

# Allianz UK & European Investment Funds

**Final Report & Financial Statements**

31 August 2020

**Allianz Global Investors**

# Contents

Company Information* .....	3
General Information* .....	6
Statement of the Authorised Corporate Director's Responsibilities ....	7
Collective Notes to the Final Report and Financial Statements .....	8
Investment Review* & Report and Financial Statements for:	
Allianz Continental European Fund.....	14
Allianz European Equity Income Fund .....	33
Allianz Gilt Yield Fund .....	55
Allianz Index-Linked Gilt Fund.....	71
Allianz Strategic Bond Fund.....	90
Allianz UK Equity Income Fund .....	116
Allianz UK Opportunities Fund .....	135
Allianz UK Mid Cap Fund .....	154
Authorised Corporate Director's Report to the Shareholders* .....	
Depository's Report to the Shareholders .....	172
Independent Auditors' Report to Shareholders of	
Allianz UK & European Investment Funds .....	173
Additional Information*.....	174
Annex according to Regulation (EU) 2015/2365 with regards to	
Securities Financing Transactions and Total Return Swaps (unaudited)	177
	179

\* Collectively, these comprise the ACD's Report.

# Company Information

## Status of the Allianz UK & European Investment Funds

Allianz UK & European Investment Funds (the “Company”) is an Open-Ended Investment Company with Variable Capital under Regulation 12 of the Open-Ended Investment Companies Regulations 2001. It was incorporated in England and Wales under registered number IC 120 and authorised and regulated by the Financial Conduct Authority on 20 August 2001. The Company has been certified by the Financial Conduct Authority as complying with the conditions necessary for it to enjoy the rights conferred by the EC Directive on Undertakings for Collective Investment in Transferable Securities. The Company has an unlimited duration.

The Company is an umbrella company comprising various subfunds, each of which is operated as a distinct fund, with its own portfolio of investments. Each subfund is a UCITS scheme which complies with COLL 5 of the Financial Conduct Authority’s Collective Investment Scheme Sourcebook (“COLL”).

On 21 December 2011, the Open Ended Investment Companies Regulations 2011 (as amended) (“the Regulations”) were amended to introduce a Protected Cell Regime for OEICs. Under the Protected Cell Regime, each subfund represents a segregated portfolio of assets and accordingly, the assets of a subfund belong exclusively to that subfund and shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including any other subfunds and shall not be available for such purpose.

The subfunds of the Allianz UK & European Investment Funds are:

Subfund	Launch date
Allianz Gilt Yield Fund	16 May 2002
Allianz Strategic Bond Fund	16 May 2002
Allianz Continental European Fund	16 May 2002
Allianz European Equity Income Fund	16 May 2002
Allianz UK Equity Income Fund	20 June 2002
Allianz UK Opportunities Fund	20 June 2002
Allianz UK Mid-Cap Fund	20 June 2002
Allianz Index-Linked Gilt Fund	1 February 2018

## Remuneration Policy

In accordance with the UCITS Remuneration Code and corresponding changes to the FCA Handbook for Collective Investment Schemes (COLL), the Allianz UK & European Investment Funds are required to disclose details of the remuneration paid by the Authorised Corporate Director (ACD) to its staff for the financial year.

The compensation structure at AllianzGI Europe is set up to avoid any kind of excessive risk-taking. Variable compensation awards are delivered via deferral programs to ensure they are linked to sustainable performance. In addition any compensation decisions have to be reviewed and approved by our Functional, Regional and Global Compensation Committees on both, aggregate and individual basis, to further ensure effective risk mitigation.

# Company Information continued

## AllianzGI GmbH, Compensation 2019 (All numbers are in EUR)

Number of employees 1,707

		thereof Risk Taker	thereof Board Member	thereof Other Risk Taker	thereof Employees with Control Function	thereof Employees with Comparable Compensation
Fixed remuneration	163,646,905	8,839,907	1,718,951	1,294,426	488,352	5,338,178
Variable remuneration	122,615,429	23,341,018	3,821,074	4,708,477	420,897	14,390,570
Total remuneration	286,262,334	32,180,925	5,540,025	6,002,903	909,249	19,728,748

### Classes of share within the subfunds

Each subfund can issue several classes of shares. Each class is distinguished by its criteria for subscription and fee structure. Further details on the share classes can be found in the Financial Statements for each subfund.

### Securities Financing Transactions Regulation

The Securities Financing Transactions Regulation, as published by the European Securities and Markets Authority, aims to improve the transparency of the securities financing markets. Disclosures regarding exposure to Securities Financing Transactions (SFTs) or total return swaps are required in all published reports & accounts. The Allianz Gilt Yield Fund and Allianz Strategic Bond Fund undertook activities during the year which fall under this SFT disclosure requirement, pursuant to Regulation (EU) 2015/2365. Therefore, the following Report & Financial Statements contains an SFTR disclosure for these Funds on pages 179 and 186.

# Company Information continued

## Authorised Corporate Director ("ACD") Allianz Global Investors GmbH, UK Branch

199 Bishopsgate  
London EC2M 3TY

Authorised by the Bundesanstalt für  
Finanzdienstleistungsaufsicht (BaFin) and subject to limited  
regulation by the Financial Conduct Authority

A member of The Investment Association

## Independent Auditors PricewaterhouseCoopers LLP

144 Morrison St  
Edinburgh EH3 8EX

## Registrar of Shareholders DST Financial Services Europe Limited

DST House  
St. Nicholas Lane  
Basildon  
Essex SS15 5FS

Authorised and regulated by the Financial Conduct Authority

## Depository State Street Trustees Limited

20 Churchill Place  
London E14 5HJ

Authorised and regulated by the Financial Conduct Authority.

## Investment Advisers

Allianz UK Equity Income Fund, Allianz UK Mid-Cap Fund,  
Allianz Index-Linked Gilt Fund, Allianz UK Opportunities Fund,  
Allianz Strategic Bond Fund & Allianz Gilt Yield Fund

## Allianz Global Investors GmbH, UK Branch

199 Bishopsgate, London EC2M 3TY

Authorised by the Bundesanstalt für  
Finanzdienstleistungsaufsicht (BaFin) and subject to limited  
regulation by the Financial Conduct Authority

A member of The Investment Association

## Allianz Continental European Fund & Allianz European Equity Income Fund

## Allianz Global Investors GmbH

Mainzer Landstraße 11-13, 60329 Frankfurt am Main,  
Germany

Regulated by Bundesanstalt für Finanzdienstleistungsaufsicht  
in Germany

# General Information

## Investing in Open-Ended Investment Companies ("OEICs")

An OEIC is a collective investment vehicle that allows investors to pool their money to obtain a spread of investments and thus reduce their risk in the financial markets of the world without incurring the costs associated with investing individually. It allows investors access to the expertise of professional investment managers (the ACD, the Investment Advisers and other companies within the Allianz group may from time to time, act as investment managers), who manage the underlying investments of the subfunds on a day to day basis.

Investors are allocated shares in proportion to the size of their investment. The price of these shares is calculated by reference to the value of the underlying investments held by the subfund, and can fluctuate according to the movements within the portfolio of investments.

Subfunds have one price per share class which applies regardless of whether investors are buying or selling the shares. The charges for investing are shown separately on the contract note, which makes it easier to see the exact cost of your investment.

Shareholders of the company are not liable for the debts of the company.

## Dilution levy

The ACD is allowed (under Financial Conduct Authority regulations) to make a dilution levy provision as part of an entry or exit fee but does not expect to charge this levy frequently.

The policy is to charge a dilution levy on large deals and in accordance with the Prospectus and the Financial Conduct Authority regulations, to pay this levy into the individual subfunds. The ACD will charge a dilution levy where a subfund is experiencing large levels of net purchases relevant to its size, large levels of net redemptions relevant to its size or on any large deals. Historically, the ACD has not charged a dilution levy frequently.

# Statement of the Authorised Corporate Director's Responsibilities

The Financial Statements are prepared in accordance with UK generally accepted accounting principles and applicable accounting standards. The ACD is responsible for keeping such accounting records as are necessary to enable it to ensure that the Financial Statements comply with the Financial Conduct Authority ("FCA") regulations and The Statement of Recommended Practice 'Financial Statements of UK Authorised Funds 2014' issued by the Investment Management Association (now The Investment Association) "IMA SORP".

The Open-Ended Investment Companies Regulations 2001 require the ACD to prepare an annual report for each annual accounting year and a half-yearly report for each half-yearly accounting period of the Company.

The annual long report for the Company is required to contain:

- (i) For each subfund:
  - the full Financial Statements for the annual accounting year which must be prepared in accordance with the requirements of the IMA SORP;
  - the report of the ACD in accordance with the COLL requirements; and
  - the comparative table in accordance with the COLL requirements.
- (ii) the report of the Depository in accordance with the COLL requirements;
- (iii) the report of the Auditors in accordance with the COLL requirements.

In preparing the Financial Statements the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the Financial Statements;

- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The ACD is required to ensure that the Financial Statements in the annual long report give a true and fair view of the net revenue (expense) and the net capital gains (losses) on the property of the Company for the annual accounting period in question and the financial position of the Company as at the end of that year.

The half-yearly long report for the Company is required to contain:

- (i) For each subfund:
  - the full Financial Statements for the half-yearly accounting period which must be prepared in accordance with the requirements of the IMA SORP; and
  - the report of the ACD in accordance with the COLL requirements.

The Investment Objective and Policy for each subfund are set out within the individual Financial Statements for that subfund.

# Collective Notes to the Final Report and Financial Statements

## 1. Accounting policies

The ACD is currently assessing the future viability of the Allianz European Equity Income Fund and the Allianz UK Mid Cap Fund. Both sub-funds are therefore accounted for on a non-going concern basis. Their assets were valued at fair value, being the realizable value of the assets. All costs associated with the closure and termination of both funds will be borne by the Manager.

The Financial Statements of all other sub-funds have been prepared on a going concern basis. All sub-funds accounts are prepared in accordance with FRS 102 and the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by The Investment Management Association (now the Investment Association) in May 2014 ('IMA SORP')."

a. Revenue: Dividends and withholding tax recoverable from overseas authorities are treated as receivable on the date on which the security is quoted ex-dividend where the amounts can be reasonably determined. Foreign dividends are grossed up at the appropriate rate of tax. Bank interest is accounted for on an accruals basis. Underwriting commission is recognised when the issue underwritten closes. Option premiums received by the Company are amortised to revenue or capital over the period to maturity depending on the motive and circumstance of the Option and whether it is written in or out of the money. Gains and losses arising on derivative securities are treated as revenue or capital, reflecting the underlying intent and circumstances of the transaction.

