverse market conditions. The Fund may or may not be able to dispose of the Debt Securities that are being downgraded. This may lead to a fall in the NAV of the Fund and the performance of the Fund will be adversely affected.

**Currency Risk**

If the Fund directly or indirectly (via derivatives) holds assets denominated in currencies other than its Base Currency or if a class of Units of the Fund is designated in a currency other than the Base Currency of the Fund (each a "foreign currency"), it is exposed to a currency risk that if foreign currency positions have not been hedged or if there is any change in the relevant exchange control regulations, the NAV of the Fund or that class of Units may be affected unfavorably. 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.

**Custodial Risk**

The Fund may be denied access, in whole or in part, to investments held in custody in the event of bankruptcy, negligence, wilful misconduct or fraudulent activity on the part of the Depository or sub-custodian. In such circumstances, the Fund may take a longer time or may even be unable to recover some of its assets, which may lead to significant losses for the Fund and consequently adversely affect an investor's investment in the Fund.

**Defaulted Securities Risk**

In certain cases a Fund may acquire securities issued from an defaulted issuer ("Defaulted Securities"). Defaulted securities contain the enacted risks of Issuer Default (see Issuer Default Risk). In addition, an insolvency administrator is usually appointed to manage the defaulted issuer on behalf of the issuer's directors. There is the risk that the insolvency administrator realizes the failed company's assets, pays the liquidation expenses and compensate creditors as far as the issuer's remaining assets allow, causing a long-lasting risk that such by a Fund acquired defaulted securities to become completely worthless from an economic view. The acquisition of defaulted securities by a Fund represents the great risk to lose the complete investment.

**Distribution out of Capital Risk**

The Management Company may launch Classes whose distribution policy deviates from the regular distribution policy and which may provide for distributions out of capital in accordance with Article 31 of the Law. The payment of distributions out of capital represents a return or withdrawal of part of the amount which the investors originally invested and/or capital gains attributable to the original investment. Investors should be aware that any distributions involving payment of distributions out of the Fund's capital may result in an immediate decrease in the Net Asset Value per Share and may reduce the capital available for the Fund for future investment and capital growth. As a result, such investors' investment in the Fund will be adversely affected. The distribution amount and NAV of any hedged share classes of the Fund may be adversely affected by differences in the interests rates of the reference currency of the hedged share classes and the base currency of the Fund, resulting in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged share classes.

**Emerging Markets Risks**

Investments in Emerging Markets are subject to greater liquidity risk, currency risk and general market risk. Increased risks may arise in connection with the settlement of securities transactions in Emerging Markets, especially as it may not be possible to deliver securities directly when payment is made. In addition, the legal, taxation and regulatory environment, as well as the accounting, auditing and reporting standards in Emerging Markets may deviate substantially to the detriment of the investors from the levels and standards that are considered standard international practice. Increased custodial risk in Emerging Markets may also arise, which may, in particular, result from differing disposal methods for acquired assets. Such increased risks may have an adverse impact on the relevant Fund and/or the investors.

**European Country Risk**

In light of the fiscal conditions and concerns regarding the sovereign debt of certain European countries, investments of the Fund in Europe may be subject to a number of risks arising from a potential crisis in Europe. The economic and financial



difficulties in Europe may continue to get worse or spread within and outside Europe, and may lead to one or several countries exiting the Eurozone and/or exiting the EU or default of a sovereign within the Eurozone and/or within the EU, potentially resulting in the breakup of the EU, the Eurozone and the Euro.

While the governments of many European countries (including the EU Member States), the European Commission, the European Central Bank, the International Monetary Fund and other authorities are taking measures (such as undertaking economic reforms and imposing austerity measures on citizens) to address the current fiscal conditions and concerns, these measures may not have their desired effect, and the future stability and growth of Europe is therefore uncertain. The impact of such events on the Funds which are denominated in Euro or which invest in instruments predominantly tied to Europe may be significant and the NAV of such Funds may be adversely affected by the increased risks (such as increased volatility, liquidity and currency risks associated with investments in Europe).

### **General Market Risk**

To the extent that the Fund invests directly or indirectly in securities or other assets, it is exposed to various general trends and tendencies in the economic and political situation as well as securities markets and investment sentiment, which are partially attributable to irrational factors. Such factors could lead to substantial and longer-lasting drops in securities prices affecting the entire market and the value of the Fund's investments may be negatively affected.

### **Hedge Fund Risk**

Any direct or indirect investment in hedge fund indices and other hedge fund-related investments is regarded as "Alternative Investments".

A "hedge" fund index does not refer to funds that seek to hedge and neutralise investment risk, but rather to funds that normally pursue purely speculative investment objectives. Investors who invest directly or indirectly in hedge fund indices or in hedge funds themselves must be in a position to accept the financial risks of investing in such funds and the associated risk of losing some or all of the invested capital. For investments related to a hedge fund index, losses at the level of a hedge fund belonging to an index may have a negative impact.

In addition to the investment risks generally associated with the investment policy and the assets of a hedge fund (e.g. equities, bonds, high-yield investments, derivatives), performance risk may also be sharply increased.

Hedge funds and their business activities are, generally, not subject to any particular governmental supervision or control for the protection of their investors and are not bound by investment restrictions or limits nor the principle of risk diversification. Assets of hedge funds are not held in separate custody by any institutions that specifically undertake to protect the investor; for this reason, there is an increased custodial and settlement default risk. In addition, currency risk, the risk of changes in underlying conditions and country and transfer risks may be of particular relevance.

The hedge funds underlying an index, operate independently from one another which, on the one hand, may (but not necessarily) result in risk diversification and, on the other hand, may result in a balancing of positions while still incurring additional costs.

Hedge funds may regularly take out loans for the joint account of investors or use corresponding derivatives to increase their level of investment – possibly even without restriction. While such practices increase the opportunities to increase overall returns, they are also subject to the risk of increased or total loss.

Hedge funds may also regularly make short sales, meaning the sale of assets received through securities lending, with an obligation to return them to a third party. If the prices of assets sold in this way subsequently fall, a hedge fund may possibly realise profits, after deduction of expenses; however, subsequent price increases in such assets will result in losses for the hedge fund.

The individual components of an index are generally valued using recognised methods for the assets contained in it. In particular, these valuations may initially only have been prepared on the basis of unaudited interim reports. After an audit has been conducted, an adjustment may be made up or down. This could also change the value of an index in which the relevant hedge fund is included. As a result, the published value of the index may deviate from the actual value if there is a subsequent correction of the net asset values of the individual index components. This applies likewise to the valuation of hedge funds, however, if the position is not index-related. With respect to index-based investments, the Index-based Investments risks will apply.



In addition to the costs incurred in the acquisition and sale of a certificate, a derivative, or shares in a hedge fund, additional costs may be incurred at the level of a hedge fund index, a certificate, a derivative or a hedge fund, which could affect the value of the investment, possibly to a substantial extent.

### **High-Yield Investments Risk**

High-yield investments are Debt Securities that are either rated non-investment grade by a recognised rating agency or are not rated at all, but that would presumably receive a rating of non-investment grade if they were to be rated. In particular, such investments are normally associated with an increased degree of creditworthiness risk, risk of interest rate changes, general market risk, company-specific risk and liquidity risk than higher rated, lower yielding securities. Such increased risk may have an adverse impact on the Fund and/or the investors.

### **Index-based Investment Risk**

With respect to index-based investments, the composition of an index and the weighting of individual components may change during the time a position is held. Further, index levels are neither current nor based on current data. These factors can have negative effects on such investments.

### **Inflation Risk**

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

### **Interest Charged on Deposits Risk**

The Management Company invests the liquid assets of the Fund at the depositary or other banks for account of the Fund. In some cases an interest rate is agreed for these bank deposits which correspond to the European Interbank Offered Rate (Euribor) less a certain margin. If the Euribor falls below the agreed margin, this leads to a situation where interest may be charged by the depositary or the relevant banks on the Fund's deposits held in the corresponding account. Depending on how the interest rate policy of the European Central Bank develops, short-, medium- and long-term bank deposits may be subject to interest charges. Such interest charges may adversely impact the net asset value of the Fund.

### **Interest Rate Risks**

To the extent that the Fund invests directly or indirectly in Debt 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 and negatively affect the performance of the Fund. This applies to an even greater degree if the Fund also holds Debt Securities with a longer time to maturity and a lower nominal interest rate.

### **Issuer Default Risk**

The issuer of a security directly or indirectly held by the Fund or the debtor of a claim belonging to the Fund may become insolvent causing its inability to fulfil his payment obligations in a full and timely manner. Risks of losses arising from the issuer's default and causing such issued assets (see Defaulted Securities Risk) to become economically worthless.

### **Key Personnel Risk**

Funds that achieve very positive results in a certain period of time may owe this success to the aptitude of the traders and the correct decisions of their management. If staffing at a fund changes, new decision makers may have less success in managing the Fund's assets, which may have a negative impact on the performance of the Fund.

### **Legal Risk**

Legal risks can bear the risk of loss because of the unexpected application of a law or regulation or because a contract cannot be enforced. A (reverse) repurchase, or securities lending contract may be invalid or unenforceable. Even if the collateral arrangement has been set up correctly, there is the risk that the relevant insolvency law may impose a stay that prevents the collateral taker from liquidating the collateral.

### **Leverage Risk**

Certain Funds seek to provide leveraged returns by making use of Derivatives such as swaps, options and future-contracts to accomplish the Fund's investment objective. Depending on the purpose of derivatives used, the use of leverage (based on Derivatives) can cause leveraged Funds to be more volatile and subject to higher price movements than the same portfolio would have without any derivatives. At the same time, the combined investments (including all derivative and non-derivative positions) will result in an overall (economic) exposure that is in line with the Fund's investment objective.

**Liquidity Risk**

Investments in securities in certain developing markets may be subject to higher volatility and lower liquidity compared to more developed markets. Even relatively small orders of illiquid securities can lead to significant price changes. If an asset is illiquid, there is the risk that the asset cannot be sold or can only be sold at a significant discount to the purchase price, or, conversely, its purchase price may increase significantly. Such price changes may adversely impact the NAV of the Fund.

**Local Tax Risk**

As a result of local regulations, the Fund's assets may, from time to time, be subject to taxes, fees, charges and other retentions. This applies in particular to revenues or gains from the sale, redemption or restructuring of the Fund's assets, cash flow-free restructuring of such assets, and/or changes related to settlement and dividends, interest and other income received by the Fund. Certain taxes or charges (e.g. all charges collected under FATCA), may be collected in the form of withholding tax or a retention when paying out or forwarding payments. Certain taxes or withholdable payments collected under FATCA may be collected in the form of a withholding tax on the Fund or in form of a withholding tax on "passthrough payments" on the individual shareholder (to the extent provided in future regulations which will be subject to further changes, but in no event before 1 January 2017). Although the Management Company will attempt to satisfy any obligations imposed on it to avoid the imposition of the FATCA withholding tax, no assurance can be given that the Management Company will be able to satisfy these obligations. Withholding on passthrough payments by the Management Company will be permitted under applicable laws and regulations and in which case the Management Company will act in good faith and on reasonable grounds. If the Management Company becomes subject to a withholding tax as a result of the FATCA regime, the value of the units held by Unitholders may suffer material losses.

**Negative Interest on Cash Accounts Risk**

The AIFM invests the liquid asset of the Funds 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.

**Operational Risk**

The Company may be exposed to a risk of loss which can arise, for example, from inadequate internal processes and from human error or system failure at the Company, at the Management Company, at the Investment Manager, at the Custodian or at external third parties. These risks can affect the performance of a Sub-Fund, can thus also adversely affect the net asset value per share and the capital invested by the shareholder.

**Fund Launch, Merger or Liquidation Risk**

Certain investment restrictions applicable to the Fund need not be adhered to during the period following the launch of the Fund or before the Fund undergoes a merger or liquidation (for further details, please refer to "Term and Liquidation of the Fund" and "Merger with other Funds and Unit Classes"). The performance of the Fund in the above period(s) may be different from what it would otherwise be had the relevant investment restrictions been strictly adhered to by the Fund during such periods.

**Non-investment Grade Sovereign Debt Securities Risk**

The Fund may invest in Debt Securities issued or guaranteed by a non-investment grade sovereign issuer and is therefore subject to higher credit/default risk and concentration risk as well as greater volatility and higher risk profile. In addition, there are no bankruptcy proceedings for such securities on which money to pay the obligations of the securities may be collected in whole or in part. Unitholders may be requested to participate in the rescheduling of such securities and to extend further loans to the issuers. In the event of default of the sovereign issuer, the Fund may suffer significant losses.

**Performance Risk**

It cannot be guaranteed that the investment objective of the Fund or the investment performance desired by the investors will be achieved. The Net Asset Value per Unit may fluctuate and may fall, causing investors to incur losses. Investors assume the risk of potentially receiving back a lesser amount of principal than they originally invested. No guarantees are issued by the Management Company or any third party of any outcome for an investment in the Fund.

**Private Equity Risk**

While assets that are issued by companies active in the area of private equity may be listed on an exchange, the investments made by such companies in private equity companies ("PE Investments") are not regularly traded on any exchange. Such companies may acquire a number of different assets by investing in PE Investments, include shareholders' equity, hybrid equity or debt. The capital made available may be subordinate to other creditors of the relevant PE Investment. PE Investments may be made for venture capital, buy-out investments or special situation investment purposes.

PE Investments in are normally long-term, not traded on an exchange, illiquid and only fungible to a limited extent. In addition, the process of investing in PE Investments may itself be subject to particular technical difficulties and risks. PE Investments typically have risks that are greater in scope than those of conventional investments in listed companies, which may correspondingly impact assets, income, liquidity situation and value of the companies operating in the area of private equity. For example, private equity companies may often only exist for a short period of time or find themselves in a restructuring phase or a crisis, have rather limited market experience and penetration, offer new products not yet established on the market and have a rather tight financial position, uncertain planning and substandard levels of organisation. The accounting, auditing and financial reporting standards and the advertising used by a private equity company may be substantially below those of conventional, exchange-traded investments. Private equity companies are often subject to little or no governmental supervision.

In addition to the costs incurred in the acquisition and sale of a certificate, a derivative, or shares in funds oriented towards companies that essentially operate in the private equity sector, additional costs may be incurred at the level of an index, a certificate, a derivative or the above-mentioned funds, which could affect the value of the investment, possibly to a substantial extent.

