Allianz Global Investors GmbH

Allianz Global Investors

Paris, 31 January 2017

Dear Sir/Madam,

Our records show that you are a unitholder of the *Fond Commun de Placement* (mutual fund) **ALLIANZ EURO OBLIG COURT TERME ISR** (hereinafter the "Fund"). Allianz Global Investors GmbH has decided to modify the Fund as specified below.

1. What are we doing?

In view of the current environment of very low interest rates and a relative lack of issuers, Allianz Global Investors has decided to expand your Fund's investment universe by allowing the use of:

- securities with a maturity of up to 5 years, provided they have a variable rate of interest;
- credit default swaps (CDSs): financial contracts offering indirect exposure to the debt of eligible issuers.

These changes are intended to offer more flexibility to the investment team in order to open up more market opportunities without compromising the fundamental strategy of the Fund, as the interest rate and credit risk sensitivity ranges will remain unchanged.

These changes were approved by the French financial markets authority (AMF) on **9 January 2017** and will come into force on **1 March 2017.**

In compliance with applicable regulations, if you are not satisfied with these changes, you have 30 days from the date of this letter to request that your units be redeemed free of charge.

2. What will change?

- Risk profile

i. *Change in the risk/reward profile*: Yes
ii. *Increase in the risk/reward profile*: Yes

Adjusting your Fund's strategy by permitting the use of CDSs and extending the maturity to 5 years for variable-rate securities will indirectly bring about an increase in the risk/reward profile. However, the weighted average life (WAL) of the portfolio, which measures the Fund's sensitivity to credit risk, remains unchanged and will not exceed 1.5 years.

- Increase in fees: No

- Overview of changes

At present, your Fund can invest in fixed-rate debt securities with a maturity of 3 years. Following the changes, it will also be able to invest in variable-rate debt securities with a maturity of up to 5 years.
Your Fund will now also be able to be exposed to CDSs as well as to interest rate futures and interest rate swaps. As such, you will have additional exposure to credit risk.
You can find a table comparing the situation before and after the changes attached to the end of this letter.

3. How do these changes affect you?

If you are happy with these changes, you do not need to do anything.

In compliance with applicable regulations, if you are not satisfied with the changes, you have 30 days from the date of this letter to request that your units be redeemed free of charge.

Your Fund's KIID and Prospectus can be obtained from the registered office or the website (www.allianzgi.fr) of Allianz Global Investors, French Branch. The Prospectus will be sent out to you within a week upon written request to Allianz Global Investors, French Branch.

If you have any questions, your regular advisor will be happy to help.

This document is a translation of the original document. In case of contradiction or ambiguity as to the interpretation of the translated version, the original French version shall prevail, unless it violates the law in force in the jurisdiction concerned.

Yours faithfully,

Nathalie Rannou

Amine Benghabrit

Before-and-after table		
	Before	**After**
Strategy	In order to limit the Fund's exposure to credit and liquidity risks, the maximum residual life upon acquisition of each debt security or similar security cannot exceed 3 years. In addition, the weighted average life (WAL) of the portfolio, which measures the Fund's sensitivity to credit risk, cannot exceed 1.5 years. If the portfolio's weighted average life is exceeded on occasion, specifically due to a significant decrease in net assets, the Management Company will assess the opportunity for the disposal of portfolio securities with the main assessment criterion being holders' interest, so as to return the portfolio's WAL below 1.5 years within a reasonable and compatible time with said interest. 2 - The second focus is taking directional positions based on expectations of the movements of the prime rates of the Central European Bank and short-term fluctuations in the benchmark index. This strategy is reflected in greater or lesser exposure than the benchmark to the rate market within the authorised sensitivity range [0; +1.5]. The Fund's exposure may be adjusted via the use of interest rate swap agreements or listed interest rate derivatives (futures).	In order to limit the Fund's exposure to credit and liquidity risks, the maximum residual life upon acquisition of each debt security or similar security cannot exceed 3 years for fixed-rate securities and 5 years for variable-rate securities. In addition, the weighted average life (WAL) of the portfolio, which measures the Fund's sensitivity to credit risk, cannot exceed 1.5 years. If the portfolio's weighted average life is exceeded on occasion, specifically due to a significant decrease in net assets, the Management Company will assess the opportunity for the disposal of portfolio securities with the main assessment criterion being holders' interest, so as to return the portfolio's WAL below 1.5 years within a reasonable and compatible time with said interest. 2 - The second focus is taking directional positions based on expectations of the movements of the prime rates of the Central European Bank and short-term fluctuations in the benchmark index. This strategy is reflected in greater or lesser exposure than the benchmark to the rate market within the authorised sensitivity range [0; +1.5]. The Fund's exposure may be adjusted via the use of CDSs, interest rate swap agreements or listed interest rate derivatives (futures).
Derivatives	<u>Type of instruments used:</u> - Interest-rate futures - Interest-rate swaps <u>Nature and investment:</u> - Interest rate risk (hedging, exposure, arbitrage) <u>Strategy of using derivatives to achieve the management objective:</u> - Manage interest rate risk	<u>Type of instruments used:</u> - Interest-rate futures - Interest-rate swaps - Credit default swaps <u>Nature and investment:</u> - Interest rate risk (hedging, exposure, arbitrage) - Credit risk (hedging, exposure, arbitrage) <u>Strategy of using derivatives to achieve the management objective:</u> - Manage interest rate risk - Manage credit risk
Risk	**- Credit risk:** As the portfolio may be invested, directly or indirectly, in financial instruments issued by private establishments, it is exposed to the default risk of these issuers. For instance, if a company goes bankrupt after issuing bonds that were included in the portfolio, these bonds may not be redeemed, or redeemed only in part. Their value falls, and the value of the Fund unit falls accordingly.	**- Credit risk:** Since the portfolio can invest in bonds issued by a private undertaking or become exposed to same via credit derivatives, it is subject to fluctuations in line with the risk of each of these issuers. This is the risk that the bond will not be redeemed on maturity or that a credit event will take place. The greater this risk, the more the value of the bond or the CDS (in the case of a protection sale) falls. Conversely, the smaller the risk related to an issuer, the more the value of the bond or CDS (in the case of a protection sale) rises. Credit risk varies according to expectations, maturities and the level of confidence in each issuer. There are rules in place to ensure that credit risk is not too concentrated on a single issuer. The yield-curve arbitrage strategy, which consists of positioning the portfolio on one maturity rather than another, is another component of credit risk. It is also actively managed by our investment teams.