Interest on debt securities is recognised on an accruals basis, taking into account the effective yield on the investment and is treated as revenue. The effective yield basis amortises any discount or premium on the debt element of the purchase or an investment over its remaining life based on contractual cash flows.

Accrued interest purchased and sold on interest bearing securities is excluded from the capital cost of these securities and dealt with as part of the revenue of each subfund. Returns from bond futures, equity futures and credit default swaps are apportioned into revenue and capital components in order to reflect the nature of the financial instrument.

b. Stock dividends: Ordinary stock dividends are recognised wholly as revenue and are based on the market value of the

shares on the dates they are quoted ex-dividend. Where an enhancement is offered, the amount by which market value of the shares (on the day they are quoted ex-dividend) exceeds the cash dividend is taken to capital.

c. Special dividends: The underlying circumstances behind special dividends are reviewed in determining whether the receipt is revenue or capital in nature. Special dividends recognised as revenue will form part of the distribution. Any tax treatment will follow the accounting treatment of the principal amount.

d. Valuation: The investments of a subfund have been valued as at midday on the last working day of the accounting year at the bid market price net of any accrued interest. Unlisted, suspended and unapproved investments are shown at the ACD's valuation.

All prices being stale for more than a predefined amount of days must be investigated. A price for a specific asset may be stale over a certain time span as it has not been adjusted by the respective pricing source or an updated price is no longer available. To achieve an adequate and reasonable price, these assets need to be reviewed with regard to the underlying reason for the stale prices (e.g. unquoted/unlisted/delisted/suspended securities, corporate actions, illiquid securities with low trading levels or simply securities that have (by chance) traded at the same price for a period of time). If necessary and where available, a new price source has to be defined. In case no price source is available, the asset's price needs to be verified through other procedures, e.g. by mark-to-model valuation or to be discussed in the EVC.

e. Foreign currencies: Assets and liabilities have been translated into sterling at the exchange rates prevailing at close of business on the last working day of the accounting year. Transactions denominated in foreign currencies are translated into sterling at the exchange rates ruling at the date of the transactions. The resulting exchange differences are included in the Statement of Total Return.

f. Taxation: The standard rate of corporation tax for a subfund of an OEIC is 20%, with relief for double taxation taken where applicable. The tax accounting treatment follows the principal amounts involved.

# Collective Notes to the Final Report and Financial Statements continued

- g. Deferred tax: Full provision is made for deferred taxation except to the extent that deferred tax assets are considered to be irrecoverable.
- h. Expenses: Expenses are recognised on an accruals basis and charged against revenue. The ACD's annual fee for Allianz Gilt Yield Fund, Allianz European Equity Income Fund, Allianz Index-Linked Gilt Fund and the Allianz UK Equity Income Fund is deducted from the capital account for the purpose of the distribution.
- i. Allocation of revenue and expenses to multiple share classes: With the exception of the ACD's annual fee, distribution costs, printing costs, and the registration fees, which are directly attributable to individual share classes, all revenue and expenses are allocated to share classes pro rata to the value of the net assets of the relevant share class on the day that the revenue or expense is incurred.
- j. The Outperformance Fee is calculated and accrued as follows: The first Performance Period commences on the date that Class O Shares are first issued, and ends on the immediately following accounting year end of the relevant Fund. Thereafter, each subsequent Performance Period commences on the day immediately following the end of the previous Performance Period and ends on the immediately following accounting year end of the relevant Fund, or on the date that the final investor in Class O Shares fully redeems his holding if earlier.

## 2. Distribution policies

- a. For the Allianz Gilt Yield Fund, Allianz Strategic Bond Fund, Allianz Index-Linked Fund and Allianz UK Equity Income Fund, the ACD pays an interim distribution at its discretion. For the Allianz European Equity Income Fund the ACD pays a quarterly distribution at its discretion. Otherwise, for all subfunds, net revenue is accumulated in the subfund throughout the year and distributed at the year end. Should expenses exceed revenue there will be no distribution and the shortfall will be transferred from capital.
- b. The ordinary element of a stock dividend is treated as revenue but does not form part of the distribution, with the exception of the Allianz UK Equity Income Fund where the

ordinary element of a stock dividend is treated as revenue and forms part of the distribution.

- c. The Allianz Gilt Yield Fund, Allianz Index-Linked Gilt Fund and the Allianz Strategic Bond Fund distribute revenue on debt securities on an effective yield basis. Indexation is recognised on UK Government index-linked securities therefore for the purposes of calculating the distribution on Allianz Index-Linked Gilt Fund, revenue is computed on an effective yield basis utilising the exemption set out in the Financial Conduct Authority's COLL 6.8.3 (for funds whose policy is to invest predominantly in index-linked securities) to treat capital indexation as non-distributable.
- d. The ACD's annual fee for the Allianz Gilt Yield Fund, the Allianz European Equity Income Fund, Allianz Index-Linked Gilt Fund and the Allianz UK Equity Income Fund is deducted from the capital account for the purpose of the distribution.

## 3. Financial Risk Management

The subfunds are exposed to financial risk through their financial assets and financial liabilities.

The main risks arising from these are market price risk, liquidity risk, foreign currency risk, credit risk, interest rate risk, derivatives risk and counterparty risk. The risk profile and the policies adopted to manage risk did not change materially during the current and preceding year.

The narrative below explains the different types of risks the subfunds may face.

This information is given so that investors can decide for themselves whether their investment is high or low risk. It also allows them to assess what kind of impact the use of financial instruments (investments, cash/overdraft and borrowings) will have on the performance of the subfund.

The subfunds financial instruments, excluding short-term debtors and creditors, comprise investments and bank balances. The purpose for holding the financial instruments is to meet the individual investment objective. Short-term debtors and creditors are not considered to be financial instruments.

# Collective Notes to the Final Report and Financial Statements continued

## Market price risk

Market price risk arises mainly from the uncertainty about future prices of financial instruments held. It represents the potential loss the subfunds might suffer through holding market positions in the face of price movements.

A dedicated fund manager has the responsibility for monitoring the existing portfolio selection in accordance with the subfund's investment objective and seeks to ensure that individual stocks meet an acceptable risk reward profile.

## Liquidity risk

Liquidity risk relates to the capacity to meet liabilities.

The assets of each subfund mainly comprise of realisable securities, which can be sold to meet funding requirements if necessary. Short-term flexibility can be achieved through the use of overdraft facilities where necessary.

## Foreign currency risk

Foreign currency risk is the risk of movement in the value of overseas financial instruments as a result of fluctuations in exchange rates.

All or part of a subfund's investments may be denominated in currencies other than sterling, therefore both the value of the investments and the revenue from them can be affected by currency movements.

For the Allianz Strategic Bond Fund, Allianz Index-Linked Gilt Fund and the Allianz Gilt Yield Fund, the fund manager seeks to minimise this risk by hedging using forward currency contracts as and when deemed appropriate. For the other subfunds, no hedge transactions were entered into during the period.

## Credit risk

Credit risk is the risk of default by a counterparty in discharging its obligations under transactions that could result in a subfund suffering a loss.

Outstanding settlements are subject to credit risk. Credit risk is mitigated by a subfund through its decision to transact with counterparties of high credit quality. The subfund only buys and sells investments through brokers which are approved counterparties, thus minimising the risk of default during settlement.

The Allianz Strategic Bond Fund may invest in what are considered to be riskier bonds (below investment grade). This increases the risk of default and could affect both the revenue and capital value of the subfund. The subfund therefore has significant exposure to credit risk. The subfund invests in credit default swaps, which will reduce credit risk.

The Allianz Gilt Yield Fund and Allianz Index-Linked Gilt Fund, which predominantly holds UK fixed rate government bonds, and the remaining subfunds which predominantly hold equities, have minimal exposure to credit risk.

## Interest rate risk

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates.

The Allianz Gilt Yield Fund, Allianz Index-Linked Gilt Fund and Allianz Strategic Bond Fund all invest predominantly in fixed and variable interest securities, the values of which are directly affected by changes in prevailing market interest rates. These subfunds therefore have significant exposure to interest rate risk.

The remaining subfunds invest predominantly in equities, the values of which are not directly affected by changes in prevailing market interest rates. Therefore these subfunds have minimal exposure to interest rate risk.

# Collective Notes to the Final Report and Financial Statements continued

## Derivative risk

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

Where the investment objective risk profile permits, derivative transactions may be used for the purposes of meeting the

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

The underlying exposure to open futures, forwards, options and swap contracts as at the balance sheet date is as listed below:

### Underlying exposure for derivatives

Fund	Counterparty	Future contracts £000s	FX Forward contracts £000s	Written Call Options £000s	Written Put Options £000s	Swaps £000s
Allianz Gilt Yield Fund	Goldman Sachs	-	58	-	-	-
	Morgan Stanley	1,446	-	-	-	-
	Standard Chartered	-	50	-	-	-
	State Street	-	816	-	-	-
	UBS	-	9	-	-	-
		1,446	933	-	-	-
Allianz Index-Linked Gilt Fund	BNP Paribas	-	-	-	-	530
	Bofa Securities	-	10	-	-	-
	Morgan Stanley	26	-	-	-	-
	State Street	-	908	-	-	-
		26	918	-	-	530
Allianz Strategic Bond Fund	Barclays	-	-	9,255	816	2,486
	BNP Paribas	-	-	12,562	181	12,349
	Bofa Securities	-	4,188	-	-	7,962
	Credit Suisse	-	-	-	-	23,401
	Goldman Sachs	-	-	9,125	1,029	42,532
	JP Morgan	-	-	3,044	4,532	6,293
	Morgan Stanley	893	-	-	2,825	-
	Standard Chartered	-	281	318	-	-
	UBS	-	82,676	2,912	-	4,310
		893	87,145	37,216	9,383	99,333
		2,365	88,996	37,216	9,383	99,863

# Collective Notes to the Final Report and Financial Statements continued

## Counterparty risk

A subfund conducts transactions through or with brokers, clearing houses, market counterparties and other agents. A subfund will therefore be subject to the risk of the inability of any such counterparty to perform its obligations, whether due to insolvency, bankruptcy or other causes.

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

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

## Risk and Reward Profile

Subfund	Typically lower rewards Typically lower risk					Typically higher rewards Typically higher risk	
	1	2	3	4	5	6	7
Allianz Gilt Yield Fund				4			
Allianz Strategic Bond Fund			3				
Allianz Continental European Fund						6	
Allianz European Equity Income Fund						6	
Allianz UK Equity Income Fund						6	
Allianz UK Opportunities Fund						6	
Allianz UK Mid-Cap Fund						6	
Allianz Index-Linked Gilt Fund					5		

Please note, the category stated above is the same for each class of share within the relevant subfund.