### **Property-Related Assets Risk**

The Fund's investments in the real estate industry may be subject to risks of fluctuations in the value and the rental income received in respect of the underlying property. This also applies when investments are made through funds, property companies or other property equity market-related products (in particular, REITs). The following risks should be emphasized:

The underlying REITs which the Fund may invest in may not necessarily be authorized by the SFC and the dividend or pay out policy of the Fund is not representative of the dividend or pay out policy of the underlying REITs.

In addition to the risks of any changes in the underlying general economic conditions, there are special risks associated with property ownership, such as vacancies, delinquent/defaulted rental payments or charges for use that may depend, among other things, on the quality of the location or the creditworthiness of the tenant/debtor. Leasehold rights may revert ahead of schedule with the result that another use must be found for the property than was originally intended, and such other use may not have the same prospects. This applies analogously for reversion after the expiration of the contract or, if applicable, in similar situations with rights granted to a third party. The attachment of leasehold rights or other rights to a property may restrict its saleability. Actual returns on an investment may deviate from previous calculations. There is also the risk of restricted ability to use a property for other purposes.

The condition of the building or its structure may also require necessary maintenance and restoration expenses that are not always predictable. Buildings may have construction deficiencies and risks from contaminated sites cannot be excluded. There may also be cases of uninsured damages. Properties, especially in metropolitan areas, may be subject to war or terror risks. A property may decrease in economic value if the property market in the affected area is affected over the long term, and it becomes difficult or impossible to find tenants.

In the development of the project, there may also be risks such as changes in construction planning and delays in issuing building permits or other necessary official permissions, or increases in construction costs. The success of the initial letting is particularly dependent on the demand situation at the time the construction is completed, which will be at a later date.

In the case of investing abroad, additional risks to be considered are those that result from the particular features of the specific property (e.g. different legal and tax systems, differing interpretations of double taxation agreements and, if applicable, changes in exchange rates). Other risks associated with foreign investments to be considered are the increased management risk, any technical difficulties, including transfer risks regarding current income or proceeds of sales, as well as currency risks.

For investments in property companies, the risks to be considered are those that result from the form of the company, risks in connection with the possible default of partners and risks of changes to the tax and corporate law framework. This is especially true if the property companies are headquartered in a foreign country. Moreover, if interests in property companies are acquired, they may have obligations that are difficult to recognise and there may not be a liquid secondary market for an intended disposal of the interest. Changes in the value of properties have an increased effect on equity when outside financing is used. This affects the profit for the investor when prices rise or fall, than when the project is completely self-financed. When properties are sold, the purchaser or other third parties may have guarantee claims.

In addition to the costs incurred in the acquisition and sale of a certificate, a derivative, or shares in property funds or in funds oriented towards REITs, additional costs may be incurred at the level of an index, a certificate, a derivative or the above-mentioned funds, which could affect the value of the investment, possibly to a substantial extent.

### **Restricted Flexibility Risk**

The redemption of Units may be subject to restrictions. If the redemption of Units is suspended or delayed, investors will not be able to redeem their Units and will be compelled to remain invested in the Fund for a longer period of time than originally intended or desired and their investments continue to be subject to the risks inherent to the Fund. If the Fund or Class is dissolved, or if the Management Company exercises the right to compulsorily redeem Units, investors will no longer be so invested. The same applies if the Fund or Class held by the investors merges with another fund, Fund or Class, in which case the investors shall automatically become holders of Units in such other fund, or Units in another Fund or Class. The sales charge levied when Units are acquired could reduce or even eliminate any gains on an investment, particularly if the investment is held for only a short period of time. If Units are redeemed in order to invest the proceeds in another type of investment, investors may, in addition to the costs already incurred (e.g. sales charge), incur other costs such as a redemption fee and/or a disinvestment fee for the Fund held or extra sales charges for the purchase of other Units. These events and circumstances could result in losses to the investor.

### **Risk Associated with the Receipt of Collateral**

The Management Company may receive collateral for OTC derivatives, securities lending and (reverse) repurchase agreement transactions. Derivatives, as well as securities lent and sold, may increase in value. Therefore, collateral received may no longer be sufficient to fully cover the Management Company's claim for delivery or redemption of collateral against a counterparty. The Management Company may deposit cash collateral in blocked accounts or invest it in high quality government bonds or in money market funds with a short-term maturity structure. Though, the credit institution that safe keeps the deposits may default; the performance of government bonds and money market funds may be negative. Upon completion of the transaction, the collateral deposited or invested may no longer be available to the full extent, although the Management Company is obligated to redeem the collateral at the amount initially granted. Therefore, the Management Company may be obliged to increase the collateral to the amount granted and thus compensate the losses incurred by the deposit or investment of collateral.

### **Risk Associated with Collateral Management**

Collateral management requires the use of systems and certain process definitions. Failure of processes as well as human or system errors at the level of the Management Company or third-parties in relation to collateral management could entail the risk that assets, serving as collateral, lose value and are no longer sufficient to fully cover the Management Company's claim for delivery or transfer back of collateral against a counterparty.

### **Risk Relating to Securities Lending and (Reverse) Repurchase Agreement Transactions**

Securities lending and (reverse) repurchase agreement transactions can either represent a risk on its own or have an impact on other risks and contribute significantly to the risk, such as Counterparty Risk, Operational Risk, Liquidity Risk, Custodial Risk and Legal Risk.

If the other party (counterparty) to a securities lending or (reverse) repurchase agreement transaction should default, the Fund might suffer a loss to the extent that the proceeds from the sale of the underlying securities and/or other collateral held by the Fund in connection with the securities lending or (reverse) repurchase agreement transaction are less than the repurchase price or, as the case may be, the value of the underlying securities. In addition, in the event of bankruptcy or similar proceedings of the party to a (reverse) repurchase agreement or a securities lending transaction or its failure otherwise to perform its obligations on the repurchase date, the Fund could suffer losses, including loss of interest on or principal of the securities and costs associated with delay and enforcement of the (reverse) repurchase agreement or securities lending transaction. The use of such techniques may have a significant effect, either negative or positive, on a Fund's NAV although it is expected that the use of securities lending and (reverse) repurchase agreements transactions will generally not have a material negative impact on a Fund's performance.

### **Risk of Change to Announced Bases of Taxation for Investors Subject to Taxes in the Federal Republic of Germany and Risk of Fiscal Classification as Investment Trust**

A change to incorrectly announced bases of taxation for the Fund for previous financial years may have as a consequence, in the case of a correction that has tax disadvantages for the investor, that the investor is responsible for the tax burden arising from the correction for previous financial years, although he might not have been invested in the Fund at that time. Similarly, the consequence may also arise for the investor that a correction that has tax advantages for the current and for previous financial years in which he was invested in the Fund may not benefit him because he redeemed or sold his units before the correction in question was implemented. In addition, a correction of tax information may result in income that is subject to taxation or tax advantages actually being assessed in a different tax assessment period from the appropriate

period, and this could have a negative impact on the individual investor. In addition, a correction to tax data may result in the tax measurement basis for an investor matching or even exceeding the performance of the Fund. There may be changes in announced bases of taxation in particular when the German tax authorities or tax jurisdictions have different interpretations of the relevant tax regulations.

Under the provisions of the German Investment Tax Act (Investmentsteuergesetz, "InvStG" below), the Fund's tax status may change, depending on the composition of its portfolio, such that the Fund is no longer regarded as an investment fund as defined in the InvStG from a tax viewpoint. In this case, the taxation of the Fund will then generally be based on the principles laid down for investment companies within the meaning of the InvStG.

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

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

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

The Management Company may transfer the fund to another investment management company. Any such transfer does not affect the fund or the position of investors. Within the context of the transfer, however, each investor must decide whether he considers the new investment management company to be just as suitable as the previous one. If he does not wish to remain invested in the fund under new management, he must redeem his units. This may incur income taxes.

#### **Settlement Risk**

There is a risk for investments in unlisted securities that the settlement will not be executed as expected by a transfer system owing to a delayed payment or delivery or payment not being made in accordance with the agreement. This may lead to a fall in the NAV of the Fund.

#### **Small capitalisation/Mid capitalisation Companies Risk**

The Equities of small capitalisation/mid capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalization companies in general.

#### **Sovereign Debt Risk**

Debt Securities issued or guaranteed by governments or their agencies ("Sovereign Debt Securities") may be exposed to political, social and economic risks. There is a risk that even governments or their agencies may default or not be able or willing to repay the principal and/or interest. In addition, there are no bankruptcy proceedings for Sovereign Debt Securities on which money to pay the obligations of Sovereign Debt Securities may be collected in whole or in part. Holders of Sovereign Debt Securities may therefore be requested to participate in the rescheduling of Sovereign Debt Securities and to extend further loans to the issuers of Sovereign Debt Securities. The Fund may suffer significant losses when there is a default of the Issuers of Sovereign Debt Securities. The Fund may invest all, or a significant part, of its assets, in Sovereign Debt Securities issued guaranteed by a single government or from agencies of the same government.

#### **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 materialize 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. Sustainability Risks may have the potential to influence the investment performance of portfolios negatively. Allianz Global Investors considers Sustainability Risks to be potential drivers of financial risk factors in investments such as market price risk, credit risk, liquidity risk and operational risk.

#### **Target Funds Risk**

If the Fund uses other funds ("target funds") as an investment vehicle for its assets by acquiring Units in such target funds, it assumes, in addition to the risks generally associated with investment policies of the target funds, the risks that result from the structure of the "fund" vehicle. As a result, it is itself subject to the capital risk, the settlement risk, the risk of restricted flexibility, the risk of changes to underlying conditions, the risk of changes to terms and conditions, the investment policy and other basic aspects of a fund, the key personnel risk, the risk of transaction costs at the fund level arising from share movements and, in general, performance risk. If the investment policy of a target fund makes use of investment strategies that are oriented toward rising markets, the corresponding positions should generally have a positive effect on target fund assets when markets are rising and a negative effect when markets are falling. If the investment policy of a target fund

makes use of investment strategies that are oriented toward falling markets, the corresponding positions should generally have a positive effect on target fund assets when markets are falling and a negative effect when markets are rising.

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

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

#### **Tax risks from hedging transactions for major investors**

It cannot be excluded that capital gains tax on German dividends and income from domestic equity-like profit participation rights that the investor originally obtains may not be creditable or refundable in whole or in part. The capital gains tax shall be fully credited or refunded if the investor (i) holds German equities and German equity-like profit participation rights for 45 days without interruption within a period of 45 days before and after the maturity date of the investment income (91 days in total) and (ii) bears at least 70% of the risk of a decline in value of the units or profit-participation rights without interruption throughout that entire 45-day period (so-called "45-day rule"). Furthermore, there should be no obligation to pay, directly or indirectly, the capital gains tax to another person (e.g. through swaps, securities lending transactions, repurchase agreements) for the purpose of offsetting capital gains tax. As a result, hedging or forward transactions that directly or indirectly hedge the risk arising from German equities or German equity-like profit participation rights may be detrimental. Hedging transactions on value and price indices are considered to be indirect hedges. To the extent that the fund is to be considered a related party of the investor and enters into hedging transactions, such transactions may result in these being attributed to the investor, and the investor therefore failing to comply with the 45-day rule.

In the event of non-retention of capital gains tax on the corresponding income originally realized by the investor, hedging transactions of the fund may result in being attributed to the investor and in the investor having to pay the capital gains tax to the tax office.

#### **Unit Class Liability Risk**

Classes of a Fund are not separate legal entities. In relation to third parties, the assets allocated to a certain Class are not liable for just the debts and liabilities that can be allocated to that Class. If the assets of a Class are insufficient to cover the liabilities that can be allocated to such Class, those liabilities may have the effect of reducing the NAV of other Classes of the same Fund. Any reduction in NAV will have a negative impact on the relevant investor's investment.

#### **Unit Movements Risk**

The issue of Units may lead to the investment of the cash inflow. Redemptions of Units may lead to the disposal of investments to achieve liquidity. Such transactions can give rise to costs that could have a substantial negative effect on the performance of a Fund if Units issued and redeemed on a single day do not approximately offset one another.

#### **Use of Derivatives Risk**

The Fund may use derivatives – such as futures, options and swaps – for efficient portfolio management (including hedging) purposes. This may lead to correspondingly lower opportunities and risks in the general Fund profile. Hedging can be used in particular to reflect the different currency-hedged Unit Classes and thus to mark the profile of the respective Unit Class.

A Fund may also employ derivatives in a speculative sense in order to increase returns in pursuing the investment objective, in particular, to represent the general Fund's profile and to increase the level of investment above the level of investment of a fund that is fully invested in securities. In reflecting the general Fund's profile through derivatives, the general Fund's profile will be implemented through the replacement of direct investments in securities, for example, by investments in derivatives or also, in shaping the general Fund's profile, specific components of the individual investment objectives and restrictions may be derivative based, for example reflecting currency positions through investments in derivatives, which normally will not have a substantial effect on the general Fund's profile. In particular, if the individual investment objectives and restrictions states that, with the objective of achieving additional returns, the AIFM may also assume separate foreign currency risks with regard to certain currencies and/or separate risks with regard to Equities, Debt Securities and/or commodity futures indices and/or precious metals indices and/or commodity indices these components of the individual investment objectives and restrictions are predominantly derivative based.



If the Fund employs derivatives to increase the level of investment (investment purposes), it does so in order to achieve a medium to long-term risk profile that offers potentially much greater market risk than that of a fund with a similar profile that does not invest in derivatives. However, to this end the AIFM may employ derivatives as it sees fit, including very high levels of derivatives, which – relative to a fund that does not invest in derivatives with a similar profile – could result in very high additional opportunities and very high risks during certain phases. The Funds AIFM follows a risk controlled approach in the use of derivatives.

### Valuation Risk

Valuation of the Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the NAV calculation of the Fund.

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

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

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

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

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

The use of techniques and instruments may not

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

### Derivatives

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

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

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

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

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

#### Options

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

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

#### Forward transactions

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

#### Contracts for difference

A contract for difference is an agreement between the AIFM and a counterparty. The parties are typically described as "buyer" and "seller". The contract stipulates that the seller will pay to the buyer the difference between the current value of an asset and its value at the time the contract is concluded. (If the difference is negative, then the buyer pays the amount to the seller instead.) Contracts for difference may be entered into in order to take advantage of rising prices (long positions) or falling prices (short positions) of the underlying financial instruments in the fund and are often used to speculate on these markets. For example, when applied to equities, such a contract is an equity derivative that allows the portfolio manager to speculate on share price movements without holding ownership of the underlying shares.

