Allianz Institutional Investors Series
Société d`Investissement à Capital Variable
Registered office: 6 A, route de Trèves, L-2633 Senningerberg
R.C.S. Luxembourg B 159.495

Notice to the Shareholders

The Board of Directors of Allianz Institutional Investors Series (SICAV) ("the Company") hereby announces the following changes in investment principles on the Sub-Fund Allianz Global Bond Fund of the Company effective 31 December 2020:

…

b) Sub-fund assets are invested in actively traded liquid global and local bond markets (local in this context is determined by the currency of an Interest-bearing Security and the country of the issuer. Interest-bearing Securities denominated in the local currency of the issuer are traded on local bond markets), including index linked government securities, fixed and floating rate, government, government agency, sovereign entities and supranational securities (i.e. securities issued by multinational issuers, for example , the European Investment Bank) of issuers of all sectors listed or traded on Recognized Markets. With reference to Appendix 1 No. 1 Index certificates and other certificates – all being securities according to Law – whose risk profile typically correlates with Interest-bearing Securities or with the investment markets to which these assets can be allocated may also be acquired for the Sub-fund in accordance with letter a).
Equities and comparable rights may only be acquired in the exercise of subscription, conversion and option rights on convertible bonds and bonds with warrants, but they must be sold within ~~six~~ three months after acquisition.

…

f) ~~Up to 10% of~~ Sub-Fund assets may not be invested in UCITS and/or UCI. ~~which must not be Exchange Traded Funds (ETFs).~~

…

i) Min. 90% of the Sub-Fund assets shall be denominated in EUR and/or ~~must~~ be hedged to EUR, ~~therefore max. 10% of Sub-Fund assets may be exposed to other developed market or emerging market currencies.~~

…

l) It is permissible for the limit described in the letters c) and d) above to be either exceeded or not met through the direct acquisition or direct 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 aforementioned limits.

…

It is not expected that the use of financial derivative instruments will significantly raise the risk profile of the Portfolio. Although individual financial derivative instruments may be inherently leveraged insofar as financial derivative instruments may allow a purchaser to increase position exposure by advancing, as the initial cost of the relevant financial derivative instrument, whether by margin or otherwise, only a percentage of the value of the relevant position, the primary purpose of the Investment Manager in using financial derivative instruments is the reduction of risk or the management of risk in a more effective manner, rather than magnifying exposure to the markets in which the Portfolio invests. The Investment Manager uses financial derivative instruments primarily as an alternative way of gaining exposure to particular investment risks and managing or eliminating other investment risks. In particular, financial derivative instruments allow the Investment Manager to isolate risks in a manner that is not possible in the case of an instrument such as a bond. In the event that the Investment Manager decides to purchase a bond for the Portfolio, the Investment Manager is effectively buying a number of risks that are "bundled" into a single instrument. Such risks would include currency risk, interest rate risk, credit risk etc. By using financial derivative instruments, the Investment Manager can choose, on behalf of the Portfolio, which of those risks to take because financial derivative instruments provide an effective and efficient means of "unbundling" the various risks inherent in an instrument such as a bond.

Forward Foreign Exchange Contracts

Forward foreign exchange contracts will be used for hedging and investment purposes i.e. to hedge the value of the Portfolio's investments which are designated in a currency other than the base currency (EUR) back into the base currency. It may not always be possible or desirable to fully or accurately hedge all currency exposure back into the base currency, however at least 90% of the net assets of the Portfolio must be hedged to EUR. Investors should note that adverse movements in currency exchange rates can result in a decrease in return and loss of capital. Accordingly, the effect of movements of currency exchange rates may be such that the returns for the investor may be lower than that which would have been achieved had the Portfolio not used forward foreign exchange contracts for the purposes described herein. Non-deliverable forward foreign exchange contracts will be used for the same reasons. They differ from standard forward foreign exchange contracts in that at least one of the currencies in the transaction is not permitted to be delivered in settlement of any profit or loss resulting from the transaction. Profit or loss in this case will be delivered in "hard currency", typically EUR or USD.

Bond Futures Contracts

The Portfolio, subject to the restrictions imposed on the use of various financial derivative instruments described in the Prospectus and by the UCITS Regulations, may buy and sell futures contracts to either create exposure or reduce exposure to various markets or to reduce certain aspects of risk inherent in specific trades both for investment purposes and for efficient portfolio management purposes. Futures contracts are agreements to buy or sell a fixed amount of a government bond, or currency at a fixed date in the future. Futures contracts are exchange-traded instruments and their dealing is subject to the rules of the exchanges on which they are dealt. The amounts of the underlying asset cannot be changed nor can the settlement date for the contract. Trades in futures are conducted via brokers who execute for the Portfolio and/or clear the contracts for the Portfolio on the exchange.

Futures contracts are subject to margin provisions. At the time of purchase or sale, initial margin is posted to the exchange via the clearing broker. As the price of the contract rises or falls with the price of the underlying, variation margin is posted or received by the Portfolio via the clearing broker.
Futures contracts are used to increase or reduce interest rate, or currency exposure to a particular market. Buying bond futures gives the Portfolio interest rate exposure to the government interest rates in a given country or currency area (like the Economic and Monetary Union of the EU), for example to offset a position where the Portfolio has sold a bond which has previously had its interest rate risk hedged through the selling of government bond futures. The act of buying the bond future would reverse the original hedge. Selling bond futures reduces interest rate or currency exposure in the same way. Futures will sometimes be used in the Portfolio in combination with other securities. For example, by buying

sovereign bonds and selling a duration-weighted amount of government bond futures against those purchases, the Portfolio can take advantage of movements in credit spreads without having exposure to interest rate risk in that market. Similarly the currency risk inherent in buying (for example) a USD denominated sovereign bond can be hedged back to the base currency of the Portfolio (EUR) by selling a currency future. If and when that USD denominated sovereign bond was sold from the Portfolio, the hedge would then need to be offset by buying a currency future.

Exchange traded bond futures may be used as a cost efficient alternative to taking outright positions in underlying securities or for hedging specific risk in relation to a Portfolio holding.
The amount required to settle any transactions must be held in cash or marketable securities. Any such futures transactions must be used in accordance with the investment objective of the Portfolio and must be deemed by the Investment Manager to be economically appropriate.
…

Additionally the Board of Directors have decided to change the expected Level of Leverage for the Sub-Fund Allianz Global Bond Fund from 0-2 to 0-3 effective 31 December 2020.

Shareholders, who do not approve of the aforementioned changes, may redeem their shares free of redemption or conversion charges until 30 December 2020.

The prospectus dated 31 December 2020 is accessible or available free of charge for the Shareholders at the registered office of the Company and the Management Company in Frankfurt/Main, and from the Information Agents in Luxembourg (State Street Bank International GmbH, Luxembourg Branch) and any other country in which the Sub-Funds of the Company are registered for public distribution as of effective date of the prospectus.

Senningerberg, November 2020

By order of the Board of Directors

Allianz Global Investors GmbH