This risk and reward indicator is based on past performance data and calculated in accordance with European legislation. It may not be a reliable indication of the future risk profile of the subfund. The categorisation of the subfund is not guaranteed and may change in the future. Even the lowest category 1 does not mean a risk-free investment.

## Why is the subfund in this category?

Subfunds of category 3 have shown in the past a low to medium volatility. The volatility describes how much the value of the subfund went up and down in the past. The shares of a subfund of category 3 might be subject to low to medium price fluctuations based on historical volatilities observed.

Subfunds of category 4 have shown in the past a medium volatility. The volatility describes how much the value of the subfund went up and down in the past. The shares of a subfund of category 4 might be subject to medium price fluctuations based on the historical volatilities observed.

Subfunds of category 5 have shown in the past a medium to high volatility. The volatility describes how much the value of the subfund went up and down in the past. The shares of a subfund of category 5 might be subject to medium to high price fluctuations based on historical volatilities observed.

Subfunds of category 6 have shown in the past a high volatility. The volatility describes how much the value of the subfund went up and down in the past. The shares of a subfund of category 6 might be subject to high price fluctuations based on the historical volatilities observed.

# Collective Notes to the Final Report and Financial Statements continued

## Value at Risk (VaR)

VaR is a measure of the potential portfolio loss over a specific time horizon at a given confidence level under normal market conditions. It is a measure of market risk. Relative VaR is defined as the VaR of the subfund divided by the VaR of a benchmark or a reference portfolio (i.e. a similar portfolio with no derivatives). This can be an actual benchmark portfolio (such as an index) or a fictitious benchmark portfolio. The VaR on the subfund should not exceed twice the VaR on a comparable benchmark portfolio.

The table below, details the VaR approach for the Allianz Gilt Yield Fund, Allianz Index-Linked Gilt Fund, Allianz Strategic Bond Fund and the Reference Portfolio. The table also details minimum, maximum and average monthly VaR utilisation that occurred.

Global Exposure						Leverage				
VaR limits										
Fund Name	Method used to calculate global exposure	Time period	Type of Model	Parameters (Confidence Interval, holding period, observation period)	Reference Portfolio	Lowest	Highest	Average	Maximum limits	Leverage average
						%	%	%	%	%
Allianz Gilt Yield Fund	Relative VaR	01.09.2019 - 31.08.2020	Delta Normal	99% Confidence, 10 days, 260 days	FTSE Actuaries UK Conventional Gilts All Stocks Index	2.96	5.44	4.16	14.14	0.30
Allianz Strategic Bond Fund	Absolute VaR	01.09.2019 - 31.08.2020	Delta Normal	99% Confidence, 10 days, 260 days	N/A	0.88	4.54	2.42	14.14	4.73
Allianz Index-Linked Gilt Fund	Relative VaR	01.09.2019 - 31.08.2020	Delta Normal	99% Confidence, 10 days, 260 days	FTSE Actuaries UK Government Index-Linked All Stocks Total Return GB Middy Index	5.66	9.51	7.35	14.14	0.35

# Fund Information

## Investment Objective and Policy

This Fund's objective is to provide investors with long term capital growth.

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

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

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

## Fund Details

<b>Fund Manager</b>	Thorsten Winkelmann and Marcus Morris-Eyton	
<b>Benchmark</b>	S&P Europe Ex-UK Large MidCap Growth (British Pound) Net Total Return	
<b>Income allocation date</b>	31 August	
<b>Income pay date</b>	31 October	
<b>Launch dates</b>	Fund	16 May 2002
	A Shares	16 May 2002
	C Shares	18 April 2012
	S Shares	26 January 2016
<b>ISA status</b>	Yes	
<b>Share Classes and types of Shares</b>	A (Accumulation Shares)	
	C (Accumulation Shares)	
	I (Accumulation Shares)	
	S (Accumulation Shares)	
	S (Income Shares)	
<b>Minimum investment</b>	A Shares	Lump sum £500
		Monthly saving £50
	C Shares	Lump sum £500
		Monthly saving £50
	I Shares	Lump sum £10,000,000
		Available only at discretion of ACD
	S Shares	Lump sum £10,000,000
		Available only at discretion of ACD
<b>Initial charge</b>	A Shares	Nil
	C Shares	Nil
	I Shares	Nil
	S Shares	Nil
<b>Annual ACD fee</b>	A Shares	1.50%
	C Shares	0.75%
	I Shares	0.65%
	S Shares	0.45%

I Shares are available but not currently in issue.

# Comparative Tables

For the year ended 31 August 2020

	A Shares Accumulation			C Shares Accumulation		
	2020 (p)	2019 (p)	2018 (p)	2020 (p)	2019 (p)	2018 (p)
Opening net asset value per share	1,367.09	1,393.43	1,279.87	228.78	231.30	210.66
Return before operating charges	306.63	(6.13)	134.95	51.63	(0.86)	22.44
Operating charges	(22.26)	(20.21)	(21.39)	(1.90)	(1.66)	(1.80)
Return after operating charges	284.37	(26.34)	113.56	49.73	(2.52)	20.64
Distributions	-	-	(0.31)	(0.73)	(1.61)	(1.83)
Retained distributions on accumulation shares	-	-	0.31	0.73	1.61	1.83
Closing net asset value per share	1,651.46	1,367.09	1,393.43	278.51	228.78	231.30
After direct transaction costs of <sup>1</sup>	(0.06)	(0.60)	(0.71)	(0.01)	(0.10)	(0.12)
<b>Performance</b>						
Return after operating charges	20.80%	(1.89)%	8.87%	21.74%	(1.09)%	9.80%
<b>Other information</b>						
Closing net asset value (£'000)	18,564	15,768	22,045	69,542	40,499	35,042
Closing number of shares	1,124,098	1,153,405	1,582,088	24,969,619	17,701,843	15,150,398
Operating charges	1.57%	1.61%	1.65%	0.79%	0.79%	0.83%
Direct transaction costs	-	0.05%	0.05%	-	0.05%	0.05%
<b>Prices</b>						
Highest share price	1,675.68	1,405.55	1,420.35	282.58	234.94	235.75
Lowest share price	1,087.84	1,113.47	1,204.66	182.86	185.32	199.31

<sup>1</sup> Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the subfund and share class returns before operating charges.

Operating charges represents all operating charges and expenses and is expressed as a percentage of the average net asset value. It includes the annual ACD fee as well as all the administrative expenses including custodial transaction charges incurred by the subfund.

# Comparative Tables continued

For the year ended 31 August 2020

	S Shares Income	S Shares Accumulation		
	2020 (p)	2020 (p)	2019 (p)	2018 (p)
Opening net asset value per share	100.00	156.02	157.24	142.82
Return before operating charges	0.96	35.29	(0.54)	15.19
Operating charges	(0.05)	(0.81)	(0.68)	(0.77)
Return after operating charges	0.91	34.48	(1.22)	14.42
Distributions	(0.03)	(0.98)	(1.53)	(1.68)
Retained distributions on accumulation shares	0.03	0.98	1.53	1.68
Closing net asset value per share	100.91	190.50	156.02	157.24
After direct transaction costs of <sup>1</sup>	-	(0.01)	(0.07)	(0.08)
<b>Performance</b>				
Return after operating charges	0.91%	22.10%	(0.78)%	10.10%
<b>Other information</b>				
Closing net asset value (£'000)	405	128,756	75,482	93,411
Closing number of shares	400,894	67,589,717	48,381,073	59,404,651
Operating charges	0.54%	0.49%	0.48%	0.53%
Direct transaction costs	-	-	0.05%	0.05%
<b>Prices</b>				
Highest share price	102.42	193.28	160.13	160.27
Lowest share price	97.39	124.91	126.11	135.32

<sup>1</sup> Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the subfund and share class returns before operating charges.

Operating charges represents all operating charges and expenses and is expressed as a percentage of the average net asset value. It includes the annual ACD fee as well as all the administrative expenses including custodial transaction charges incurred by the subfund.

Share Class S Income was launched on 27 July 2020.

# Distribution Tables

## For the year ended 31 August 2020

### Final Distribution in pence per share

Group 1 Shares purchased prior to 1 September 2019

Group 2 Shares purchased on or after 1 September 2019 to 31 August 2020

	Net revenue (p)	Equalisation (p)	Distribution payable 31/10/20 (p)	Distribution paid 31/10/19 (p)
<b>A Shares Accumulation</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>C Shares Accumulation</b>				
Group 1	0.7300	-	0.7300	1.6132
Group 2	0.4435	0.2865	0.7300	1.6132
<b>S Shares Income</b>				
Group 1	0.0265	-	0.0265	n/a
Group 2	0.0143	0.0122	0.0265	n/a
<b>S Shares Accumulation</b>				
Group 1	0.9818	-	0.9818	1.5330
Group 2	0.5479	0.4339	0.9818	1.5330

Share Class S Income was launched on 27 July 2020.

Investors are reminded that distribution is not guaranteed.

# Investment Review

## Performance Summary

Over the one-year period under review, from 1st September 2019 to 31st August 2020, the Fund's 'A' class produced a total return of 22.63% (in GBP). The Fund's benchmark, S&P Europe ex UK Growth Total Return, produced a total return of 7.59% over the period.\*

Allianz Continental European Fund strongly outperformed its benchmark during the recent 12-month period.

Primarily stock selection but also sector allocation had a positive effect on performance versus benchmark, with the latter particularly due to the strategy's strong overweight of IT, and underweights to Consumer Staples and Energy (no exposure) sectors. Stock selection within the Industrials, Healthcare and Consumer Discretionary sectors was especially strong.

On a single stock level, Irish CO2 friendly building materials name, Kingspan, was the strongest contributor, posting a strong set of H1 results despite a difficult trading environment, with profit strongly beating market expectations (-13% vs. -29%) due to good cost management and lower raw material costs. Kingspan already benefits from the structural shift to energy efficiency, which looks to be expedited by the European stimulus (EUR 750bn) that focuses on environmentally friendly infrastructure and renovations. The top contributors also included the world leader in construction chemicals, Sika, and freight forwarding challenger DSV Panalpina. Both positively surprised the market in Q2 earnings, demonstrating high Quality in the most challenging environments for their respective industries, and their Management team's strength in acquisitions and business optimisation.