#### Swaps

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

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



**OTC derivative transactions**

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

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

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

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

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

- Derivatives that are used may be valued wrongly or – due to differing valuation methods – in different ways.
- The correlation between the values of the derivatives used on the one hand and the price movements in the positions being hedged on the other, or the correlation of different markets/positions with derivative hedging using underlying securities that do not correspond exactly to the hedged position may be imperfect, with the result that complete hedging of risk is sometimes not possible.
- The possible absence of a liquid secondary market for a specific instrument at a pre-defined time may result in it not being possible to neutralise (close) a derivative position, even though it would have been sound and desirable to do so from an investment perspective.
- OTC markets may be particularly illiquid and subject to high fluctuations in price. For this reason, when OTC derivatives are used it may be the case that these derivatives cannot be sold or closed at a reasonable time and/or at a reasonable price.
- There may be the risk of not being able to buy or sell the securities underlying the derivative instruments at a time when it would be favourable to do so, or being compelled to buy or sell the underlying assets at a disadvantageous time.

**Leverage Effect**

The leverage effect is defined by the AIFMD as the method by which the AIFM changes the risk profile of an AIF that it manages, through borrowing, securities lending, leverage effects embedded in derivatives or in some other way. In principle, the leverage effect can generate additional risks for the Fund as well as safeguarding against existing risks. The AIF calculates this key figure that it manages in line with legal provisions using the gross method and the commitment method: according to the gross method, an AIF's risk is the total of the absolute values of all positions; the commitment method takes into account hedging and netting effects that the AIF has entered into. This figure does not constitute an investment limit.

It should be noted that derivative financial instruments can be used for a number of purposes, and that the calculation method for the expected value of the leverage effect using the gross method does not distinguish between the different intended uses of derivative financial instruments. The expected leverage effect using the gross method reported does not therefore reflect the risk level of the Fund.

The leverage calculated according to the commitment method takes into account, where appropriate, offsetting derivative contracts and hedging relationships between securities and derivatives (short positions). It is thus supported not only the pure level of investment, but also the purpose of the investment account. Thus, the numerical value for the leverage calculation according to the commitment method is always equal to or less than the numerical value of the leverage calculation using the gross method

The AIFM expects that the calculated leverage effect of the Fund using the gross method will not exceed three (3) times the net asset value of the Fund using the gross method and will not exceed three (3) times the net asset value of the Fund using the commitment method. This figure does not constitute an investment limit. However depending on market conditions the leverage effect using both methods may vary, so that it can lead to exceeding the specified expected maximum ranges despite the constant monitoring by the AIFM.

### **Securities (Reverse) Repurchase Agreements, Securities Lending Transactions**

**Securities (reverse) repurchase agreements and securities lending transactions are not concluded for the Fund.**

### **Buy/sell-back agreements/sell/buy-back agreements/Lombard loan transactions**

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

Lombard credits are not concluded for the Fund.

### **Total Return Swaps (TRS) and financial instruments with similar characteristics**

Total Return Swaps (TRS) and financial instruments with similar characteristics including contracts for differences or CFDs are not concluded for the Fund.

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

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

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

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

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

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

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

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

## Principles relating to collateral management

When entering into transactions involving OTC derivatives and when using techniques for efficient portfolio management (including but not limited to securities lending and (reverse) repurchase agreement transactions), the AIFM observes the following principles in accordance with CSSF Circular 14/592 dated 30 September 2014, insofar as collateral is used to reduce the counterparty risk. Unless it is absolutely essential from a legal viewpoint to collateralise transactions involving OTC derivatives, the amount of collateral required is at the discretion of the AIFM.

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

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

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

In line with the requirements for risk diversification, reinvested cash collateral should be spread across non-cash collateral. The reinvestment of cash collateral does not release the Fund from its obligation to repay cash collateral in the full amount, i.e. potential losses resulting from the reinvestment shall be borne by the Fund.

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

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

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

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

The Fund has a clearly defined haircut strategy, which is aligned with all types of assets received as collateral. The haircut is a percentage by which the market value of the collateral will be reduced. The Management 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. Equities are usually only accepted as collateral if they are included in leading equity indices. Additional (additive) haircuts apply to securities received as collateral which are denominated in a currency that is not the same as the base currency of the Fund.

## Investor profile

Allianz Defensive Mix FCP-FIS is aimed at investors who pursue the objective of general capital appreciation /asset optimisation. It may not be suitable for investors who wish to withdraw their capital from the fund within a period of 3 years. Allianz Defensive Mix FCP-FIS is aimed at investors with basic knowledge and/or experience of financial products. Prospective investors should be capable of bearing a financial loss and should not attach any importance to capital protection. In terms of risk assessment, Allianz Defensive Mix FCP-FIS 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 <http://www.fundweblibrary.com/public-sector/luxembourg/en/CGFMLux>.

## Management Company and Central Administration Agent

The Management Company is Carne Global Fund Managers (Luxembourg) S.A.

Carne Global Fund Managers (Luxembourg) S.A. was established for an indefinite period of time in the Grand Duchy of Luxembourg on 17 September 2009, in the form of a "société anonyme" (joint-stock company) on the basis of the law relating to trading companies of 10 August 1915, as amended. The registered office of Carne Global Fund Managers (Luxembourg) S.A. is in Luxembourg. Its Articles of Incorporation were initially published in the Mémorial on 4 November 2009. The shareholders' capital of Carne Global Fund Managers (Luxembourg) S.A. as per foundation day amounted to EUR 125,000.

In its capacity as Management Company, Carne Global Fund Managers (Luxembourg) S.A. invests the capital raised by the Fund as specified in the Management Regulations and this offering document.

Carne Global Fund Managers (Luxembourg) S.A. has outsourced at its own expense several duties of the Management Company to Allianz Global Investors GmbH, Frankfurt / Main, Federal Republic of Germany, with its Branch in Luxembourg.

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

Furthermore, substantial functions of central administration and other duties have been transferred from Carne Global Fund Managers (Luxembourg) S.A. to State Street Bank International GmbH, Luxembourg Branch, Luxembourg, as outsourcing company, which may use the services of third parties. These outsourced functions are fund accounting, NAV calculation as well as the function of Registrar and Transfer Agent. The function of Registrar and Transfer Agent includes the issuance and redemption of units, keeping the register of unitholders and auxiliary services associated therewith.

State Street Bank International GmbH, Luxembourg Branch, is also the Depositary of the Fund.

Carne Global Fund Managers (Luxembourg) S.A., Allianz Global Investors GmbH and State Street Bank International GmbH, Luxembourg Branch, may delegate, under its responsibility, supervision and coordination, its duties as Management Company, Alternative Investment Fund Manager Central Administration Agent in whole or in part to third parties specialised in the services required.

Apart from the fund outlined in this offering document, the Management Company manages additional funds. An overview is available on request at the Management Company.

## Alternative Investment Fund Manager

The Management Company appoints Allianz Global Investors GmbH as Alternative Investment Fund Manager (AIFM).

The Allianz Global Investors GmbH in its function as AIFM provides via its Headquarter in Germany and its European branches for the Fund the fund management, the risk management as well as the administrative duties connected with fund management and additional duties connected with the assets of the Fund, which might be outsourced and distributions under consideration of external distribution partners. The AIFM may further assign certain services related to currency monitoring and trading to third parties.

The task of the AIFM as fund manager is the day-to-day business of asset management under the supervision, control and responsibility of the AIFM as well as providing other related services. These duties are carried out in accordance with the principles of the investment objectives, investment principles and investment restrictions set forth in the offering document and in the Management Regulations for the Fund.

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

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

In accordance with applicable law, the AIFM has sufficient and appropriate organisational structures and internal control mechanisms. In addition, it has sufficient and suitably qualified personnel to properly carry out its duties in accordance with the agreed AIFM appointment agreement. In particular, the AIFM shall act in the best interests of the Fund and shall ensure that conflicts of interest are prevented and that unitholders of the Fund are guaranteed fair treatment.

The AIFM has sufficient own shareholders' capital to cover the potential exposure to professional liability in respect of its activities; the amount is reviewed annually and adjusted as necessary. This own shareholders' capital is included in the shareholders' capital indicated.

The AIFM has taken effective organisational and administrative precautions to carry out all appropriate measures to determine, prevent, settle and monitor conflicts of interest and undertakes to retain such measures to prevent conflicts of interest damaging the interests of the Fund and its unitholders.

## Supervisory Authority

The Management Company, the Central Administration Agent, the Registrar and Transfer Agent and the Fund are subject to supervision by the Commission de Surveillance du Secteur Financier, 283, route d'Arlon, L-1150 Luxembourg. The AIFM and its Luxembourg Branch are subject to supervision by the Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, D-60439 Frankfurt/Main.

## Depository, Fund Accounting, NAV Calculation and Registrar and Transfer Agent

State Street Bank International GmbH, Luxembourg Branch, was appointed as Depository for the Fund; its business lines include Global Custody and Fund Services.

The Depositary was established on 19 January 1970 under German law as “Gesellschaft mit beschränkter Haftung”. Its registered office is located at Brienner Str. 59, 80333 Munich. As at 31 December 2021 its Shareholders’ equity amounted to EUR 109 million.

State Street Bank International GmbH is a joint stock company established under German law with its registered office located at Brienner Str. 59, 80333 Munich. State Street Bank International GmbH is registered at the Munich register court under the register number HRB 42872. It is a regulated banking entity which is supervised by the European Central Bank, the German Federal Financial Services Supervisory Authority (BaFin) and the German Central Bank. State Street Bank International GmbH has been approved by the Commission de Surveillance du Secteur Financier (CSSF) as Depositary and is specialized among others in the areas of Depositary, Fund Administration and related services.

State Street Bank International GmbH is part of the State Street business group with its listed mother company State Street Corporation.

The Depositary, which acts exclusively in the interest of the unitholders and independently of the Management Company, is responsible for the functions imposed on it by law and the Management Regulations, in particular to keep fund assets in custody in blocked accounts or deposits. All payments to unitholders are made through the Depositary.

The Depositary may, at its own discretion, entrust some or all of the assets of the Fund, particularly securities that are listed or traded on an exchange or admitted to a clearing system, to such a clearing system or appropriate correspondent banks. The liability of the Depositary is not restricted if it transfers custody of some or all of the assets entrusted to it to third parties.

The rights and obligations of the Depositary are governed by an agreement which may be terminated by the Management Company or the Depositary on three months’ notice. The Depositary agreement is available for inspection at the offices of the Management Company.

In addition to act as Depositary, State Street Bank International GmbH, Luxembourg Branch, under the responsibility of the Management Company, assumes substantial responsibility for parts of the Central Administration function (please refer to section “Management Company and Central Administration Agent”) and other duties, particularly fund accounting and NAV calculation as well as the function of Registrar and Transfer Agent.

## Distributors

The AIFM may enter into agreements with Distributors to market and place units of the Funds in different countries worldwide, with the exception of countries where such activity is prohibited and the US (subject to some limited exceptions).

The AIFM and the relevant Distributors will comply with applicable international and Luxembourg laws and regulations regarding the prevention of money laundering and terrorist financing (ML/TF) including among others but not limited to the Luxembourg Law of 5 April 1993 relating to the financial sector (as amended), the Law of 12 November 2004 on the fight against money laundering and terrorist financing, as may be amended from time to time, CSSF Regulation No 12-02 of 14 December 2012 on the fight against money laundering and terrorist financing and relevant CSSF Circulars and Directives in the field of the prevention of money laundering and terrorist financing.

As a result of such provisions, the AIFM has adopted measures to prevent the use of investment funds for money laundering and terrorist financing purposes on a risk-based approach. Such measures include, among others, procedures to identify and verify the identity of investors (and where relevant any beneficial owners), which will require investors, pursuant to initial and ongoing client due diligence requirements, to provide identification documents as determined from time to time. Under the relevant applicable Laws and Regulations, the AIFM also prepares a business-wide ML/TF risk assessment on an at least annual basis.

At the time the offering document was prepared, the Distributors appointed by the AIFM are listed in the “Directory” at the end of the offering document. The AIFM may appoint additional Distributors at its own discretion.

## Performance

The Fund's performance to date is presented in the annual reports. It should be noted that no predictions for the future can be derived from historical performance data. The future performance of the Fund may therefore be less favourable or more favourable than in the past.

## Risk and Liquidity Management

The AIFM will use a risk management procedure which enables it to monitor and measure at all times the risks associated with its investments and its share of the overall risk profile of the investment portfolio; it will also use a procedure that permits a precise, independent measurement of the value of OTC derivatives. The main task of the risk management function is to implement effective principles and procedures for risk management in order to determine, measure, manage and monitor all risks that are material to the respective investment strategy of the Fund and to which every fund may be subject. Furthermore, the risk management function must guarantee that the risk profile of the Fund presented to unitholders in this offering document corresponds to the risk limit set by the risk management function and that this risk limit is adhered to.

The risk management function monitors the risk management system of the Fund at appropriate intervals, at least once annually. Adjustments will be made if necessary.

The liquidity management system adopts procedures which enable the manager to monitor the liquidity risks of the Fund and to ensure that the liquidity profile of the investments corresponds with its underlying liabilities. In addition, a liquidity management system of this type regularly conducts stress tests, both under normal and exceptional liquidity conditions. Such stress tests are used to assess the liquidity risk of the Fund and monitor it accordingly. Appropriate liquidity management ensures that the investment strategy, the liquidity profile and the redemption policy of the Fund all work together coherently. Expected or actual liquidity bottlenecks or other emergency situations of the Fund can be managed by means of appropriate escalation measures. For example, in the case of massive demand for redemptions, the manager has the right, inter alia, to redeem the fund units at the applicable redemption price after selling the corresponding assets without delay, but while safeguarding the interests of all investors.

## Conflicts of Interest

The Management Company, the Central Administration Agent, the AIFM, the Depositary, the Registrar and Transfer Agent and all fund managers, investment advisors, Paying and Information Agents or distributors may, should the situation arise, act as managers, trustees, fund managers, administrators, registrar and transfer agent or distributor for funds that pursue investment objectives that are similar to the Fund's, or otherwise hold a stake in such funds. As a result it is certainly possible for one of these entities, in the course of its business operations, to become involved in a potential conflict of interest in relation to the Fund. In circumstances of this nature, they must each ensure at all times that they comply with their obligations under the management agreement, the appointment agreement, the central administration agreement, the Depositary agreement, the paying and information agent agreements, the investment management agreements, the registrar and transfer agent agreements and the distribution agreements, and that they will make every effort to find an appropriate solution for these conflicts of interest. The Management Company and the AIFM have set forth principles to ensure that an attempt is made to avoid conflicts of interest in all transactions as appropriate and, if they cannot be avoided, to deal with conflicts of interest such that the funds and their unitholders are treated fairly. In addition, the Depositary may delegate certain activities relating to the financial instruments it safeguards to third parties in accordance with the relevant statutory requirements. In respect of this, the Depositary has taken effective organisational and administrative precautions to carry out all appropriate measures to determine, prevent, settle and monitor conflicts of interest and undertakes to uphold such measures to prevent conflicts of interest damaging the interests of the Fund and its unitholders.

The Management Company and the AIFM has taken effective organisational and administrative precautions to carry out all appropriate measures to determine, prevent, settle and monitor conflicts of interest and undertake to uphold such measures to prevent conflicts of interest damaging the interests of the unitholders in the Fund.

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



Transactions are deemed as executed under normal business conditions if: (1) a certified valuation of the transaction was obtained from a person recognised by the Depositary as independent and competent, (2) the transaction was executed under the best conditions at an organised stock exchange in accordance with the rules applicable at that exchange, or (3), if (1) and (2) are not feasible, the transaction was executed under conditions that the Depositary believes were negotiated under normal business conditions and are in line with the industry standard.

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

The Management Company and the AIFM have set forth procedures to ensure that its service providers act in the best interest of the Fund when implementing trades and issuing orders on behalf of the Fund in the course of managing the fund portfolios. For these purposes, all appropriate steps must be taken to achieve the best possible outcome for the Fund. The following must be taken into account in this respect: the price, the expenses, the probability of execution, the scope and nature of the order, the broker's research services for the fund manager or investment advisor, and all other factors that are relevant to execution of the order. Information on the Management Company's execution policy and all major amendments to this policy is available to unitholders on request, free of charge.

## Co-Management of Assets

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

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

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

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

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

To the extent permitted according to the laws and regulations of Luxembourg (subject to being otherwise compatible with the investment objective and investment principles of the Fund), the Fund may invest in securities which are not registered pursuant to the United States Securities Act of 1933 and amendments thereto (hereinafter referred to as "the 1933 Act"), but which may be sold according to Rule 144A of the 1933 Act to qualified institutional buyers ("securities pursuant to Rule 144A"). The term "qualified institutional buyer" is defined in the 1933 Act and includes those companies whose net assets exceed US-Dollar 100,000,000.00. Securities pursuant to Rule 144A qualify as securities as defined in Article 4 of the Management Regulations if the bonds in question contain a registration right, as provided for in the 1933 Act, which states that there is a conversion right for securities registered and freely negotiable on the US OTC fixed-income market. Such conversion must be completed within one year of the purchase of 144A bonds because otherwise the investment limits set out in Article 5 of the Management Regulations are applicable. The Fund may invest up to 10% of its net assets in securities pursuant to Rule 144A which do not qualify as securities within the meaning of Article 4 of the Management Regulations, provided that the total value of these investments together with other such securities and money-market instruments that do not come under Article 4 of the Management Regulations does not exceed 10%.



## Fight Against Money Laundering and Terrorist Financing

Pursuant to the Luxembourg laws of 19 February 1973 to combat drug addiction, as amended, of 5 April 1993, relating to the financial sector, as amended, and of 12 November 2004 on the fight against money laundering and terrorist financing, as amended, and to the relevant circulars and regulations of the CSSF (especially CSSF Regulation No 12-02, CSSF Circular 13/556 and any CSSF regulation or circular amending, supplementing or replacing them), obligations have been imposed on professionals of the financial sector to prevent the use of undertakings for collective investment such as the Fund for money laundering and terrorist financing purposes. Within this context measures to ensure the identification of investors have been imposed.

The Management Company reserves the right to request from unitholders/prospective investors for any information and documentation as may be required to comply with applicable laws and regulations. Such information provided to the Management Company is collected and processed for the prevention of money laundering and terrorist financing.

## Legal Position of Investors

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

Any and all information concerning the investor as an individual or any other data subject (the "Personal Data"), contained in the application form or further collected in the course of the business relationship with the Fund will be processed by the Management Company acting as data controller (the "Controller") in compliance with the Regulation (EU) 2016/679 of 27 April 2016 (the "General Data Protection Regulation") relating to the protection of individuals with regard to the processing of personal data and on the free movement of such data as well as any applicable law or regulation relating to the protection of personal data (collectively the "Data Protection Law").

Investors acknowledge that their Personal Data provided or collected in connection with an investment in the Fund may also be processed apart from the Management Company, AIFM, the Depositary, the Central Administration Agent, the Distributor, the Paying Agents, the Registrar and Transfer Agent, the Paying and Information Agent, the Auditor, legal and financial advisers and other service providers of the Fund or the Management Company respectively (including information technology providers) and, any of the foregoing respective agents, delegates, affiliates, subcontractors and/or their successors (together the "Service Providers") and assigns in accordance with their roles as Controller or as Processor (as applicable). Some of the foregoing entities may be established outside the European Economic Area (the "EEA") in countries which may not ensure an adequate level of protection of personal data in their local legislation. If such transfer occurs, the Controller or Processor is required to ensure that such processing of investors' personal data is in compliance with Data Protection Legislation and, in particular, that appropriate measures are in place such as entering into model contractual clauses (as published by the European Commission).

Insofar as Personal Data provided by the investor concern individuals other than itself, the investor represents that it has authority to provide such Personal Data to the Controller. If the investor is not a natural person, it must undertake to (i) inform any other data subject about the processing of its Personal Data and their related rights and (ii) where necessary and appropriate, obtain in advance any consent that may be required for the processing of such Personal Data.

Such Personal Data will be processed to manage and administer an investor's holding in the Fund and performing the related services. Personal Data will also be processed for the purposes of fraud prevention such as anti-money laundering and counter-terrorist financing identification and reporting, tax identification and reporting (including but not limited to compliance with the CRS Law, FATCA) or similar laws and regulations (e.g. on OECD level).

Given the nature of registered Shares, the Management Company reserves the right to refuse to issue Shares to investors who do not provide the appropriate information on personal data (including records of their transactions) to the Registrar and Transfer Agent.

Personal Data will not be held for longer than necessary with regard to the purposes for which it is processed, subject to applicable legal minimum retention periods.

Investors may also exercise their rights such as the rights to access to or have Personal Data about them rectified or deleted, the right to ask for a restriction of processing or object thereto, the right to data portability, the right to lodge a complaint with the relevant data protection supervisory authority and the right to withdraw consent after it was given. The privacy notice referred to below contains more detailed information concerning these rights and how to exercise them.

More details regarding the purposes of such processing, the different roles of the recipients of the Investor's personal data, the affected categories of personal data and the Investors' rights with regard to such personal data as well as any other information required by Data Protection Law can be found in the privacy notice accessible under the following link: <https://www.carnegroup.com/privacy-notice/>.

For the purpose of compliance with the Foreign Account Tax Compliance provisions of the U.S. Hiring Incentives to Restore Employment Act ("FATCA"), the Management Company or the Central Administration Agent and/or the Registrar and Transfer Agent may be required to disclose personal data relating to certain U.S. persons and/or non-participating foreign financial institutions (FFI) to the U.S. Internal Revenue Service or the local tax authorities.

The Management Company also informs investors that, as the Management Company and the Depositary have their registered office in Luxembourg, no additional legal instruments are necessary for the recognition and enforcement of any judgements issued against them by Luxembourg courts. Should a judgement be issued against the Management Company or the Depositary on the basis of mandatory applicable local laws by a non-Luxembourg court, the legislation of Regulation No 44/2001 of the European Council of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters or the Lugano Convention of 30 October 2007 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters or Luxembourg private international law (for judgments from other States not included in the aforementioned regulations) shall apply.

## NAV Calculation and Valuation of Assets

The AIFM is responsible for the proper valuation of the assets of the Fund.

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

1. The calculation of net asset value per unit will be made on each valuation day for each unit class by dividing the value of the net assets (value of the assets less liabilities) belonging to a unit class by the number of units of this unit class in circulation on the valuation day (hereinafter called the "net asset value per unit of a unit class").

Unless No. 2 or No. 3 applies, the:

- assets that are officially listed on a stock exchange are valued at the latest available price paid;
  - assets that are not officially listed on a stock exchange, but are traded in a regulated market or on other organised markets, are also valued at the latest available price paid, provided that, at the time of valuation, the Depositary considers that price to be the best possible price at which the assets can be sold;
  - financial futures transactions relating to currencies, securities, financial indices, interest rates and other permissible financial instruments and options thereon and corresponding warrants are, if listed on a stock exchange, valued at the most recent price of the stock exchange in question. If there is no stock exchange listing, in particular with regard to all OTC transactions, valuation is made at the probable realisation value, determined prudently and in good faith;
  - interest rate swaps are valued at their market value referring to the applicable interest rate curve;
  - swaps tied to indices and to financial instruments are valued at their market value, which is determined by reference to the index concerned or the financial instrument concerned;
  - units in UCITS or UCI are valued at the latest redemption price determined and obtainable;
  - cash and time deposits are valued at their nominal value plus accrued interest;
  - assets not denominated in the base currency of the Fund (hereinafter called the "base currency of the Fund") are converted into the base currency of the Fund at the most current middle-market rate of exchange.
2. Assets whose trade prices are not fair market prices, as well as all other assets, are valued at the probable realisation value, determined prudently and in good faith.

3. At its discretion, the Management Company in close reconciliation with the AIFM may authorise other valuation methods if in its consideration, such other methods better represent the fair value of the assets.

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

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

## Temporary Suspension of NAV Calculation and Consequent Suspension of Issue and Redemption of Units

The calculation of the net asset value per unit of a unit class, as well as the issue and redemption of units may be suspended by the Management Company in close reconciliation with the AIFM on a temporary basis if, and as long as

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

Subscription applications and redemption applications are executed once calculation of the net asset value is resumed, unless they have been revoked by this time to the Management Company in accordance with Article 14 No. 12 of the Management Regulations.

## Issue of Units and Related Costs

The number of units issued is not limited. Units can be acquired through the Registrar and Transfer Agent, at any Paying Agent as well as through other banking institutions and financial services companies.

Subscription applications for units are forwarded to the Registrar and Transfer Agent by the respective account keeping entities, the Distributors and Paying Agents on behalf of the respective subscriber.

Units in the Fund are issued by the Registrar and Transfer Agent on behalf of the Management Company on any valuation day at the subscription price of the respective unit class. The subscription price is the net asset value per unit of the respective unit class, plus any sales charge to cover issuing costs. The subscription price may be rounded up or down to the nearest unit of the corresponding currency. The sales charge accrues to the sales partners. No sales charge is currently levied.

Subscription applications for units received at the respective account keeping entities, the Distributors, the Paying Agents or at the Registrar and Transfer Agent, on a valuation day by 2 p.m. Central European Time (CET) or Central European Summer Time (CEST) are settled at the subscription price determined of the second valuation day following the valuation day. Subscription applications for units received after this time are settled at the unknown subscription price of the valuation day after the second valuation day following the valuation day.

The subscription price for all unit classes is to be paid to the Registrar and Transfer Agent in the reference currency of the respective unit class no later than two valuation days, after the respective settlement date. The Management Company may accept a different value date for payment at its own discretion. However, this may not exceed ten valuation days after the respective settlement date.

The subscription price is normally paid in the currency of the Fund. Upon request of the Unitholder, the subscription price may be paid in any other freely convertible currency. All conversion fees due are borne by the Unitholder.

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

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

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

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

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

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

Every subscription application for units is irrevocable, unless calculation of the net asset value per unit of a unit class is suspended in accordance with Article 16 of these Management Regulations, during such suspension.

## **Authority to Cancel a Subscription Application in the Event of Failed Settlement**

If timely payment of the purchase price is not made, a subscription application may lapse and be cancelled at the cost of the investors or their Distributors. If payment is not received by the settlement date, it may result in the Management Company initiating legal action against the defaulting investor or the distributor, or offsetting any costs or losses that the Fund or Management Company incurred against any existing holding by the investor in the Fund. In all cases, any confirmation of transaction and any money returnable to the investor will be held by the Management Company without payment of interest pending receipt of the remittance.

## **Redemption of Units and Related Costs**

Unitholders may request the redemption of units via the respective account keeping entities, the Distributors, the Registrar and Transfer Agent or any Paying Agents at any time; the Management Company is accordingly obliged to redeem units at the redemption price for the account of the Fund on any valuation day. The redemption price is the calculated net asset value per unit of the respective unit class, less any redemption fee charged, which is at the disposal of the Management Company. The redemption price may be rounded up or down to the nearest unit of the corresponding currency. The redemption price may be higher or lower than the subscription price paid.

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

Redemption applications for units are forwarded to the Registrar and Transfer Agent by the respective account keeping entities, the Distributors, the Paying Agents on behalf of the respective unitholder.

Redemption applications for units received at the respective account keeping entities, the Distributors, the Paying Agents or at the Registrar and Transfer Agent, on a valuation day by 2 p.m. CET or CEST are settled at the redemption price determined of the second valuation day following the valuation day. Redemption applications for units received after this time are settled at the unknown redemption price of the valuation day after the second valuation day following the valuation day.

Payments in connection with redemption of units are made in the reference currency of the respective unit class. Currently, for all unit classes, this is normally within two valuation days after the respective settlement date, although no later than within ten valuation days after the respective settlement date. The Registrar and Transfer Agent is only obliged to make payment if there are no legal provisions such as exchange control regulations or other circumstances beyond the Registrar and Transfer Agent's control (e.g. holidays in countries in which investors or intermediaries/service providers engaged to process the payment are domiciled) forming an obstacle to the transfer of the redemption price.

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

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

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

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

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

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

## Exchange Listing

The Management Company will not authorise the units of the Fund for listing on the Luxembourg Stock Exchange or on other exchanges or for trading on organised markets.

The Management Company is aware that – without its approval – units of the Fund could be traded on certain markets. It cannot be ruled out that such trading will be suspended in the short term or that units will be introduced onto other markets (possibly even in the short term).

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

## Availability of the Subscription and Redemption Prices/Publication of Further Information

The AIFM provides for certain information to be published to unitholders in an adequate manner. The subscription and redemption prices are published on the internet at [www.fundweblibrary.com/public-sector/luxembourg/en/CGFMLux](http://www.fundweblibrary.com/public-sector/luxembourg/en/CGFMLux) and can also be obtained from the Management Company, the AIFM, the Central Administration Agent and the Depositary.