On the other hand, travel names, including Amadeus IT (travel software leader) and MTU Aero Engines (aircraft engine components provider), were affected by the pandemic lockdowns and global aircraft grounding. Longer term, we still see value in Amadeus IT's industry leadership, with potential for market share gains given competitors have weaker balance sheets, uptake of cloud-based products, expansion in growth regions (North America and Asia Pacific), and into new verticals (e.g. hotels). MTU's Q1 and Q2 were better than consensus expectations, with the company profiting from miles flown rather than passengers boarded. We continue to own the position and even after a 45% recovery, see excellent mid-term upside from here. Reinsurer Scor also detracted, as the

company's life reinsurance exposure to the pandemic was higher than expected, with c. 43% of Covid-19 claims booked in Q2 related to the life reinsurance business, leading to an EUR 136mn loss during the quarter. Positively, Scor is not as exposed as key peers, and it will remain the reinsurer with the highest organic growth rate in the coming years, whilst the stock is now very attractively valued.

\* Source: Allianz Global Investors/Datastream. Fund performance based on midday prices using the mid market price portfolio valuation, net of fees and expenses, with net revenue re-invested in Sterling. Performance for the 'S' class has not been included as it has been in existence for less than twelve months. Performance per comparative table based on bid market price portfolio valuation at close of business on the last day of the accounting period and with related accounting adjustments. Benchmark performance based on midday prices. Stock selection, the crucial performance driver of the Fund, succeeded in particular in the Industrials sector and in Healthcare, where the selected investments generated considerable excess returns. The sector allocation contributed very positively. Overweight allocation of IT stocks was the main positive factor. Underweight allocation of Healthcare and Telecoms services added to this. On the single stock level, shares of our positions in Infineon Technologies, DSV and Hexagon contributed the most on both active and absolute performance level. Shares of Hugo Boss, Banca Generali and Richemont, however, underperformed.

## Market Background

Continental European equities declined (in EUR terms), suffering high volatility over the 12-month period.

2019 was an excellent year, despite some short-term volatility, with European equities recording the strongest annual gains since 2009. While a flare up in the US/China trade war led to significant corrections again in August, the market rallied strongly later, helped by optimism over a "phase one" trade deal between the US and China, better-than-expected Q3 company earnings and a supportive stance from the European Central Bank (ECB).

Hopes that the Eurozone may finally be recovering from a trade-related slowdown were dashed by the COVID-19 virus, as the markets tumbled over the first quarter of 2020, with major indices falling to their lowest level since 2013. Europe became the epicentre of the COVID-19 pandemic in March and April, with cases and fatalities surging. To control the spread of the virus, the continent went into strict lockdown and economic activity came to an abrupt halt. The draconian measures worked and, with lockdowns being gradually eased, European equities recorded their best quarterly performance in five years (in EUR terms) in the second quarter, although they were still down on a year-to-date basis. Fears of a second wave of COVID-19 infections weighed on sentiment again

# Investment Review continued

since the end of July, dispelling optimism over the agreement of a EUR 750 billion Recovery Fund.

The Eurozone economy shrank 12.1% in the second quarter, the biggest drop on record and following a decline of 3.6% in the first quarter. Nevertheless, surveys indicated that the pace of economic growth had picked up as lockdown measures eased across the continent. The flash estimate of the IHS Markit composite Eurozone purchasing managers' index rose to a 25-month high of 54.9 in July. However, firms operated with considerable spare capacity and continued to shrink their headcounts. The EU labour market contracted by a record 5.5 million in the second quarter, a 2.6% reduction in the number of people in work. Eurozone retail sales reverted to pre-crisis levels in June, jumping 5.7% month on month.

German stocks outpaced the regional average. German industrial production continued to recover in June, rising 8.9% compared to 7.4% in May. German factory orders jumped by 27.9% over the month of June, although they were 11.3% lower than the levels recorded in February 2020, before restrictions were put in place to stop the spread of coronavirus. The Zew survey of German economic expectations rose by 12.2 points to 71.5 in August, the highest level since January 2004. However, sentiment on Germany's current economic conditions slid marginally, hitting -81.3 in August versus the -80.9 reported in the prior month.

## Portfolio Review

The Continental European Fund strategy seeks consistent long-term outperformance across the business cycle through a well-researched investment process based on bottom-up fundamental stock selection. We identify stocks with above average structural earnings and cash flow growth, which the market has not yet fully anticipated, with strong franchises which are able to benefit from their unique competitive position in order to sustain superior returns over the long term.

During the past 12 months, we initiated positions in NetCompany (German IT services provider, focused on complex and business critical IT solutions for large customers), Lonza (structurally growing pharma manufacturing services), Bechtle (retailer of computer and office supplies, benefiting from rising IT budgets amongst European SMEs and increased IT outsourcing trends), and Chr Hansen (global market leader

of food cultures, enzymes and probiotics), Adidas (top global brand of sports footwear, apparel and equipment), GN Store (healthcare, comprised of an attractive combination of two structurally growth segments - Hearing and Audio), Stroeer (outdoor advertising leader) and Worldline (Europe's largest payment service provider).

Over the year we sold the holdings in Henkel (over concerns that the recent pick up in investment, and marketing spend, is not sufficient to lift organic growth from the low levels), Wirecard (overshadowed by continued allegations against the company regarding potential accounting fraud, which were not well addressed despite our engagement to improve Risk & Compliance and overall transparency), United Internet (lacking sufficient visibility, with the outcome of the national roaming negotiation still unclear), Fuchs Petrolub (suffering declining end demand from customers in automotive or industrial, which is not expected to improve materially in the near term), Trelleborg (to finance the recent repositioning trades, reflecting our conviction levels), Richemont (to finance the recent repositioning trades, reflecting our conviction levels) and Ryanair (given visibility remains clouded).

## Outlook

At the time of writing, the US pharmaceutical giant Pfizer had just announced a Covid-19 vaccination result with 90% effectiveness. The reaction in global equity markets has been instant. Companies whose primary revenue-generating activities most suffered due to lockdown are seeing their shares rocket upwards. Conversely, stocks which benefitted from the pandemic are weakening.

We have always anticipated, that upon a vaccine announcement, short-term oriented investors will look to rotate out of the pandemic's relative "stay at home winners" – and likely in an indiscriminate manner. That is what we have seen earlier this week.

Rather than try to time this rotation, our goal has been to ensure that portfolio stocks benefitting from the pandemic have long-term investment cases which can underpin their valuations once the virus eases. Similarly, we have initiated or increased positions in stocks whose valuations unfairly discounted their ability to generate earnings growth. The current volatility provides opportunities to us as stock pickers to

# Investment Review continued

benefit from sentiment driven sell-offs, and use our deep fundamental analysis to recognise the long-term winners at newly attractive prices.

Recent earnings reports have helped to validate this strategy. In the “stay at home” camp, companies like Zalando, L’Oreal, and Bechtle have all seen strong market share gains and volume growth. This growth is undoubtedly thanks to Covid-19 accelerating the uptake of their products and digital services. However, having now invested in these digital capabilities, clients are unlikely to give up the flexibility and cost-savings they provide even as the virus abates, representing more of a step-change in the growth profile of these companies. In the case of Zalando, the longer term picture involves their entire business model pivoting to a more profitable marketplace approach. As always, we remain focused on our long-term views.

Meanwhile, updates from the likes of DSV Panalpina, LVMH and Sika have demonstrated the resilience of holdings whose revenues were thought to be more at risk. While the shares should rerate further in the wake of a vaccine, demand for airfreights, luxury goods and green construction chemicals respectively has remained strong. Moreover, their scale and adoption of digital sales efforts should stand them in good stead for the long-term once a recovery is underway.

Away from Covid-19, the all but certain election of Joe Biden as US President has provided a separate boost for equity markets. A Biden administration is expected to deliver more geopolitical stability than that of its predecessor, particularly with respect to global trade. At the same time, a gridlocked congress is unlikely to pass legislation radical enough to erode earnings in profitable sectors like Health Care and Technology. In Europe, the prospect for a last-minute deal on Brexit also looks increasingly likely.

The freshness of the Pfizer vaccine news gives scope for disappointment. Even if the vaccine’s success cannot be disputed, it will take time to roll out in meaningful numbers. However, it does offer a much needed positive both for financial markets and society as a whole. Whichever way events play out, we are likely to see renewed volatility. In this context, we expect an actively managed portfolio of quality companies generating sustainable growth should continue to provide clients with meaningful long-term capital appreciation.

# Portfolio Statement

As at 31 August 2020

Holding		Market Value £'000	% of Net Assets
	<b>OVERSEAS EQUITIES - 98.63% (2019 - 99.15%)</b>		
	<b>Denmark - 20.67% (2019 - 14.93%)</b>		
256,817	Ambu	5,788	2.66
31,672	Chr Hansen	2,702	1.24
36,863	Coloplast	4,611	2.12
92,863	DSV	10,815	4.98
81,537	GN Store Nord	4,359	2.01
66,758	Netcompany	4,309	1.98
171,116	Novo Nordisk	8,550	3.94
40,062	SimCorp	3,780	1.74
		<b>44,914</b>	<b>20.67</b>
	<b>France - 11.36% (2019 - 11.68%)</b>		
31,051	Dassault Systemes	4,390	2.02
29,791	Legrand	1,881	0.87
20,826	L'Oréal	5,192	2.39
19,244	LVMH Moët Hennessy Louis Vuitton	6,854	3.15
12,316	Sartorius Stedim Biotech	3,249	1.49
69,779	SCOR	1,435	0.66
24,333	Worldline	1,690	0.78
		<b>24,691</b>	<b>11.36</b>
	<b>Germany - 22.06% (2019 - 19.68%)</b>		
21,519	adidas	4,885	2.25
11,598	Bechtle	1,751	0.81
91,032	Fresenius	3,212	1.48
395,555	Infineon Technologies	8,192	3.77
23,820	MTU Aero Engines	3,388	1.56
53,680	Nemetschek	3,175	1.46
3,468	Rational	1,676	0.77
91,339	SAP	11,395	5.24
17,196	Stroeer	1,037	0.48
39,908	Symrise	4,089	1.88
77,890	Zalando	5,122	2.36
		<b>47,922</b>	<b>22.06</b>
	<b>Ireland - 7.15% (2019 - 9.33%)</b>		
81,695	DCC	5,446	2.51
36,917	Kerry	3,710	1.71
21,801	Kingspan A shares	1,365	0.63
79,934	Kingspan B shares	5,007	2.30
		<b>15,528</b>	<b>7.15</b>
	<b>Italy - 2.80% (2019 - 2.37%)</b>		
136,860	Amplifon	3,380	1.56
40,728	Banca Generali	938	0.43
72,220	De' Longhi	1,771	0.81
		<b>6,089</b>	<b>2.80</b>
	<b>Netherlands - 7.26% (2019 - 7.87%)</b>		
40,137	ASML	11,335	5.22
26,549	TKH	786	0.36
82,770	Unilever	3,652	1.68
		<b>15,773</b>	<b>7.26</b>
	<b>Spain - 2.26% (2019 - 5.43%)</b>		
47,809	Amadeus IT	2,069	0.95
131,350	Industria de Diseno Textil	2,842	1.31
		<b>4,911</b>	<b>2.26</b>
	<b>Sweden - 10.69% (2019 - 12.36%)</b>		
54,204	AddTech	2,117	0.97
260,327	Assa Abloy	4,515	2.08
178,246	Atlas Copco	6,124	2.82
120,604	Elekta	1,082	0.50
198,532	Epiroc	2,237	1.03
97,107	Hexagon	5,241	2.41
315,061	Hexpol	1,913	0.88
		<b>23,229</b>	<b>10.69</b>

# Portfolio Statement continued

As at 31 August 2020

Holding		Market Value £'000	% of Net Assets
<b>Switzerland - 14.38% (2019 - 15.50%)</b>			
414	Chocoladefabriken Lindt & Sprüngli	2,661	1.23
18,049	Kardex	2,748	1.26
6,091	Lonza	2,807	1.29
8,106	Partners	6,207	2.86
43,377	Sika	7,688	3.54
37,152	Temenos	4,360	2.01
32,801	VAT	4,766	2.19
		<b>31,237</b>	<b>14.38</b>
Investment assets		214,294	98.63
Net other assets		2,973	1.37
<b>Net assets</b>		<b>217,267</b>	<b>100.00</b>

Unless otherwise stated, all investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market.