All notices to the investors in the Fund shall be made via <http://www.fundweblibrary.com/public-sector/luxembourg/en/CGFMLux>, provided this is permitted under the laws and regulations of every jurisdiction in which the Fund is admitted for public distribution. Specifically, this shall not apply to the liquidation or merger of the Fund or other measures that are listed in the Fund's management regulations and/or Luxembourg laws, or on the request of the CSSF.

For further information, please contact the Management Company or the AIFM respectively.

## Benchmark Regulation

The index and benchmark used for the computing of performance-related fees within the meaning of the Regulation (EU) 2016/21011 (the "Benchmark Regulation"), if any, are listed in the "Fees and Fund expenses" paragraph. In case, the index and benchmark are used for defining the asset allocation within the meaning of the Benchmark Regulation these are listed in the "Investment Policy" section. The Management Company 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 Management Company.

## Accounting

The Fund and its accounts are audited by a certified auditing firm appointed by the Management Company. The Management Company prepares an audited annual report for the Fund according to Luxembourg General Accepted Accounting Principles no later than six months after the end of each financial year. The annual reports can be obtained from the Management Company, the AIFM, the Central Administration Agent and the Depositary on request. The applicable accounting standard is "Luxembourg GAAP".

## Taxation of the Fund

In the Grand Duchy of Luxembourg, the assets of the Fund are subject to a "Taxe d'Abonnement", currently 0.01% p.a., which is levied upon the net assets reported at the end of each quarter, unless the assets are invested in Luxembourg funds which are themselves subject to a "Taxe d'Abonnement". The income of the Fund is not subject to tax in Luxembourg. However, it may be subject to possible withholding taxes in countries in which the Fund's assets are invested. Neither the Management Company, the Depositary nor a fund manager collects receipts for such withholding taxes on behalf of individual or all unitholders.

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

### The OECD Common Reporting Standard

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

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

Under the CRS, participating jurisdictions will be required to exchange certain information held by financial institutions regarding customers with tax residency outside the country. Over 90 jurisdictions have committed to exchanging information under the CRS. On 29 October 2014, Luxembourg (along with 50 other countries) signed such

multilateral agreement (Multilateral Competent Authority Agreement on automatic exchange of financial account information "MCAA") and committed, along with more than 40 other countries, to an early implementation of the CRS. The countries participating in the automatic exchange of financial accounts are those countries that have signed the MCAA. For the early adopters, the first exchange of information took place as of the end of September 2017 with respect to accounts that existed as of 1 January 2016 and high value accounts that existed as of 31 December 2015. Initial information on low-value individual accounts that existed as of 31 December 2015, and legal entity accounts was exchanged at the end of September 2017 or the end of September 2018, depending on when the financial institutions identify them as reportable.

Investors should note that the Fund principally will be required to disclose the name, address, jurisdiction(s) of tax residence, date and place of birth, account reference number, tax identification number(s) of each person who is considered to be an account holder for CRS and information relating to each investor's investment (including but not limited to the value of and any payments in respect of the investments) to the Luxembourg tax authorities who may in turn exchange this information with the foreign 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 Luxembourg tax authorities.

The Company will comply with the reporting and due diligence obligations for information on financial accounts and will provide annually the Luxembourg tax authorities with the required information, which will forward this information to the tax authorities of the countries in which the individual and/or legal entity concerned is resident.

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

Luxembourg has entered into an intergovernmental agreement with the United States of America ("IGA"). Under the IGA, FATCA compliance will be enforced under new local Luxembourg tax legislation (as transposed into Luxembourg law by the law of 24 July 2015) and reporting rules and practices.

The Management Company will likely require additional information from unitholders in order to comply with these provisions. Each prospective unitholder should consult its own tax advisers on the requirements under FATCA applicable to it. The Management Company may disclose the information, certifications or other documentation that they receive from (or concerning) their investors to the US Internal Revenue Service, non-US tax authorities, or other parties as necessary to comply with FATCA, related intergovernmental agreements or other applicable laws or regulations. Each prospective investor is urged to consult its tax adviser regarding the applicability of FATCA and any other reporting requirements with respect to the prospective investor's own situation. If a change in circumstances occurs, the shareholder or intermediary must inform the Company within 30 days.

### **Charges**

The all-in-fee which is paid from the Fund while taking into account of the different unit classes is 1.25% p.a. for units of unit class types A and AT, 1.95% p.a. for units of unit class types C and CT, 1.00% p.a. for units of unit class types P, PT, I and IT, and 0.30% p.a. for units of unit class types W and WT, calculated on the basis of the net asset value determined on a daily basis. The Management Company may levy a lower fee at its own discretion. This fee is paid out monthly.

Parts of the all-in fee may be passed on to intermediaries as commission; benefits of this type may be in other than monetary form. This is to pay for distribution and advisory services on a commission basis and to raise the quality of these services. Fees or non-monetary benefits may be received from third parties. On request to the Management Company or



the AIFM, details of the fees and benefits granted or received will be disclosed to the investor. Reimbursements to investors may also be granted from the all-in fee.

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

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

Apart from these fees, the following expenses are borne by the Fund:

- costs arising in connection with the purchase and sale of assets (including any research and analyst services made available in accordance with market practice) and the use of securities lending programmes and securities lending brokers;
- costs for assertion and enforcement of legal rights of the Fund or any existing unit class appearing to be justifiable and for defence against claims made against the Fund or any existing unit class that seem unjustified;
- costs and taxes (in particular Taxe d'Abonnement) which may be incurred in connection with administration and custody;
- costs for examination, assertion and enforcement of any claims for reduction, offsetting or refund of withholding taxes or other taxes or fiscal levies.

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

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

If the Fund invests a substantial portion of its assets in other UCITS and/or other UCI as defined above, a management fee at the level of such UCITS or UCI (excluding any performance fee, if any) of no more than 2.50% per annum of their net asset value may be charged.

If the investor is advised by third parties when acquiring units or if such parties act as broker to the acquisition, they may quote costs or expense ratios that are not identical to the costs disclosed in this offering document. The expense ratio may also exceed the total expense ratio as described in the offering document. The reason for this may be specifically that the third party additionally takes into account the cost of its own operations (e.g. brokerage, advice or securities account maintenance). In addition, the third party may also take into account non-recurring costs, such as sales loads, and generally uses different calculation methods or estimates for the expenses incurred at Fund level, which include the Fund's transaction costs in particular. Divergences in the cost quotation may arise both in the case of information provided prior to conclusion of a contract and for regular cost information about the Fund investment held within a long-term client relationship.



## Term and Liquidation of the Fund

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

The Management Company may terminate its management of the Fund, subject to at least three months' notice. Notice of termination will be published in the RESA, as well as in at least two daily newspapers (to be specified at that time) of those countries in which units of the Fund are admitted for public distribution. At least one of the above-mentioned daily newspapers must be a Luxembourg newspaper. The right of the Management Company to manage the Fund lapses with such notice coming into force. In this case, the right of disposal with respect to the Fund is passed to the Depositary, which will wind it up and distribute the proceeds of the liquidation among the unitholders. During the liquidation period, the Depositary is entitled to claim the management and central administration agent fee in accordance with Article 17 of the Management Regulations. However, with the Supervisory Authority's approval, it may refrain from the liquidation and distribution, transferring the management of the Fund to another Luxembourg-based management company in accordance with the Management Regulations.

If the Fund is liquidated, notice of liquidation will be published in the RESA, as well as in at least two daily newspapers (to be specified at that time) of those countries in which units of the Fund are admitted for public distribution. At least one of the above-mentioned daily newspapers must be a Luxembourg newspaper. On the day of the resolution being adopted with regard to the Fund's liquidation, units will cease to be issued. Until liquidation, it will be possible to redeem units if it is possible to ensure equal treatment of the unitholders. The assets will be sold and the Depositary will distribute the liquidation proceeds less liquidation costs and fees, upon instructions from the Management Company or, if appropriate, the liquidators appointed by the Management Company or by the Depositary in agreement with the Supervisory Authority, among the unitholders according to their respective claims. Liquidation proceeds not collected by unitholders after completion of the liquidation proceedings will, if required by law, be converted into Euro and deposited by the Depositary for the account of the unitholders who are the beneficiaries at the Caisse de Consignation in Luxembourg, where they will be forfeited if not claimed within the statutory period.

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

## Merger with other Funds and Unit Classes

The Management Company may adopt a resolution subject to the following conditions to bring the Fund into another fund managed by the same Management Company or managed by another management company. The merger may be adopted in the following cases:

- if the Fund's net assets on a valuation day have fallen below an amount that appears to be a minimum amount allowing the Fund to be managed in an economically efficient manner;
- if, as a result of a significant change in the economic or political situation or for reasons of economic profitability, it is not deemed useful from an economic point of view to manage the Fund.

Such a merger may only be carried out if the investment policy of the absorbing fund does not breach the investment policy of the Fund to be absorbed. The merger is accomplished by way of liquidation of the Fund to be absorbed and simultaneous takeover of all assets by the absorbing fund.

The resolution of the Management Company to merge funds will be published in a newspaper specified by the Management Company in those countries in which the units of the fund to be absorbed are distributed to the public. The unitholders of the fund to be absorbed will be entitled for a period of one month to demand free of charge the redemption of all or part of their units at the relevant net asset value per unit in accordance with the procedure described in Article 14 of the Management Regulations and taking account of the terms of Article 16 of the Management Regulations. The units of unitholders who have not requested redemption of their units will be replaced on the basis of the net asset value per unit on the effective date of the merger by units of the absorbing fund. Where required, the unitholders receive settlement of fractional units.

A resolution to merge the Fund with a foreign fund requires approval by the meeting of unitholders of the fund to be absorbed. Invitations to attend the meeting of unitholders of the fund to be absorbed are published by the Management Company twice at an interval of at least eight days, and eight days before the meeting, in newspapers to be specified by

the Management Company in the countries where the units of the fund to be absorbed are distributed to the public. Resolutions to merge a fund with a foreign fund are subject to an attendance quorum of 50% of the units in circulation and are adopted on the basis of a 2/3 majority of the units represented personally or by way of proxy, whereby only those unitholders who vote for the merger are bound by such resolutions. After a resolution to merge with a foreign fund, the Fund will be liquidated in accordance with Article 19 No. 3 of the Management Regulations if the unitholders do not unanimously approve the merger.

The Management Company may merge existing unit classes with other funds or unit classes in accordance with Article 20 of the Management Regulations.

## The Management Regulations

The Management Regulations of the Fund form an integral part of this offering document. The Management Regulations printed below are subdivided into the General Part and the Special Part. The General Part comprises the legal framework as well as the general investment guidelines. The Special Part of the Management Regulations contains the specific details and the investment policy of the Fund.

## Notice for distribution in the jurisdiction of the German Capital Investment Code

Units of Allianz Defensive Mix FCP-FIS may not be distributed to private investors in the jurisdiction of the German Capital Investment Code (KAGB) as defined in Section 1 (19) no. 31 KAGB.

The intention to distribute units of Allianz Defensive Mix FCP-FIS to professional and semi-professional investors in the jurisdiction of the German Capital Investment Code (KAGB) as defined in Section 1 (19) no. 32 and no. 33 KAGB has been notified to the German Federal Financial Supervisory Authority pursuant to Section 321 KAGB.

Units of Allianz Defensive Mix FCP-FIS may therefore be distributed in the Federal Republic of Germany to

1. investors that are regarded as professional clients as defined in Annex II of Directive 2004/39/EC or investors that may be treated as professional clients upon request (Professional Investors) and to
  2. semi-professional investors, i.e.
    - a) investors
      - aa) that undertake to invest a minimum of EUR 200,000.00,
      - bb) that give notice in writing, in a separate document from the investment obligation contract, that they are aware of the risks associated with the intended obligation or investment,
      - cc) whose expertise, experience and knowledge is assessed by Allianz Global Investors GmbH or one of its distributors, without assuming that the investor possesses the market knowledge and experience as defined under Section I of Annex II of Directive 2004/39/EC,
      - dd) that Allianz Global Investors GmbH or one of its distributors considers to be in a position to make their investment decisions themselves in respect of the nature of the intended obligation or investment, understanding the risks involved and that such an obligation is appropriate for the investor concerned, and
      - ee) that have written confirmation from Allianz Global Investors GmbH or one of its distributors that they have been assessed as defined under point cc and that the requirements defined under point dd are satisfied,
    - b) a manager or employee of Allianz Global Investors GmbH, insofar as he or she invests in an AIF managed by Allianz Global Investors GmbH,
    - c) investors that undertake to invest a minimum of EUR 10 million in Allianz Defensive Mix FCP-FIS.

# The Management Regulations

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

## General Part

### Article 1 General Provisions

1. The Fund is a separate pool of assets that does not represent an independent legal entity, belonging to the category "specialised investment funds" under the Law of 13 February 2007 on specialised investment funds and is qualified as Alternative Investment Fund in accordance with the Law of 12 July 2013 on Alternative Investment Fund Managers. Having been established as a "fonds commun de placement-fonds d'investissement spécialisé" under the law of the Grand Duchy of Luxembourg, the Fund comprises permissible assets, and is managed by Carne Global Fund Managers (Luxembourg) S.A., a joint-stock company under Luxembourg law (hereinafter called the "Management Company"), on its own behalf for the joint account of the investors (hereinafter called the "unitholders").
2. The Management Company invests the Fund's assets separately from its own assets in accordance with the principle of risk diversification. The resulting rights are vested in unit certificates or unit confirmations (both hereinafter called "unit certificates") issued to the unitholders pursuant to Article 13 of the Management Regulations.
3. Each unitholder holds an interest in the Fund's assets, which is reflected by the number of units held.
4. The purchase of units by the unitholder constitutes acceptance of the Management Regulations as well as their approved and published amendments.
5. The original version of the Management Regulations and its amendments are lodged with the Commercial Register in Luxembourg. A notice of lodging is made in the RESA, Recueil électronique des sociétés et associations („RESA“).
6. Units may only be issued to well-informed investors as defined in the Law of 13 February 2007 on specialised investment funds ("Law").  
If the well-informed investor is neither an institutional investor nor a professional as defined in the Law, his status as an well-informed investor shall be confirmed by the latter to the Company in writing. In addition, the acquisition of units depends on meeting at least one of the following two criteria:
  - The investor places at least EUR 125,000.00 (after deduction of any sales charge) across all unit classes; additional investments at lesser amounts are allowed if the total of the current value of the units already held by the investor at the time of the additional investment, across all unit classes if applicable, and the amount of the additional investment (after deduction of any sales charge) corresponds to at least the minimum investment amount. If the investor is acting as intermediary for third-party final beneficiaries, then the units may only be acquired if the conditions listed above are separately fulfilled for each of the third-party final beneficiaries. A condition may be set on the issue of units requiring the prior submission by the investor of a written guarantee to that effect.
  - The investor has an appraisal from a financial institution, securities company or management company as defined in the Law, confirming that his expertise, experience and knowledge are such that he can adequately assess the investment in a specialised investment fund as defined in the Law. The issue of units may be made dependent on the investor submitting a written appraisal as defined above to the Management Company.

### Article 2 Depositary

1. The Depositary is appointed by the Management Company. The functions of the Depositary are in compliance with the law and these Management Regulations. The Depositary acts independently of the Management Company and exclusively in the interest of the unitholders.
2. The Depositary keeps all assets of the Fund in safe custody in blocked accounts or securities accounts, with any disposals exclusively in accordance with the provisions of these Management Regulations. On its own responsibility and subject to approval by the Management Company, the Depositary is authorised to place assets of the Fund in the custody of other banks or securities depositories.
3. Debiting the blocked accounts of the Fund, the Depositary only withdraws those fees for the Management Company as stipulated in these Management Regulations, and, subject to approval of the Management Company, those fees and charges for itself being due to it in accordance with these Management Regulations. The provision in Article 17 of the Management Regulations on the charging of the Fund's assets with other costs and fees remains unaffected.
4. If permitted by law, the Depositary is entitled and obliged, in its own name:
  - to assert claims of the unitholders against the Management Company or a former Depositary;
  - to make an objection against measures of third parties to levy execution, and to take action if any fund assets are executed against due to a claim for which the Fund's assets cannot be held liable.
5. The Depositary and the Management Company are entitled to terminate the appointment of the Depositary at any time in writing, in accordance with the Depositary agreement. Such termination shall become effective if a bank, meeting the conditions of the Law, assumes the obligations and functions as Depositary in accordance with these Management Regulations. In order to protect the

interests of unitholders, the former Depositary will perform its obligations and functions as Depositary to the full extent until that date in accordance with Articles 16 and 18 of the Law.

6. The Depositary is bound by the instructions of the Management Company, provided that those instructions are in accordance with the current versions of the Law, the offering document and these Management Regulations of the Fund.

### Article 3 Fund Management

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

### Article 4 General Investment Guidelines

Unless otherwise stated in the Special Part of the Management Regulations, the Management Company generally invests the Fund's assets in the assets named below:

1. Securities and money-market instruments that
  - are traded on a stock exchange or another regulated market of an EU Member State or of a non-Member State, which operates regularly and is recognised and open to the public, or
  - originate from new issues whose conditions of issue contain the obligation to apply for admission to official trading on a stock exchange or on another regulated market as defined in the first indent and the admission for which is obtained no later than one year after the issue. Money-market instruments are investments that are normally traded on the money market, that are liquid and whose value can be determined precisely at any time.
2. Units of Undertakings for Collective Investment in Transferable Securities ("UCITS") as defined in Article 1(2) letters a) and b) of Directive 2009/65/EC, as authorised under Directive 2009/65/EC, regardless of whether their registered office is in a Member State of the European Union, or other Undertakings for Collective Investment ("UCI"), provided that
  - such other UCI are admitted in accordance with legal regulations which subject them to official supervision, which in the opinion of the *Commission de Surveillance du Secteur Financier* ("CSSF") are equivalent to those of Community law, and adequate assurance of the co-operation between the government agencies exists;
  - the level of protection for the unitholders of the UCI is equivalent to the level of protection for the unitholders of a UCITS and, in particular, is equivalent to the requirements of Directive 2009/65/EC for the separate safekeeping of fund assets, borrowing, lending and short sales of securities and money-market instruments;
  - the business operations of the UCI are the subject of annual and semi-annual reports that make it possible to form a judgement concerning the assets and liabilities, the income and transactions in the reporting period;
  - the UCITS or the UCI, the units of which are to be acquired, may, according to its formation document, invest more than 10% of its assets in units of other UCITS or UCI.
3. Sight deposits or deposits subject to call with a maximum term to maturity of 12 months at financial institutions, provided that the financial institution in question has its registered office in a Member State of the European Union or if the registered office of the financial institution is located in a non-Member State, is subject to supervisory provisions, which in the opinion of the CSSF are equivalent to those of the Community. The deposits may be denominated in all currencies permitted by the Fund's investment policy.
4. Derivative financial instruments ("derivatives") i.e. in particular futures, forwards, options and swaps including equivalent instruments settled in cash, which are traded on one of the regulated markets described in No. 1, and/or derivative financial instruments that are not traded there ("OTC derivatives"), provided that the underlyings are instruments as defined in Article 4 of the Management Regulations, or financial indices, interest rates, exchange rates or currencies in which the Fund may invest in accordance with its investment objectives. The financial indices within this meaning include, specifically, currency, exchange-rate, interest-rate, price and overall return indices, interest-rate indices, as well as, in particular, the continued use of bond, equity, commodity futures, precious metal and commodity indices and indices on the additional permissible instruments listed in this paragraph.
 

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

  - the counterparties in transactions must be top-rated financial institutions and specialised in such transactions and be institutions of the categories which are subject to a supervision admitted by the CSSF;
  - the OTC derivatives must be subject to a reliable and verifiable evaluation on a daily basis and may be sold, liquidated or closed out by an offsetting transaction at any time at the proper market value;
  - the transactions must be effected on the basis of standardised contracts;
  - the Management Company deems the purchase or sale of such instruments, instead of instruments traded on a stock exchange or in a regulated market, to be advantageous for unitholders. The use of OTC transactions is particularly advantageous if it facilitates a hedging of assets at matching maturities, thus being less expensive.
5. Money-market instruments that are not traded on a regulated market and do not fall under the definitions in No. 1, provided that the issue or the issuer of these instruments is itself subject to regulations concerning deposit and investor protection. The requirements for deposit and investor protection are fulfilled for money-market instruments if these instruments are rated at least investment grade by a recognised rating agency or the Management Company considers that the credit rating of the issuer corresponds to a rating of investment grade. These money-market instruments must also be

- issued or guaranteed by a central governmental, regional or local body or the central bank of a Member State of the EU, the European Central Bank, the European Union or the European Investment Bank, a third country or if a federal state, a state of this federal state, or by international organisations under public law, to which at least one EU Member State belongs; or
- issued by a company whose securities are traded on the regulated markets described in No. 1; or
- issued or guaranteed by an institution that is subject to official supervision in accordance with criteria set down in Community law, or an institution that is subject to and adheres to supervisory provisions that in the opinion of the CSSF are equivalent to those of Community law; or
- issued by other issuers who belong to a category that was admitted by the CSSF, provided that regulations for investor protection apply to investors in these instruments, which are equivalent to those of the first, second or third bullet point and provided that the issuer is either a company having a share capital of at least of EUR 10 million, which prepares and publishes its annual financial statements according to the requirements of the Fourth Directive 78/660/EEC, or is a legal entity, which within a group of one or more listed companies, is responsible for the financing of this group, or is a legal entity, which is intended to finance the securitisation of debt by utilising a credit line granted by a financial institution.

## Article 5 Unlisted Securities and Money-Market Instruments

Unless otherwise stated in the Special Part of the Management Regulations, the Management Company is permitted to invest up to 10% of the Fund's assets in securities and money-market instruments other than those listed in Article 4 of the Management Regulations.

## Article 6 Risk Diversification/Issuer Limits

Unless otherwise stated in the Special Part of the Management Regulations, the following rules also apply:

1. On behalf of the Fund, the Management Company may not invest more than 30% of the Fund's assets or commitments to subscribe securities of the same type issued by the same issuer. This restriction does not apply to:
  - investments in securities issued or guaranteed by an OECD Member State or its regional or local authorities or by EU, regional or global supranational institutions and bodies;
  - investments in target UCIs that are subject to risk-spreading requirements at least comparable to those applicable to SIFs. For the purpose of the application of this restriction, every sub-fund of a target umbrella UCI is to be considered as a separate issuer provided that the principle of segregation of liabilities among the various sub-funds vis-à-vis third parties is ensured.
2. Short sales may not in principle result in the Fund's holding a short position in securities of the same type issued by the same issuer representing more than 30% of its assets.
3. When using financial derivative instruments, the Fund must ensure, via appropriate diversification of the underlying assets, a similar level of risk-spreading. Similarly, the counterparty risk in an OTC transaction must, where applicable, be limited having regard to the quality and qualification of the counterparty.
4. In derogation of the limits of Nos. 1 to 4, the Management Company may invest, in accordance with the principle of risk diversification, up to 100% of the Fund's net assets in securities and money-market instruments of different issuers issued or guaranteed by the European Union, the European Central Bank, a Member State of the EU or its local authorities, a Member State of the OECD, or by international organisations under public law to which one or more Member States of the EU belong, provided that such securities and money-market instruments have been issued within the framework of at least six different issues, with the securities and money-market instruments of one and the same issue not to exceed 30% of the net assets of the Fund.
5. The Fund may purchase units of other UCITS or UCI as defined in Article 4 No. 2 of the Management Regulations if it does not invest more than 20% of its net assets in one UCITS or UCI. In applying this investment limit, each subfund of an umbrella fund as defined by Article 181 of the Law of 17 December 2010 on undertakings for collective investment must be regarded as an independent fund if the principle of separate liability of each subfund to third parties applies.
 

Investments in units of UCI other than UCITS may not exceed a total of 30% of the Fund's net assets. If the Fund has acquired units of a UCITS or a UCI, the investments of the UCITS or UCI are not considered with regard to the investment limits stated in Nos. 1 to 4. If the Fund acquires units of a UCITS or a UCI which is managed directly or indirectly by the same Alternative Investment Fund Manager ("AIFM") or a different company associated with the AIFM, by a substantial direct or indirect investment in accordance with the Law, neither the AIFM nor the associated company may charge fees or a sales load and redemption fees for the subscription or redemption of the units.

If the Fund invests a substantial portion of its assets in other UCITS and/or other UCI as defined above, a management fee at the level of such UCITS or UCI (excluding any performance fee, if any) of no more than 2.50% per annum of their net asset value may be charged.
6. Irrespective of the investment limits set down in No. 9 below, the limits stated in Nos. 1 to 4 for investments in equities and/or debt instruments of a single issuer amount to a maximum of 20% if the objective of the Fund's investment strategy is to replicate a specific equity or debt instrument index recognised by the CSSF; a precondition for this is that:
  - the composition of the index is adequately diversified;
  - the index represents an adequate benchmark for the market to which it refers;
  - the index is published in an appropriate manner.

The limit set down in sentence 1 is 35% provided this is justified on the basis of exceptional market conditions, and in particular on regulated markets on which certain securities or money-market instruments are in a strongly dominant position. An investment up to this limit is only possible with a single issuer. The limit defined in No. 1 sentence 4 is not applicable.
7. For none of its funds under management may the Management Company acquire voting shares carrying a voting right through which it would be permitted to exert a significant influence on the business policy of the issuer. It may acquire on behalf of the Fund a maximum of 10% of the non-voting shares, bonds and money-market instruments of a single issuer and a maximum of 25% of the units of a single UCITS or UCI. This limit is not required to be adhered to in the acquisition of bonds, money-market instruments and

target fund units if the total amount issued or the net amount of the units issued cannot be calculated. It also does not apply if these securities and money-market instruments are issued or guaranteed by a Member State of the EU or its central, regional or local authorities or by a non-Member State, or are issued by international organisations under public law to which one or more Member States of the EU belong.

### Article 7 Reduction

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

### Article 8 Techniques and Instruments

1. The Management Company may use techniques and instruments, in particular securities lending transactions and securities repurchase agreements as well as derivatives as defined in Article 4 No. 4 of the Management Regulations in accordance with the investment restrictions of the Fund for the purpose of efficient portfolio management (including transactions entered into for hedging purposes). The Management Company may also in particular enter into market-contrary transactions, which could lead to gains for the Fund if the prices of the underlying securities fall, or to losses for the Fund if the prices rise.
2. In particular, the Management Company may enter into any type of swap transactions, such as swaps in which the Management Company and the counterparty agree to swap the returns generated by investments, a security, a money-market instrument, a unit of a fund, a derivative, a financial index, or a basket of securities or indices for returns from another security, money-market instrument, unit of a fund, derivative, a financial index, a basket of securities or indices or other investments. The payments due from the Management Company to the counterparty and vice versa are calculated by reference to the specific instrument and an agreed-upon nominal amount.
3. The Management Company may also in particular enter into credit default swaps. Credit default swaps may be used, among other things, to hedge creditworthiness risks arising from bonds acquired by the Fund (e.g. government or corporate bonds). In this case, the interest rates collected by the Fund from a bond with a comparatively high creditworthiness risk may be swapped for interest rates from a bond having a lower creditworthiness risk, for example. At the same time, the contracting partner may be obliged to buy the underlying bond at an agreed price or pay a cash settlement when a previously defined event, such as the insolvency of the issuer, occurs. The Management Company is also authorised to use such transactions for purposes other than hedging. The contracting partner must be a top-rated financial institution specialised in such transactions. Both the bonds underlying the credit default swap and the respective issuer must be taken into account with regard to the investment limits set out in Article 6 of the Management Regulations. Credit default swaps are valued on a regular basis using clear and transparent methods. The Management Company and the Auditor monitor the clarity and transparency of the valuation methods and their application. If differences are detected during monitoring activities, the Management Company will arrange to remedy the situation.
4. The Management Company may also acquire securities and money-market instruments in which one or more derivatives are embedded (structured products).

### Article 9 Securities Repurchase Agreements, Securities Lending

Securities (reverse) repurchase agreements and securities lending transactions are not concluded for the Fund.