Note: Comparative figures show percentages for each category of holding at 31 August 2019.

# Statement of Total Return

For the year ended 31 August 2020

	Notes	2020 £000s	2020 £000s	2019 £000s	2019 £000s
Income:					
Net capital gains/(losses)	2		35,516		(5,410)
Revenue	3	2,037		2,202	
Expenses	4	(1,101)		(897)	
Interest payable and similar charges		(3)		(1)	
Net revenue before taxation		933		1,304	
Taxation	5	(255)		(251)	
Net revenue after taxation			678		1,053
<b>Total return before distributions</b>			<b>36,194</b>		<b>(4,357)</b>
Distributions	6		(755)		(1,076)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>35,439</b>		<b>(5,433)</b>

# Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 August 2020

	2020 £000s	2020 £000s	2019 £000s	2019 £000s
Opening net assets attributable to shareholders		131,749		150,498
Amounts receivable on issue of shares	60,476		35,411	
Amounts payable on cancellation of shares	(11,243)		(49,773)	
		49,233		(14,362)
Dilution adjustment		-		19
<b>Change in net assets attributable to shareholders from investment activities (see above)</b>		<b>35,439</b>		<b>(5,433)</b>
Retained distributions on accumulation shares		846		1,027
<b>Closing net assets attributable to shareholders</b>		<b>217,267</b>		<b>131,749</b>

Notes to the final report and Financial Statements are from page 25 to 32.

# Balance Sheet

As at 31 August 2020

	Notes	2020 £000s	2020 £000s	2019 £000s	2019 £000s
<b>Assets:</b>					
Fixed assets:					
Investments			214,294		130,631
Current assets:					
Debtors	7	1,525		947	
Cash and bank balances	8	1,831		1,213	
<b>Total assets</b>			<b>217,650</b>		<b>132,791</b>
<b>Liabilities:</b>					
Creditors:					
Other creditors	9	(383)		(1,042)	
<b>Total liabilities</b>			<b>(383)</b>		<b>(1,042)</b>
<b>Net assets attributable to shareholders</b>			<b>217,267</b>		<b>131,749</b>

Notes to the final report and Financial Statements are from page 25 to 32.

# Notes to the Final Report and Financial Statements

## 1. Accounting Basis and Policies

The applicable accounting policies adopted by the Allianz Continental European Fund are included on pages 8 to 13 of the Collective Notes to the Final Report and Financial Statements.

## 2. Net capital gains

	2020 £000s	2019 £000s
Gains/(losses) on non-derivative securities	35,579	(5,317)
Losses on currency	(52)	(91)
Handling charges	(11)	(2)
<b>Net capital gains/(losses)</b>	<b>35,516</b>	<b>(5,410)</b>

## 3. Revenue

	2020 £000s	2019 £000s
Bank interest	1	1
Overseas dividends - non-taxable	2,039	2,202
Overseas dividends - taxable	(3)	(1)
<b>Total revenue</b>	<b>2,037</b>	<b>2,202</b>

# Notes to the Final Report and Financial Statements continued

## 4. Expenses

	2020	2019
	£000s	£000s
<b>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director, and agents of either of them:</b>		
ACD's annual fee	1,040	846
Company secretarial costs	-	1
	1,040	847
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	28	22
Safe custody fees	10	(11)
	38	11
<b>Other expenses:</b>		
Audit fees	11	8
Distribution costs	(4)	5
Printing costs	(4)	2
Registration fees	12	13
Other expenses	8	11
	23	39
<b>Total expenses</b>	<b>1,101</b>	<b>897</b>

All expenditure stated above is inclusive of VAT where applicable.

The Audit fee for the year, excluding VAT, was £9,800 (2019 - £8,820).

# Notes to the Final Report and Financial Statements continued

## 5. Taxation

	2020	2019
	£000s	£000s
<b>a. Analysis of the taxation charge for the year:</b>		
Overseas tax suffered	255	251
<b>Total taxation for the year (see Note 5(b))</b>	<b>255</b>	<b>251</b>

### b. Factors affecting taxation charge for the year:

The taxation assessed for the year is higher than the standard rate of corporation tax in the UK for a subfund of an Open-Ended Investment Company (20%) (2019 - 20%).

The differences are explained below:

Net revenue before taxation	933	1,304
Corporation tax at 20%	187	261
<b>Effects of:</b>		
Overseas dividends - non-taxable	(408)	(441)
Overseas tax suffered	255	251
Surplus allowable expenses arising in the year	221	180
<b>Total taxation charge for the year (see Note 5(a))</b>	<b>255</b>	<b>251</b>

OEICs are exempt from tax on capital gains in the UK, therefore capital returns are not included within the reconciliation.

### c. Provision for deferred tax

There is no provision required for deferred taxation at the Balance Sheet date in the current or prior year.

### d. Factors that may affect future tax charges

At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £1,428,000 (2019 : £1,207,000) in relation to surplus management expenses.

It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the year.

## 6. Distributions

The distributions take account of revenue received on the creation of Shares and revenue deducted on the cancellation of Shares and comprise:

	2020	2019
	£000s	£000s
Final	846	1,027
Add: Revenue deducted on cancellation of shares	28	188
Deduct: Revenue received on creation of shares	(119)	(139)
<b>Net distributions for the year</b>	<b>755</b>	<b>1,076</b>

### Reconciliation of net revenue after taxation to net distributions for the year

Net revenue after taxation	678	1,053
Net revenue shortfall taken to capital	77	23
<b>Net distributions for the year</b>	<b>755</b>	<b>1,076</b>

# Notes to the Final Report and Financial Statements continued

## 7. Debtors

	2020	2019
	£000s	£000s
Accrued revenue	113	46
Amounts receivable on creation of shares	1,081	609
Overseas tax recoverable	331	292
	<b>1,525</b>	<b>947</b>

## 8. Cash and bank balances

	2020	2019
	£000s	£000s
Cash and bank balances	1,831	1,213
	<b>1,831</b>	<b>1,213</b>

## 9. Other creditors

	2020	2019
	£000s	£000s
Accrued ACD's annual fee	104	72
Amounts payable on cancellation of shares	257	848
Other accrued expenses	22	63
Purchases awaiting settlement	-	59
	<b>383</b>	<b>1,042</b>

## 10. Related party transactions

The ACD is deemed to be a related party under the definition of Financial Reporting Standard 102, which requires the disclosure of details of material transactions between the subfund and any related party.

Details of any related party transactions occurring during the year including commissions paid and any balances due at the year end are disclosed in the Balance Sheet, the Statement of Change in Net Assets Attributable to Shareholders and Notes 4, 7 and 9 to the financial statements. All creations and cancellations were transacted with the ACD.

## 11. Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of net revenue included in the purchase price of all Group 2 shares. In the case of Accumulation shares, it is automatically reinvested in the subfund at the first distribution payment date after the shares were purchased. Being a capital repayment it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# Notes to the Final Report and Financial Statements continued

## 12. Shareholders' funds

The subfund currently has three share classes: A, C and S. The ACD's annual fee on these share classes are as follows:

Class A :	1.50%
Class C :	0.75%
Class S :	0.45%

The net asset value per share and the number of shares in issue are given in the Comparative Tables on page 15 to 16.

The distribution per share is given in the Distribution Table on page 17.

Revenue available for allocation will be allocated between the share classes based on the respective proportionate interests represented by those share classes on a daily basis and taxation is computed by reference to the net revenue after expenses attributable to each class. All share classes have the same rights on winding up.

For the year ended 31 August 2020:

	Class A Shares Accumulation	Class C Shares Accumulation	Class S Shares Income	Class S Shares Accumulation
Opening shares	1,153,405	17,701,843	-	48,381,073
Shares created	55,046	9,901,534	400,894	21,315,425
Shares cancelled	(59,759)	(2,773,479)	-	(2,116,289)
Shares converted	(24,594)	139,721	-	9,508
Closing shares	1,124,098	24,969,619	400,894	67,589,717

## 13. Contingent liabilities and commitments

As at 31 August 2020 there were no contingent liabilities (2019: £Nil).

# Notes to the Final Report and Financial Statements continued

## 14. Derivatives and other financial instruments

### a. Currency exposure

The majority of the net assets and liabilities of the subfund are denominated in currencies other than Sterling, with the effect that the total net assets and total return can be affected by currency movements.

Currency	Monetary Exposure	Non-Monetary Exposure	Total Exposure	Monetary Exposure	Non-Monetary Exposure	Total Exposure
	31 August 2020 £000s	31 August 2020 £000s	31 August 2020 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s
Danish Krone	70	44,914	44,984	68	19,666	19,734
Euro	183	109,468	109,651	60	69,959	70,019
Swedish Krona	44	23,229	23,273	33	16,290	16,323
Swiss Franc	167	31,237	31,404	132	20,423	20,555
US Dollar	6	-	6	7	-	7

### b. Interest rate risk profile

The subfund did not hold any interest bearing financial instruments other than its cash and bank balances as at the balance sheet date (2019 - same).

### c. Sensitivity analysis

#### Market price sensitivity

The value of the subfund's listed equities, which were exposed to market price risk as at 31 August was as follows:

	2020 £000s	2019 £000s
Listed equity investments held at fair value through profit or loss	214,294	130,631

The following illustrates the sensitivity of the net return and the net assets to an increase or decrease of 20% (2019 - 20%) in the fair values of the subfund's investments. This level of change is considered to be reasonably possible based on observation of market conditions in the year. The sensitivity analysis is based on the impact of a change to the value of the subfund's investments at each balance sheet date.