### Article 10 Risk Management Procedure

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

### Article 11 Borrowing

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

### Article 12 Prohibited Transactions

Unless otherwise stated in the Special Part of the Management Regulations, the Management Company may not, on behalf of the Fund:

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



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

### Article 13 Unit Certificates

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

### Article 14 Issue and Redemption of Units

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



## Article 15 Subscription and Redemption Price/Income Equalisation

1. For the calculation of the subscription and redemption price of the units, the Management Company or third parties appointed by it, shall determine the value of the assets comprised in the Fund, less the Fund's liabilities (hereinafter called the "net asset value"), on every valuation day, dividing it by the number of units in circulation (hereinafter called the "net asset value per unit").  
Unless No. 2 or No. 3 applies, the:
  - assets that are officially listed on a stock exchange are valued at the latest available price paid;
  - assets that are not officially listed on a stock exchange, but are traded in a regulated market or on other organised markets, are also valued at the latest available price paid, provided that, at the time of valuation, the Depositary considers that price to be the best possible price at which the assets can be sold;
  - financial futures transactions relating to currencies, securities, financial indices, interest rates and other permissible financial instruments and options thereon and corresponding warrants are, if listed on a stock exchange, valued at the most recent price of the stock exchange in question. If there is no stock exchange listing, in particular with regard to all OTC transactions, valuation is made at the probable realisation value, determined prudently and in good faith;
  - interest rate swaps are valued at their market value referring to the applicable interest rate curve;
  - swaps tied to indices and to financial instruments are valued at their market value, which is determined by reference to the index concerned or the financial instrument concerned;
  - units in UCITS or UCI are valued at the latest redemption price determined and obtainable;
  - cash and time deposits are valued at their nominal value plus accrued interest;
  - assets not denominated in the base currency of the Fund (hereinafter called the "base currency of the Fund") are converted into the base currency of the Fund at the most current middle-market rate of exchange.
2. Assets whose trade prices are not fair market prices, as well as all other assets, are valued at the probable realisation value, determined prudently and in good faith.
3. At its discretion, the Management Company may authorise other valuation methods if in its consideration, such other methods better represent the fair value of the assets.
4. The Management Company uses an income equalisation procedure for the Fund and its unit classes. This means that the proportional income and realised capital gains/losses accruing during the financial year which the acquirer of units must pay as part of the subscription price and which the seller of units receives as payment as part of the redemption price is continuously netted. The expenses incurred are taken into account in calculating the income equalisation.
5. The subscription price is the net asset value per unit as determined according to Nos. 1, 2 and 3, plus any sales charge to cover issuing costs. The subscription price may be rounded up or down to the nearest unit of the corresponding currency, as specified by the Management Company. The level of the sales charge, which may differ depending on the unit class, is stipulated in the "Special Part" section. Any stamp duties or other charges accruing in a country in which the units are offered are charged to the unitholder.
6. The redemption price is the net asset value per unit as determined according to Nos. 1, 2 and 3, less any redemption fee charged, which is at the disposal of the Management Company. The redemption price may be rounded up or down to the nearest unit of the corresponding currency, as specified by the Management Company. The level of the redemption fee may differ depending on the unit class and is stipulated in the "Special Part" section.

## Article 16 Suspension

1. The calculation of the net asset value, as well as the issue and redemption of units may be suspended by the Management Company in close cooperation with the AIFM, if required, on a temporary basis if, and as long as
  - a stock exchange on which a considerable share of the Fund's assets is traded is closed (except for ordinary weekends and public holidays), or trading is restricted or suspended;
  - the Management Company cannot obtain access to assets;
  - the transaction values resulting from purchases as well as sales cannot be transferred;
  - it is impossible to determine the net asset value in accordance with standard practice.
 The Special Part of the Management Regulations may provide for further regulations on the suspension of the issue and redemption of units.
2. Subscription applications and redemption applications are executed once calculation of the net asset value is resumed, unless they have been revoked by this time to the Management Company in accordance with Article 14 No. 12 of the Management Regulations.

## Article 17 Administration Costs

1. The all-in-fee is paid from the Fund, unless this fee is charged directly to the respective unitholder within the framework of a particular unit class. In addition, the Special Part of the management regulations may provide that a performance-related fee may be paid from the Fund. The all-in fee covers the following fees and expenses, which are not charged separately to the Fund:
  - fee for the management and central administration of the Fund;
  - fee for distribution and advisory services;
  - fee for the Depositary and expenses for sub-custody facilities;
  - fee for the Registrar and Transfer Agent;
  - costs for the preparation (including translation) and mailing of offering documents, management regulations, Key Investor Information as well as annual, semi-annual and any interim reports and other reports and notifications to the unitholders;
  - costs of publishing the offering documents, management regulations, Key Investor Information, annual, semi-annual and, if any, interim reports, other reports and notifications to unitholders, tax information, as well as subscription and redemption prices, and the official announcements made to the unitholders;
  - costs of auditing the Fund by the Auditor;

- costs of registering the unit certificates for public distribution and/or the maintenance of such registration;
  - costs of preparing the unit certificates and, if any, coupons and coupon renewals;
  - paying agent and information agent fees;
  - costs of assessing the Fund by nationally and internationally recognised rating agencies;
  - expenses in connection with the establishment of the Fund.
- Depending on the structure of the contractual relationship, the Depositary may receive a payment for processing each transaction conducted on behalf of the AIFM; this fee is payable from the Fund.
2. Apart from these fees, the following expenses are borne by the Fund:
    - costs arising in connection with the purchase and sale of assets (including any research and analyst services made available in accordance with market practice) and the use of securities lending programmes and securities lending brokers;
    - costs for assertion and enforcement of legal rights of the Fund or any existing unit class appearing to be justifiable and for defence against claims made against the Fund or any existing unit class that seem unjustified;
    - costs and taxes (in particular Taxe d'Abonnement) which may be incurred in connection with administration and custody;
    - costs for examination, assertion and enforcement of any claims for reduction, offsetting or refund of withholding taxes or other taxes or fiscal levies.
  3. In the Special Part of the Management Regulations, it may be stipulated for unit classes that a distribution fee is payable to the Management Company for forwarding to the Distributors for services they render and for expenses incurred in conjunction with the sale of these unit classes and/ or in conjunction with services rendered to unitholders of these unit classes and for managing unitholder accounts.

### Article 18 Accounting

1. The Fund and its accounts are audited by a certified auditing firm appointed by the Management Company.
2. The Management Company prepares an audited annual report for the Fund no later than six months after the end of each financial year.
3. The annual reports can be obtained from the Management Company and the Depositary on request.

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

1. The Fund has been established for an indefinite period of time; however, it may be liquidated by resolution of the Management Company at any time.
2. The Management Company may terminate its management of the Fund, subject to at least three months' notice. Notice of termination will be published in the RESA, as well as in at least two daily newspapers (to be specified at that time) of those countries in which units of the Fund are admitted for public distribution. At least one of the above-mentioned daily newspapers must be a Luxembourg newspaper. The right of the Management Company to manage the Fund lapses with such notice coming into force. In this case, the right of disposal with respect to the Fund is passed to the Depositary, which will wind it up pursuant to No. 3 below, and distribute the assets remaining after the liquidation among the unitholders. During the liquidation period, the Depositary is entitled to claim the management and central administration agent fee in accordance with Article 17 of the Management Regulations. However, with the Supervisory Authority's approval, it may refrain from the liquidation and distribution, transferring the management of the Fund to another Luxembourg-based management company in accordance with these Management Regulations.
3. If the Fund is liquidated, notice of liquidation will be published in the RESA, as well as in at least two daily newspapers (to be specified at that time) of those countries in which units of the Fund are admitted for public distribution. At least one of the above-mentioned daily newspapers must be a Luxembourg newspaper. On the day of the resolution being adopted with regard to the Fund's liquidation, units will cease to be issued. Until liquidation, it will be possible to redeem units if it is possible to ensure equal treatment of the unitholders. The assets will be sold and the Depositary will distribute the liquidation proceeds less liquidation costs and fees, upon instructions from the Management Company or, if appropriate, the liquidators appointed by the Management Company or by the Depositary in agreement with the Supervisory Authority, among the unitholders according to their respective claims. Liquidation proceeds not collected by unitholders after completion of the liquidation proceedings will, if required by law, be converted into Euro and deposited by the Depositary for the account of the unitholders who are the beneficiaries at the Caisse de Consignation in Luxembourg, where they will be forfeited if not claimed within the statutory period.

### Article 20 Merger

The Management Company may adopt a resolution subject to the following conditions to bring the Fund into another fund managed by the same Management Company or managed by another management company. The merger may be adopted in the following cases:

- if the Fund's net assets on a valuation day have fallen below an amount that appears to be a minimum amount allowing the Fund to be managed in an economically efficient manner;
- if, as a result of a significant change in the economic or political situation or for reasons of economic profitability, it is not deemed useful from an economic point of view to manage the Fund.

Such a merger may only be carried out if the investment policy of the absorbing fund does not breach the investment policy of the Fund to be absorbed. The merger is accomplished by way of liquidation of the Fund to be absorbed and simultaneous takeover of all assets by the absorbing fund.

The resolution of the Management Company to merge funds will be published in a newspaper specified by the Management Company in those countries in which the units of the fund to be absorbed are distributed to the public. The unitholders of the fund to be absorbed will be entitled for a period of one month to demand free of charge the redemption of all or part of their units at the relevant net asset value per unit in accordance with the procedure described in Article 14 of the Management Regulations and taking account of the terms

of Article 16 of the Management Regulations. The units of unitholders who have not requested redemption of their units will be replaced on the basis of the net asset value per unit on the effective date of the merger by units of the absorbing fund. Where required, the unitholders receive settlement of fractional units.

A resolution to merge the Fund with a foreign fund requires approval by the meeting of unitholders of the fund to be absorbed. Invitations to attend the meeting of unitholders of the fund to be absorbed are published by the Management Company twice at an interval of at least eight days, and eight days before the meeting, in newspapers to be specified by the Management Company in the countries where the units of the fund to be absorbed are distributed to the public. Resolutions to merge a fund with a foreign fund are subject to an attendance quorum of 50% of the units in circulation and are adopted on the basis of a 2/3 majority of the units represented personally or by way of proxy, whereby only those unitholders who vote for the merger are bound by such resolutions. After a resolution to merge with a foreign fund, the Fund will be liquidated in accordance with Article 19 No. 3 of the Management Regulations if the unitholders do not unanimously approve the merger.

#### **Article 21 Amendments to the Management Regulations**

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

#### **Article 22 Limitation of Actions**

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

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

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

Supplementing and in derogation of the General Part of the Management Regulations, the provisions shown below apply to Allianz Defensive Mix FCP-FIS.

## Special Part

### Article 24 Fund Name

The name of the Fund is Allianz Defensive Mix FCP-FIS.

### Article 25 Depositary

Depositary is State Street Bank International GmbH, Luxembourg Branch, Luxembourg.

### Article 26 Investment Policy

#### Investment Objective

The investment objective is geared toward generating long term capital growth and income by investing in a broad range of asset classes, in particular in the bond-, equity- and markets for alternative assets. To achieve this investment objective the Fund invests in particular in investment funds with different regional focuses from a global investment universe.

#### Investment Principles

1. The Fund's assets are invested in accordance with the principle of risk diversification, as follows:
  - a) **UCITS and/or UCI** as defined in Article 4 No. 2 of the management regulations ("target funds").
  - b) **Equities** means all equities and similar securities, including but not limited to, preference Units, convertible preference Units, equity warrants, depositary receipts (e.g. American depositary receipts, global depositary receipts), REIT equities, REIT units, equity linked notes, warrants to subscribe for equities. Equities also include index certificates, equity certificates, other comparable certificates and equity baskets as well as assets whose risk profile correlates with the relevant equity or with the investment markets to which these assets can be allocated. ("Equities").
  - c) **Debt securities** means any security which bears interest, including, but not limited to, government bonds, money market Instruments, mortgage bonds and similar foreign asset-backed securities issued by financial institutions, public-sector bonds, floating-rate notes, contingent convertible bonds, convertible debt securities, corporate bonds, Asset-Backed Securities (ABS) and Mortgage-Backed Securities (MBS), as well as other collateralized bonds. Convertible debt securities include, but are not limited to, convertible bonds, bonds with warrants and/or equity warrant bonds. Debt securities also include index certificates and other certificates with a risk profile that typically correlates with the aforementioned assets or with the investment markets to which these assets can be allocated, as well as non-interest bearing securities such as zero coupon bonds. ("Debt Securities").
  - d) **Certificates** (although only securities as defined in the Law of 17 December 2010), whose underlyings are
    - Equities,
    - Debt Securities,
    - UCITS or UCI as defined in Article 4 No. 2 of the management regulations,
    - financial indices (including hedge funds, commodity futures, precious metal and commodity indices as well as indices that refer to companies operating in the area of private equity/debt),
    - commodities,
    - precious metals or
    - baskets consisting of the above-mentioned underlying securities ("certificates").

The acquisition of certificates with the above-mentioned underlyings is possible regardless of whether the underlying can be replaced or modified under the respective terms and conditions of the certificate, as long as the replaced or modified underlying is one that is admissible for certificates as defined in this letter.

Certificates with an underlying security as defined in the fifth to seventh indent may only be acquired if the certificate structure does not provide for the use of a leverage effect; in other words, it seeks to track the underlying security precisely and reflects its risk profile as much as possible.
  - e) **Deposits** as defined in Article 4 No. 3 of the management regulations ("Deposits") and money-market instruments as set out in Articles 4 No. 5 and Article 5 of the management regulations ("Money Market Instruments").
  - g) **Use of techniques and instruments** (in accordance with Articles 8 and the following of the management regulations and the explanations in the offering document under "The Use of Techniques and Instruments and Special Risks associated with such Use") ("techniques and instruments").
2. **The following investment limits are observed in investing the assets of the Fund:**
  - a) The majority of the value of the Fund's assets will be invested in target funds.
  - b) Subject in particular to **No. 3 letter f)**, not more than 40% of the value of the Fund's assets are invested in equity funds, Equities and Certificates whose risk profile typically correlates with one or more equity markets. Equity funds in which investments are made may either be broadly diversified equity funds or funds specialising in particular countries, regions or sectors. Any UCITS or UCI is an equity fund if its risk profile typically correlates with that of one or more equity markets.
  - c) Subject in particular to **No. 3 letter f)**, the Fund's assets may be invested without restriction in bond funds, Debt Securities and Certificates whose risk profile typically correlates with one or more bond markets whereas the acquisition of ABS/MBS is limited to max. 20% of Fund assets. Bond funds in which investments are made may either be broadly diversified bond funds or funds specialising in particular countries, regions or sectors, or oriented towards specific maturities or currencies. Any UCITS or UCI is a bond fund if its risk profile typically correlates with that of one or more bond markets.

- d) Subject in particular to **No. 3 letter f)**, the Fund's assets may be invested without restriction in Deposits, Money Market Instruments, money market funds and Certificates whose risk profile typically correlates with one or more of the above assets or investment markets to which these assets can be allocated. Money-market funds in which investments are made may either be broadly diversified money-market funds or money-market funds focused on specific groups of issuers or oriented towards specific maturities or currencies. Any UCITS or UCI is a money-market fund as defined above if its risk profile correlates with that of one or more money markets.
- e) Subject in particular to **No. 3 letter f)**, a minimum of 40% of the value of the Fund's assets shall be invested in assets as defined in letters c) and d).
- f) Subject to **No. 3 letter f)**, not more than 20% of the value of the Fund's assets may be invested in **emerging markets related assets**, including, but not limited to,
- target funds that are either classified as emerging market investments or assigned to a country or a region that is not classified by the World Bank as "high gross national income per capita", i.e. is not classified as "developed" in accordance with Morningstar GIFS (Morningstar's Global Investment Fund Sector) ("emerging market"),
  - Equities or Debt Securities whose issuer has its registered office in an emerging market, and
  - Certificates as defined in **No. 1 letter d)**, whose underlyings can be allocated to the first two indents of this letter.
- g) Subject to **No. 3 letter f)**, not more than 20% of the value of the Fund's assets may be invested in **high-yield markets related assets**, including, but not limited to,
- target funds that are allocated to the high-yield bond sector in accordance with the Morningstar GIFS classification,
  - Debt Securities which, at the time of acquisition, do not have an investment grade rating from a recognised rating agency or are not rated at all, but for which in the opinion of fund management, it can be assumed that they would not have an investment grade rating if they were to be rated ("high-yield" investments),
  - Certificates as defined in **No. 1 letter d)**, whose underlyings can be allocated to the first two indents of this letter.
- h) Subject in particular to **No. 3 letter f)**, the assets as defined in letters f) and g) may not exceed a total of 30% of the Fund's assets.
- i) Subject to **No. 3 letter f)**, not more than 30% of the value of the Fund's assets may be invested in **alternative investments**. Alternative investments aim to have a low correlation to Equities or Debt Securities. Typical alternative asset classes are (i) real estate, (ii) commodities, (iii) private equity and/or private debt or (iv) alternative markets related assets. Alternative markets related assets include, but are not limited to,
- Alternative funds that are either allocated to the **alternative investments sector** in accordance with the Morningstar classification or which typically correlate with alternative investment markets and / or alternative investment strategies whereas the alternative fund's risk profile typically does not or only low correlate with those of standard asset classes as a result of the use of derivatives and the use of appropriate strategies. Alternative fund include investment funds, but are not limited to, which can in particular pursue so-called "long / short strategies", "event-driven strategies" and "alternative volatility strategies".
  - Certificates which are oriented towards alternative funds or alternative asset classes as mentioned above and do not provide for the use of leverage in their derivative structure; in other words, which seek to track the base index, target fund or the alternative asset market precisely and reflect their risk profiles as much as possible.
  - Certificates which are oriented towards alternative investment indices.
  - Techniques and instruments, especially swaps and futures, based on alternative investment indices, on alternative target funds or on other alternative investments as mentioned above (e.g. (i) real estate, (ii) commodities, (iii) private equity and/or private debt).
3. **The following selection principles are observed in investing the assets of the Fund:**
- a) Fund management will invest the Fund's assets after a thorough analysis of all the information available, subject to a careful evaluation of risks and opportunities in securities, target funds and other permissible assets. The performance of fund units, however, remains dependent on price changes on the markets. Therefore, no warranty can be given that the objectives of the investment policy will be achieved. Investors assume the risk of receiving a lesser amount than they originally invested. Fund management adjusts the composition of the Fund according to its assessment of the market situation and taking into consideration the investment objective and investment principles, which may result in a complete or partial reorientation of the composition of the Fund. For this reason, such adjustments may be made, and frequently if appropriate.
- b) Target funds may in particular be broadly diversified funds (including balanced funds, if indicated, funds pursuing an absolute return approach and, in particular, alternative investment funds), equity (including REIT), bond or money-market funds, target funds that participate in one or more commodity futures, precious metals or commodity indices, country, region or sector funds (including funds oriented towards companies operating in the area of private equity), or funds oriented towards certain issuers, currencies or maturities. The Fund's assets are generally invested in a balanced ratio between, on the one hand, target funds that are managed, directly or indirectly, by the Management Company itself or by any other company with which the Management Company is linked by a substantial direct or indirect investment. In derogation of this general rule, the proportion of other target funds may predominate.
- c) The Fund's assets may also be denominated in foreign currencies. With unit classes in particular, transactions may be entered into that, to a large extent, serve as a hedge against another currency. Investment instruments that are not denominated in a currency are considered to be denominated in the currency of the country in which the registered office of the issuer is located (the company, in the case of instruments representing equities; for certificates: the underlying) is located.
- d) In the framework of and taking into account the above restrictions, the Fund's assets may – depending on the market situation – focus on
- individual types of assets, and/or
  - individual currencies, and/or
  - individual sectors, and/or
  - individual countries, and/or
  - assets with shorter or longer (residual) maturities, and/or

- assets from specific issuers/debtors (e.g. countries or companies), or have a broad investment focus. No provision has been made for a restriction on the average, cash-value weighted residual maturity (duration) of the bond and money-market element of the Fund.  
Fund management may invest indirectly, particularly in the corresponding securities issued by companies of any size. Depending on the market situation, fund management may focus either on companies of a certain size or individually determined sizes, or have a broad investment focus.  
In particular where very small cap stocks are acquired, these may be specialist stocks, some of which operate in niche markets. Fund management may also in particular invest indirectly in securities that it considers to be undervalued in terms of their fundamentals in comparison with the industry (value stocks) as well as in equities that it considers to have growth potential that is not factored into the current price (growth stocks). Depending on the market situation, fund management may either concentrate on value or growth stocks, or have a broad investment focus.  
Depending on the specific investment approach of a target fund manager, the above criteria may also not be taken into consideration at all in making investment decisions, with the result that the Fund may have either a narrow or a broad investment focus.
- e) The limits described in No. 2 letters b) to i) above may be either exceeded or not met if this occurs through changes in the value of assets held in the Fund, or through a change in the value of the Fund as a whole, as in the case of the issue or redemption of units (“passive violation of limits”). In such cases, fund management will seek to adhere to those limits within an appropriate time frame.
- f) It is permissible for the limits described in No. 2 letters b) to i) to be exceeded or not met through the acquisition or sale of the corresponding assets if it is simultaneously ensured through the use of techniques and instruments that the respective market risk potential as a whole adheres to the limits.  
For this purpose, the techniques and instruments are taken into account with the delta-weighted value of the respective underlying assets in the manner prescribed. Market-contrary techniques and instruments are also considered to be risk-reducing if their underlying instruments do not fully match the assets in the Fund.
- g) Compliance with the limits listed in No. 2 letters a) to i) is not required in the first six months after launching the Fund and in the last two months before a potential liquidation or merger of the Fund takes place.
- h) Techniques and instruments for the purpose of efficient portfolio management of the Fund (including transactions entered into for hedging or speculative purposes) may be used. Under no circumstances may the Fund deviate from its stated investment objectives when using such techniques and instruments.
- i) If the Morningstar GIFS classification should no longer be available or the relevant fund is not classified in Morningstar GIFS, the Management Company may undertake this classification on the basis of an alternative classification system to be determined by the Management Company.

#### Exceeding or not Meeting Investment Limits

The investment limits set down in Articles 5, 6, 11 and 26 of the management regulations may be exceeded or not met for a reasonable period provided this appears opportune in the view of the fund management and the principle of risk diversification continues to be observed despite one of the specified investment limits being exceeded or not met. **In addition, the investment limit set down in Article 6 No. 5 may be permanently exceeded to the effect that the Fund does not invest more than 40% of its net assets in one UCITS or UCI if it is ensured that the principles of risk diversification are observed and complied with at all times.**

#### Real Estate Investment Trust/REIT

A real estate investment trust (REIT) is a legal entity whose business purpose is aimed at acquiring property and/or activities in connection with the ownership of property. Unless indicated otherwise, REITs are companies incorporated in the legal form of a joint-stock company or a fund. If a REIT is in the legal form of a fund, closed-end REIT funds can be acquired.

In the case of a closed-end REIT fund, the REIT fund itself or the company that issued the REIT fund is not obliged to redeem units in the REIT fund. In these circumstances the units in the REIT fund can only be sold through the secondary market. In contrast, an open-ended REIT fund is legally obliged to redeem units in the REIT fund (in addition to any further option of selling them via the secondary market), either itself or through the company issuing the REIT fund.

#### Article 27 Base Currency, Valuation Day, Subscription and Redemption Price, Transaction Fee

1. The base currency of the Fund is the Euro.
2. The Management Company, or third parties appointed by it, determine the subscription and redemption price on every valuation day.
3. In derogation of Article 14 No. 1 of the Management Regulations, a valuation day is each day that is a banking and exchange trading day in Paris and Luxembourg.
4. In derogation of Article 14 No. 2 and No. 7 of the Management Regulations, subscription and redemption applications for units received at the respective account keeping entity, the Distributors, Paying Agents or at the Registrar and Transfer Agent on a valuation day by 2 p.m. Central European Time (CET) or Central European Summer Time (CEST) are settled at the subscription or redemption price determined of the second valuation day following the valuation day. Subscription and redemption applications for units received after this time are settled at the unknown subscription or redemption price of the valuation day after the second valuation day following the valuation day.
5. In derogation of Article 14 No. 2 the subscription price for all unit classes is to be paid to the Registrar and Transfer Agent no later than two banking and exchange trading days in Paris and Luxembourg after the respective settlement date.
6. A redemption fee, which is at the disposal of the Management Company (Article 15 No. 6 of the Management Regulations), is not charged at present.



7. The subscription and redemption prices are published on the internet at <http://www.fundweblibrary.com/public-sector/luxembourg/en/CGFMLux> and can also be obtained from the Management Company, the AIFM, the Central Administration Agent and the Depositary.

### Article 28 Charges

1. The all-in fee, which is paid from the Fund while taking account of the different unit classes, is 1.25% p.a. for units of unit class types A and AT, 1.95% p.a. for units of unit class types C and CT, 1.00% p.a. for units of unit class types P, PT, I, IT, and for units of unit class types W and WT, 0.30% p.a., calculated on the basis of the net asset value determined on a daily basis. The Management Company may levy a lower fee at its own discretion.
2. Payment of the all-in fee is effected on a monthly basis, at the end of each month.

### Article 29 Unit Classes

1. The Fund may offer several unit classes, which differ in their charges, fee structure, use of income, persons authorised to invest, minimum investment amount, reference currency, the possibility of a currency hedge in a unit class, the determination of the settlement date after orders are issued, the determination of the settlement procedure after settlement of an order and/or a distribution, or other characteristics. All units participate equally in income and liquidation proceeds of their unit classes. Units of distributing and accumulating unit classes may be issued for the Fund. A, C, P, I and W unit class types are distributing unit class types, while AT, CT, PT, IT and WT unit class types are accumulating unit class types, i.e. the income accruing to this unit class type is reinvested in the unit class.  
The various unit class types may be issued in the reference currencies listed below:  
EUR (Euro) and USD (US-Dollar).  
The conversion from one unit class to another unit class is precluded.
2. There is a required minimum investment amount for the acquisition of units in unit class types A, AT, C, CT, P, PT, I, IT, W and WT as indicated in the offering document (after deduction of any sales charge). Additional investments at lesser amounts are allowed, if the total of the current value of the units in the same unit class already held by the investor at the time of the additional investment and the amount of the additional investment (after deduction of any sales charge) corresponds to at least the minimum investment amount of the unit class in question. This calculation only considers holdings of the investor held at the same location at which the additional investment is to be made. If the investor is acting as intermediary for third-party final beneficiaries, then the units of the types of unit classes indicated may only be acquired if the conditions listed above are separately fulfilled for each of the third-party final beneficiaries. A condition may be set on the issue of units of these types of unit classes requiring the prior submission by the investor of a written guarantee to that effect.
3. Unit classes whose reference currency is not the base currency of the Fund may also be issued. In doing so, it is possible to issue unit classes aiming at currency hedging in favour of the reference currency, and unit classes in which this is not done. The costs of these currency hedge transactions are borne by the corresponding unit class.  
The reference currency of a unit class is indicated by the code in parentheses after the unit class type (A and AT) [e.g. in the case of unit class type A and reference currency USD: A (USD)]. If currency hedging in favour of the respective reference currency is aimed at for a unit class, an "H-" is prefixed to the name of the reference currency [e.g. in the case of unit class type A, reference currency USD and currency hedging being aimed at in respect of this reference currency: A (H-USD)].
4. The calculation of net asset value per unit (in accordance with Article 15 Nos. 1, 2 and 3 of the Management Regulations) will be determined for each unit class by dividing the value of the net assets belonging to a unit class by the number of units of this unit class in circulation on the valuation day:
  - When distributions are made, the value of the net assets attributable to the units of the distributing unit classes is reduced by the amount of these distributions.
  - If the Fund issues units, the value of the net assets of the respective unit class increases by the amount of the proceeds resulting from such issue, less any sales charge levied.
  - If the Fund redeems units, the value of the net assets of the respective unit class is reduced by the amount of the net asset value attributable to the units redeemed.

### Article 30 Use of Income

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

### Article 31 Financial Year

The financial year of the Fund begins on 1 May and ends on 30 April.



**Article 32 Effective Date**

The original version of these Management Regulations entered into force on 7 January 2019. The most recent amendment came into effect on 22 August 2022.

# Directory

## Alternative Investment Fund Manager

Allianz Global Investors GmbH  
 Headquarter:  
 Bockenheimer Landstraße 42-44  
 D-60323 Frankfurt / Main

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

## Management Company

Carne Global Fund Managers (Luxembourg) S.A.  
 3, rue Jean Piret  
 L-2350 Luxembourg

## Board of Directors of the Management Company

Anouk Agnes  
 John Alldis  
 William Blackwell  
 Veronica Buffoni  
 John Donohoe  
 Jacqueline O'Connor

## Depository, Central Administration Agent and Registrar and Transfer Agent

State Street Bank International GmbH, Luxembourg Branch  
 49, Avenue J. F. Kennedy  
 L-1855 Luxembourg

Shareholders' equity: EUR 109 million  
 As at 31 December 2021

## Paying Agent in Luxembourg

State Street Bank International GmbH, Luxembourg Branch  
 49, Avenue J. F. Kennedy  
 L-1855 Luxembourg

## Auditor

PricewaterhouseCoopers  
 Société coopérative  
 2, rue Gerhard Mercator  
 L-1014 Luxembourg