	2020 20% Increase in fair value £000s	2020 20% Decrease in fair value £000s	2019 20% Increase in fair value £000s	2019 20% Decrease in fair value £000s
<b>Capital Return</b>				
Net gains (losses) on investments at fair value	42,859	(42,859)	26,126	(26,126)

#### Foreign currency risk sensitivity

The following table details the subfund's sensitivity to a 20% increase and decrease in sterling against the relevant foreign currencies and the resultant impact that any such increase or decrease would have on the net return and net assets. The sensitivity analysis includes all foreign currency denominated items and adjusts their translation at the year end for a 20% change in foreign currency rates.

	2020 20% Increase in Sterling against foreign currencies £000s	2020 20% Decrease in Sterling against foreign currencies £000s	2019 20% Increase in Sterling against foreign currencies £000s	2019 20% Decrease in Sterling against foreign currencies £000s
Danish Krone	(7,497)	11,246	(3,289)	4,933
Euro	(18,275)	27,413	(11,670)	17,505
Swedish Krona	(3,879)	5,818	(2,721)	4,081
Swiss Franc	(5,234)	7,851	(3,426)	5,139
US Dollar	(1)	2	(1)	2
<b>Change in net return and net assets</b>	<b>(34,886)</b>	<b>52,330</b>	<b>(21,107)</b>	<b>31,660</b>

# Notes to the Final Report and Financial Statements continued

## d. Leverage

The subfund did not employ significant leverage during the year (2019 - same).

## e. Fair value hierarchy

An analysis of the portfolio in accordance with the fair value hierarchy is shown below:

	Assets		Liabilities	
	31 August 2020 £000s	31 August 2020 £000s	31 August 2019 £000s	31 August 2019 £000s
Level 1: Quoted	214,294	-	130,631	-
Level 2: Observable	-	-	-	-
Level 3: Unobservable	-	-	-	-
	<b>214,294</b>	<b>-</b>	<b>130,631</b>	<b>-</b>

The fair value as at the reporting date has been estimated using the following fair value hierarchy:

### Level (1) Quoted prices for identical instruments in active markets

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

### Level (2) Valuation techniques that use:

Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

### Level (3) Valuation techniques that use:

Inputs that are unobservable (i.e. for which market data is unavailable) for the asset or liability.

When the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate, the fair value is estimated by using an alternative valuation technique. Such valuation techniques will, where possible, maximise the use of observable market data inputs as opposed to non-observable entity determined data inputs. The Investment Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

## f. Maturity of financial liabilities

All liabilities are due in one year or less or on demand (2019 - same).

## g. Fair value disclosure

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value.

# Notes to the Final Report and Financial Statements continued

## 15. Portfolio transaction costs

For the year ended 31 August 2020:

	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2020	2020	2020	2020	2020
	£000s	£000s	%	£000s	%
<b>Purchases</b>					
Equity instruments (direct)	70,840	-	-	-	-
Total purchases	70,840	-	-	-	-
Total purchases including transaction costs	70,840				
	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2020	2020	2020	2020	2020
	£000s	£000s	%	£000s	%
<b>Sales</b>					
Equity instruments (direct)	22,753	7	0.03	-	-
Total sales	22,753	7	0.03	-	-
Total sales including transaction costs	22,746				
<b>Total transaction costs as a % of average net assets</b>		<b>0.00%</b>		<b>0.00%</b>	
	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2019	2019	2019	2019	2019
	£000s	£000s	%	£000s	%
<b>Purchases</b>					
Equity instruments (direct)	40,963	9	0.02	44	0.11
Total purchases	40,963	9	0.02	44	0.11
Total purchases including transaction costs	41,016				
	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2019	2019	2019	2019	2019
	£000s	£000s	%	£000s	%
<b>Sales</b>					
Equity instruments (direct)	53,607	7	0.01	-	-
Total sales	53,607	7	0.01	-	-
Total sales including transaction costs	53,600				
<b>Total transaction costs as a % of average net assets</b>		<b>0.01%</b>		<b>0.04%</b>	

The above analysis covers any direct transaction costs suffered by the subfund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Separately identifiable direct transaction costs (commissions & taxes etc) are attributable to the subfund's purchase and sale of equity shares. Additionally for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions.

Dealing spread costs suffered by the subfund vary considerably for the different asset / instrument types depending on a number of factors including transaction value and market sentiment.

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.07% (2019 : 0.06%).

# Fund Information

## Investment Objective and Policy

The objective of the Fund is to achieve high and increasing income together with capital growth.

The ACD aims to achieve the investment objective by investing mainly in securities listed on a Continental European stock exchange although it may invest internationally.

It is the general intention of the ACD to invest in securities which offer above average current dividend yield or, if not, the prospect of superior long term capital growth.

The ACD may also utilise deposits in the management of the portfolio. The Fund may also invest in collective investment schemes.

## Fund Details

<b>Fund Manager</b>	Gregor Rudolph-Dengel and Joerg de Vries-Hippen	
<b>Benchmark</b>	MSCI Europe (ex UK) Index	
<b>Income allocation</b>		
<b>dates</b>	1st Interim	30 November
	2nd Interim	28 February*
	3rd Interim	31 May
	Final	31 August
<b>Income pay dates</b>	1st Interim	31 December
	2nd Interim	31 March
	3rd Interim	30 June
	Final	30 September
<b>Launch dates</b>	Fund	16 May 2002
	A Shares	16 May 2002
	C Shares	24 March 2014
<b>ISA status</b>	Yes	
<b>Share Classes and types of Shares</b>	A (Income Shares) A (Accumulation Shares) C (Income Shares) C (Accumulation Shares)	
<b>Minimum investment</b>	A Shares	Lump sum £500 Monthly saving £50
	C Shares	Lump sum £500 Monthly saving £50
<b>Initial charge</b>	A Shares	Nil
	C Shares	Nil
<b>Annual ACD fee</b>	A Shares	1.25%
	C Shares	0.75%

\*29 February in a leap year

# Comparative Tables

For the year ended 31 August 2020

	A Shares Income			A Shares Accumulation		
	2020 (p)	2019 (p)	2018 (p)	2020 (p)	2019 (p)	2018 (p)
Opening net asset value per share	146.13	154.87	164.59	238.40	242.64	248.42
Return before operating charges	(15.11)	0.07	(0.63)	(24.55)	0.36	(0.73)
Operating charges	(2.17)	(3.12)	(4.06)	(4.02)	(4.60)	(5.05)
Return after operating charges	(17.28)	(3.05)	(4.69)	(28.57)	(4.24)	(5.78)
Distributions	(4.32)	(5.69)	(5.03)	(6.65)	(9.41)	(8.81)
Retained distributions on accumulation shares	-	-	-	6.65	9.41	8.81
Closing net asset value per share	124.53	146.13	154.87	209.83	238.40	242.64
After direct transaction costs of <sup>1</sup>	(0.15)	(0.10)	(0.15)	(0.25)	(0.16)	(0.23)
<b>Performance</b>						
Return after operating charges	(11.83)%	(1.97)%	(2.85)%	(11.98)%	(1.75)%	(2.33)%
<b>Other information</b>						
Closing net asset value (£'000)	2,498	3,092	3,981	14,647	17,737	20,375
Closing number of shares	2,005,987	2,115,658	2,570,929	6,980,435	7,439,853	8,396,970
Operating charges	1.63%*	2.09%	2.56%	1.83%*	1.95%	2.09%
Direct transaction costs	0.11%	0.07%	0.10%	0.11%	0.07%	0.10%
<b>Prices</b>						
Highest share price	150.49	157.42	167.81	246.44	247.10	253.89
Lowest share price	99.92	143.13	148.10	164.15	228.76	224.67

<sup>1</sup> Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the subfund and share class returns before operating charges.

\* Operating Charges Figures are lower than usual this year due to a distribution fee policy change. More representative charges without this current year benefit to the fund would be 2.18% for the A Income class and 1.93% for the A Accumulation class.

Operating charges represents all operating charges and expenses and is expressed as a percentage of the average net asset value. It includes the annual ACD fee as well as all the administrative expenses including custodial transaction charges incurred by the subfund.

# Comparative Tables continued

For the year ended 31 August 2020

	C Shares Income			C Shares Accumulation		
	2020 (p)	2019 (p)	2018 (p)	2020 (p)	2019 (p)	2018 (p)
Opening net asset value per share	111.19	117.03	123.43	139.33	140.48	142.57
Return before operating charges	(11.59)	0.11	(0.46)	(14.46)	0.19	(0.42)
Operating charges	(0.36)	(0.93)	(2.07)	(1.08)	(1.34)	(1.67)
Return after operating charges	(11.95)	(0.82)	(2.53)	(15.54)	(1.15)	(2.09)
Distributions	(3.95)	(5.02)	(3.87)	(4.39)	(5.82)	(5.28)
Retained distributions on accumulation shares	-	-	-	4.39	5.82	5.28
Closing net asset value per share	95.29	111.19	117.03	123.79	139.33	140.48
After direct transaction costs of <sup>1</sup>	(0.11)	(0.07)	(0.11)	(0.15)	(0.09)	(0.13)
<b>Performance</b>						
Return after operating charges	(10.75)%	(0.70)%	(2.05)%	(11.15)%	(0.82)%	(1.47)%
<b>Other information</b>						
Closing net asset value (£'000)	1,331	1,726	1,552	3,954	4,933	3,473
Closing number of shares	1,396,987	1,552,714	1,326,351	3,193,949	3,540,867	2,472,088
Operating charges	0.35%*	0.82%	1.73%	0.84%*	0.97%	1.20%
Direct transaction costs	0.11%	0.07%	0.10%	0.11%	0.07%	0.10%
<b>Prices</b>						
Highest share price	114.89	119.07	126.22	144.59	144.19	146.18
Lowest share price	76.30	108.72	111.53	96.65	132.78	129.57

<sup>1</sup> Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the subfund and share class returns before operating charges.

\* Operating Charges Figures are lower than usual this year due to a distribution fee policy change. More representative charges without this current year benefit to the fund would be 1.37% for the C Income class and 1.19% for the C Accumulation class.

Operating charges represents all operating charges and expenses and is expressed as a percentage of the average net asset value. It includes the annual ACD fee as well as all the administrative expenses including custodial transaction charges incurred by the subfund.

# Distribution Tables

## For the year ended 31 August 2020

### First Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 September 2019

Group 2 Shares purchased on or after 1 September 2019 to 30 November 2019

	Net revenue (p)	Equalisation (p)	Distribution paid 31/12/19 (p)	Distribution paid 31/12/18 (p)
<b>A Shares Income</b>				
Group 1	0.3089	-	0.3089	1.3264
Group 2	0.1891	0.1198	0.3089	1.3264
<b>A Shares Accumulation</b>				
Group 1	0.7662	-	0.7662	1.8771
Group 2	0.5087	0.2575	0.7662	1.8771
<b>C Shares Income</b>				
Group 1	0.3349	-	0.3349	1.3091
Group 2	0.1497	0.1852	0.3349	1.3091
<b>C Shares Accumulation</b>				
Group 1	0.5337	-	0.5337	1.1425
Group 2	0.2827	0.2510	0.5337	1.1425

### Second Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 December 2019

Group 2 Shares purchased on or after 1 December 2019 to 28 February 2020

	Net revenue (p)	Equalisation (p)	Distribution paid 31/03/20 (p)	Distribution paid 31/03/19 (p)
<b>A Shares Income</b>				
Group 1	0.9266	-	0.9266	-
Group 2	0.5893	0.3373	0.9266	-
<b>A Shares Accumulation</b>				
Group 1	0.7298	-	0.7298	-
Group 2	0.1640	0.5658	0.7298	-
<b>C Shares Income</b>				
Group 1	1.2733	-	1.2733	-
Group 2	0.9097	0.3636	1.2733	-
<b>C Shares Accumulation</b>				
Group 1	0.8345	-	0.8345	-
Group 2	0.3339	0.5006	0.8345	-

### Third Interim Distribution in pence per share

Group 1 Shares purchased prior to 29 February 2020

Group 2 Shares purchased on or after 29 February 2020 to 31 May 2020

	Net revenue (p)	Equalisation (p)	Distribution paid 30/06/20 (p)	Distribution paid 30/06/19 (p)
<b>A Shares Income</b>				
Group 1	2.2423	-	2.2423	3.4393
Group 2	1.8178	0.4245	2.2423	3.4393
<b>A Shares Accumulation</b>				
Group 1	3.6761	-	3.6761	5.7888
Group 2	3.1877	0.4884	3.6761	5.7888

# Distribution Tables continued

## For the year ended 31 August 2020

<b>C Shares Income</b>				
Group 1	1.6478	-	1.6478	2.9054
Group 2	1.0888	0.5590	1.6478	2.9054
<b>C Shares Accumulation</b>				
Group 1	2.1107	-	2.1107	3.5770
Group 2	0.9364	1.1743	2.1107	3.5770
<b>Final Distribution in pence per share</b>				
Group 1	Shares purchased prior to 1 June 2020			
Group 2	Shares purchased on or after 1 June 2020 to 31 August 2020			
	Net revenue (p)	Equalisation (p)	Distribution payable 30/09/20 (p)	Distribution paid 30/09/19 (p)
<b>A Shares Income</b>				
Group 1	0.8376	-	0.8376	0.9222
Group 2	0.4317	0.4059	0.8376	0.9222
<b>A Shares Accumulation</b>				
Group 1	1.4818	-	1.4818	1.7484
Group 2	0.6569	0.8249	1.4818	1.7484
<b>C Shares Income</b>				
Group 1	0.6951	-	0.6951	0.8012
Group 2	0.4325	0.2626	0.6951	0.8012
<b>C Shares Accumulation</b>				
Group 1	0.9110	-	0.9110	1.1023
Group 2	0.5838	0.3272	0.9110	1.1023

Investors are reminded that distribution is not guaranteed.

# Investment Review

## Performance Summary

Over the twelve-month period under review, 1st September 2019 to 31st August 2020, the Fund's 'A' class (Acc) produced a total return of -10.76%. The Fund's benchmark, the MSCI Europe ex UK – Total Return Index, produced a total return of 0.57% over the period.\*

In a volatile market environment, the strategy underperformed the Continental European equity market as represented by the MSCI Europe ex UK – Total Return Index over the course of the reporting period.

Relative underperformance was largely driven by Stock Selection (-6.94%). The COVID-induced economic uncertainty and its lasting consequences caused a wave of dividend delays, cuts and cancellations- even by the well-capitalized, highly cash-generative companies in defensive industries. We generally approve of the prudent policies of companies, but the magnitude of the dividend cuts is more than what we had been bracing ourselves for. Some companies were mandated by the regulators to not pay the dividend this year. As a result, portfolio overweight in Scor, Royal Dutch Shell, Engie, SwissRe and Credit Agricole was responsible for half of the aggregate underperformance. Sector allocation was also negative (-3.93%), as investors shed Financials, Energy sectors, and found growth and capital preservation in highly valued Information Technology, Industrials and Healthcare. The portfolio's overweight in Utilities contributed positively but was not enough to compensate for the relative underperformance in other areas.

Currency valuation changes were not an issue, as the British Pound ended the reported period flat at 1.11 vs the Euro, while experiencing some volatility throughout the year.

The reported period was unique in that the usually defensive in the times of spiking volatility sectors failed to offer downside protection that one would expect. We would attribute this to the level of uncertainty planted by the Coronavirus as well as the timing of the recovery from the global pandemic. Investors expected the flow of dividends this year to be circa 60% behind the level of 2019, which made these stocks less attractive to hold in the near-term. As such, many Banks, Consumer Discretionary, Consumer Staples, Telecommunication and Real Estate companies will now have to prove they could again

become reliable dividend payers, while traditionally those would be go-to sectors for dividend-seeking investors.

\* Source: Allianz Global Investors/Datastream. Fund performance based on midday prices for the 'A' class shares using the mid market price portfolio valuation, net of fees and expenses, with net revenue re-invested in Sterling. Performance per comparative table based on bid market price portfolio valuation at midday on the last day of the accounting period and with related accounting adjustments. Benchmark performance based on midday prices.

## Market Background

The reported period was a story of two-tales: the pre-Covid crash and the post-crash phases. The wave of Coronavirus lockdowns led to a devastating situation for stocks going into March 2020. The European equities hit the lowest valuation point on March 18. Since then, it's been a gradual climb of the wall of worry.

The recovery picked up momentum over summer. Global equities mounted a formidable rally over August, with US stocks even hitting fresh record highs. Markets found support from hopes on COVID-19 vaccines and treatments along with expectations for prolonged ultra-low interest rates and highly accommodative monetary policy. Economic data in Europe was generally positive and consistent with an ongoing third-quarter improvement following the sharp COVID-19 contraction witnessed in the second quarter.

While European stocks found support from signs that economic recovery was gaining traction, rising new daily COVID-19 cases across continental Europe provided some cause for caution.

## Portfolio Review

The fund aims to generate sustainable returns and capital appreciation by investing in Continental European dividend stocks where we see the ability and willingness to pay consistent, high dividends. Our focus lies on solid balance sheets, high free cash flow generation, strength of business model, staunch market position and ESG compliance. The compounding effect of the dividend is key to generating portfolio alpha over time in the eye of rising market volatility and factors contributing to valuation risks. The Coronavirus-induced crisis in the reported period affected finance decisions, specially dividend payments, which is the key performance driver for the portfolio.

# Investment Review continued

While we think it might take longer for the economy to return to 2019 levels of dividend payments, an ongoing broad-based equity market correction creates an opportunity to buy sustainable dividend paying companies (judged by willingness and ability to pay a growing dividend, even in the crisis environment) in the areas which were too expensive at the start of this year, where structural trends accelerated by the pandemic. New investments in Schneider Electric, Siemens, Capgemini, NXP Semiconductor, Partners Group, Akzo Nobel, Fresenius are already positively contributing to performance. Among the new positions are Essity, Cembra Money Bank, Assa Abloy and Seagate Technology – these companies are expected to grow their business and to pay a meaningful dividend going forward. With yields on European and American fixed-income instruments remaining low, the value of high and secure dividend streams should start receiving more recognition over time.

In the reported period, we reduced or eliminated the portfolio's exposure to highly problematic sectors with "lost" dividends (i.e. Banks, Energy, Media, leveraged Telecommunications companies). We also focused on adding to high-quality defensive companies with strong fundamentals and dividend commitments (or fully dedicated to paying when the crisis ends), while balancing this out by increasing exposure to more cyclical names, where valuations were punished more than what economic fundamentals would deem reasonable. We also believe that Technology sector is certainly the dividend payer of the future. The digitalization of the economy is not a new trade, but the acceleration of thereof is what makes it possible to expect massive cash returns rather sooner than later. The portfolio has exposure to these themes via NXP, CapGemini, Seagate and Atos.

## Outlook

Eurozone business activity strengthened in late summer, signalling the fastest growth rate in two years, according to final data based on surveys. The composite Purchasing Managers' Index, which combines manufacturing and services output, rose to 54.9 in August. However, firms operated with considerable spare capacity and continued to shrink their headcounts. The EU labour market contracted by a record 5.5 million in the second quarter, a 2.6% reduction in the number of people in work. A rise in unemployment along with the

unresolved COVID issue is an overhang for the economic recovery.

Many businesses, however, quickly managed to adapt to the COVID-19 pandemic. As a result of this, we may expect the second wave of Coronavirus to be less damaging to the economy. While the resurgence of infections clearly puts some industries in a very difficult position (i.e. air travel, tourism, energy, HoReCo), we think that there is a better understanding of what businesses are more likely that the others will return to normality and emerge from the crisis in a better shape. Currently there are many vaccine trials, and a positive news on this side could help the stocks with depressed valuations, including many of the dividend/income titles, lead the recovery.

Negative interest rates in Europe have become a standard instrument in the ECB's toolkit helping to support the economy. We don't see a material change in the policy direction at least until the world is over the crest of the pandemic. There is a risk if the ECB gets behind the curve when it is not raising interest rates at a pace to keep up with inflation. Also, budget deficits need to be financed with more debt placements, creating higher supply of fixed-income instruments that could lead to higher interest rates if demand is not strong enough. Still, but we do not expect this risk to materialize in the near-term.

The unprecedented stimulus measures in Europe coupled with more uncertainty over the outcome of the US election in November, twin budget deficits in the USA pressuring the dollar, as well as a growing diplomatic and economic spat between China and the United States, all create a good background for investing in Europe. We think that European equities might be entering an extended period of outperformance, and dividend stocks should get the attention they deserve.

European equity valuations and dividend levels still appear moderately attractive by global comparison, although investors remain cautious on the continent. We believe that volatility will remain elevated and that we will see increasing disparity between sectors and countries, offering opportunities for active investing and the income strategy.

# Portfolio Statement

As at 31 August 2020

Holding		Market Value £'000	% of Net Assets
	<b>OVERSEAS EQUITIES - 85.33% (2019 - 88.23%)</b>		
	<b>Austria - 0.00% (2019 - 1.50%)</b>		
	<b>Belgium - 2.38% (2019 - 0.00%)</b>		
7,615	Groupe Bruxelles Lambert	533	2.38
		<b>533</b>	<b>2.38</b>
	<b>Finland - 6.08% (2019 - 5.37%)</b>		
14,163	Fortum	218	0.97
44,304	Stora Enso	478	2.13
29,589	UPM-Kymmene	668	2.98
		<b>1,364</b>	<b>6.08</b>
	<b>France - 19.16% (2019 - 27.02%)</b>		
6,753	Capgemini	706	3.15
9,851	Danone	492	2.19
11,412	Nexity	297	1.32
10,443	Sanofi	798	3.56
5,368	Schneider Electric	503	2.24
29,966	SCOR	616	2.75
14,951	TOTAL	446	1.99
6,059	Vinci	441	1.96
		<b>4,299</b>	<b>19.16</b>
	<b>Germany - 14.88% (2019 - 15.67%)</b>		
5,686	Allianz	949	4.23
6,935	Bayer	341	1.52
26,325	E.ON	235	1.05
11,914	Fresenius	421	1.88
4,019	Muenchener Rueckversicherungs-Gesellschaft	888	3.96
4,740	Siemens	503	2.24
		<b>3,337</b>	<b>14.88</b>
	<b>Ireland - 1.06% (2019 - 0.00%)</b>		
6,923	Seagate Technology	237	1.06
		<b>237</b>	<b>1.06</b>
	<b>Italy - 4.52% (2019 - 6.08%)</b>		
124,489	Enel	854	3.81
40,977	Snam	159	0.71
		<b>1,013</b>	<b>4.52</b>
	<b>Luxembourg - 0.00% (2019 - 1.79%)</b>		
	<b>Netherlands - 2.84% (2019 - 9.01%)</b>		
2,714	Akzo Nobel	204	0.91
4,572	NXP Semiconductors	433	1.93
		<b>637</b>	<b>2.84</b>
	<b>Norway - 4.27% (2019 - 7.79%)</b>		
4,052	Salmar	167	0.74
102,732	Storebrand	477	2.13
25,287	Telenor	315	1.40
		<b>959</b>	<b>4.27</b>
	<b>Spain - 10.72% (2019 - 9.54%)</b>		
77,970	Iberdrola	749	3.34
22,172	Industria de Diseno Textil	480	2.14
42,790	Logista	576	2.57
41,908	Red Electrica	599	2.67
		<b>2,404</b>	<b>10.72</b>
	<b>Sweden - 4.85% (2019 - 0.00%)</b>		
29,074	Assa Abloy	504	2.25
1,980	Atlas Copco	68	0.30
19,626	Essity	515	2.30
		<b>1,087</b>	<b>4.85</b>
	<b>Switzerland - 14.57% (2019 - 4.46%)</b>		
3,243	Cembra Money Bank	295	1.32
2,742	Kuehne + Nagel International	400	1.78
9,146	Nestle	832	3.71
13,858	Novartis	905	4.03
240	Partners	184	0.82
10,595	Swiss Re	653	2.91
		<b>3,269</b>	<b>14.57</b>

# Portfolio Statement continued

As at 31 August 2020

Holding		Market Value	% of
		£'000	Net Assets
	Investment assets	19,139	85.33
	Net other assets	3,291	14.67
	<b>Net assets</b>	<b>22,430</b>	<b>100.00</b>

† This investment is a related party.

Unless otherwise stated, all investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market.

Note: Comparative figures show percentages for each category of holding at 31 August 2019.

# Statement of Total Return

For the year ended 31 August 2020

	Notes	2020 £000s	2020 £000s	2019 £000s	2019 £000s
Income:					
Net capital losses	2		(3,551)		(1,216)
Revenue	3	837		1,324	
Expenses	4	(359)		(494)	
Interest payable and similar charges		(5)		-	
Net revenue before taxation		473		830	
Taxation	5	(7)		(81)	
Net revenue after taxation			466		749
<b>Total return before distributions</b>			<b>(3,085)</b>		<b>(467)</b>
Distributions	6		(764)		(1,125)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(3,849)</b>		<b>(1,592)</b>

# Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 August 2020

	2020 £000s	2020 £000s	2019 £000s	2019 £000s
Opening net assets attributable to shareholders		27,488		29,381
Amounts receivable on issue of shares	395		639	
Amounts payable on cancellation of shares	(2,222)		(1,855)	
		(1,827)		(1,216)
<b>Change in net assets attributable to shareholders from investment activities (see above)</b>		<b>(3,849)</b>		<b>(1,592)</b>
Retained distributions on accumulation shares		615		914
Unclaimed distributions		3		1
<b>Closing net assets attributable to shareholders</b>		<b>22,430</b>		<b>27,488</b>

Notes to the final report and Financial Statements are from page 44 to 51.

# Balance Sheet

As at 31 August 2020

	Notes	2020 £000s	2020 £000s	2019 £000s	2019 £000s
<b>Assets:</b>					
Fixed assets:					
Investments			19,139		24,252
Current assets:					
Debtors	7	264		212	
Cash and bank balances	8	3,439		3,394	
<b>Total assets</b>			<b>22,842</b>		<b>27,858</b>
<b>Liabilities:</b>					
Creditors:					
Distribution payable		(27)		(32)	
Other creditors	9	(385)		(338)	
<b>Total liabilities</b>			<b>(412)</b>		<b>(370)</b>
<b>Net assets attributable to shareholders</b>			<b>22,430</b>		<b>27,488</b>

Notes to the final report and Financial Statements are from page 44 to 51.

# Notes to the Final Report and Financial Statements

## 1. Accounting Basis and Policies

The applicable accounting policies adopted by the Allianz European Equity Income Fund are included on pages 8 to 13 of the Collective Notes to the Final Report and Financial Statements.

## 2. Net capital gains

	2020 £000s	2019 £000s
Losses on non-derivative securities	(3,525)	(1,236)
Gains on derivative securities	2	-
(Losses)/gains on currency	(12)	14
Handling charges	(16)	6
<b>Net capital losses</b>	<b>(3,551)</b>	<b>(1,216)</b>

## 3. Revenue

	2020 £000s	2019 £000s
Bank interest	1	2
Overseas dividends - non-taxable	825	1,244
Overseas dividends - taxable	4	78
Fokus Bank reclaims	4	-
Tax Refund	3	-
<b>Total revenue</b>	<b>837</b>	<b>1,324</b>

# Notes to the Final Report and Financial Statements continued

## 4. Expenses

	2020	2019
	£000s	£000s
<b>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director, and agents of either of them:</b>		
ACD's annual fee <sup>1</sup>	298	375
Company secretarial costs	-	1
	298	376
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	4	5
Safe custody fees	2	(2)
	6	3
<b>Other expenses:</b>		
Audit fees	11	9
Distribution costs	(26)	14
Printing costs	6	13
Registration fees	64	75
Other expenses	-	4
	55	115
<b>Total expenses</b>	<b>359</b>	<b>494</b>

<sup>1</sup> For the purpose of the distribution, the ACD's annual fee is borne by the capital account (see Note 7).

All expenditure stated above is inclusive of VAT where applicable.

The Audit fee for the year, excluding VAT, was £10,800 (2019 - £9,000).

# Notes to the Final Report and Financial Statements continued

## 5. Taxation

	2020 £000s	2019 £000s
<b>a. Analysis of the taxation charge for the year:</b>		
Overseas tax suffered	7	81
<b>Total taxation for the year (see Note 5(b))</b>	<b>7</b>	<b>81</b>
<b>b. Factors affecting taxation charge for the year:</b>		
The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for a subfund of an Open-Ended Investment Company (20%) (2019 - 20%).		
The differences are explained below:		
Net revenue before taxation	473	830
Corporation tax at 20%	95	166
<b>Effects of:</b>		
Overseas dividends - non-taxable	(165)	(249)
Overseas tax suffered	6	81
Surplus allowable expenses arising in the year	71	85
Overseas tax expensed	-	(2)
<b>Total taxation charge for the year (see Note 5(a))</b>	<b>7</b>	<b>81</b>
OEICs are exempt from tax on capital gains in the UK, therefore capital returns are not included within the reconciliation.		
<b>c. Provision for deferred tax</b>		
There is no provision required for deferred taxation at the Balance Sheet date in the current or prior year.		
<b>d. Factors that may affect future tax charges</b>		
At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £1,099,815 (2019 : £1,029,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the year.		

## 6. Distributions

The distributions take account of revenue received on the creation of Shares and revenue deducted on the cancellation of Shares and comprise:

	2020 £000s	2019 £000s
First Interim	87	235
Second Interim	117	-
Third Interim	396	682
Final	159	201
Add: Revenue deducted on cancellation of shares	6	9
Deduct: Revenue received on creation of shares	(1)	(2)
<b>Net distributions for the year</b>	<b>764</b>	<b>1,125</b>
<b>Reconciliation of net revenue after taxation to net distributions for the year</b>		
Net revenue after taxation	466	749
Add: Capitalised expenses	298	375
Net equalisation on conversions	-	1
<b>Net distributions for the year</b>	<b>764</b>	<b>1,125</b>

# Notes to the Final Report and Financial Statements continued

## 7. Debtors

	2020	2019
	£000s	£000s
Accrued revenue	7	36
Amounts receivable on creation of shares	2	5
Overseas tax recoverable	107	89
Sales awaiting settlement	148	82
	<b>264</b>	<b>212</b>

## 8. Cash and bank balances

	2020	2019
	£000s	£000s
Cash and bank balances	3,439	3,394
	<b>3,439</b>	<b>3,394</b>

## 9. Other creditors

	2020	2019
	£000s	£000s
<b>a. Distribution payable</b>		
Net distribution payable	27	32
<b>b. Other creditors</b>		
Accrued ACD's annual fee	19	30
Amounts payable on cancellation of shares	17	25
Other accrued expenses	50	206
Purchases awaiting settlement	299	77
	<b>385</b>	<b>338</b>

# Notes to the Final Report and Financial Statements continued

## 10. Related party transactions

The ACD is deemed to be a related party under the definition of Financial Reporting Standard 102, which requires the disclosure of details of material transactions between the subfund and any related party.

Details of any related party transactions occurring during the year including commissions paid and any balances due at the year end are disclosed in the Balance Sheet, the Statement of Change in Net Assets Attributable to Shareholders and Notes 4, 7 and 9 to the financial statements. All creations and cancellations were transacted with the ACD.

In addition, assets managed by related parties of the ACD and held by the subfund as at the Balance Sheet date are detailed below:

	2020 £000s	2019 £000s
<b>The value of holdings at balance sheet date were:</b>		
Allianz	949	1,006
<b>The value of purchases during the year were:</b>		
Allianz	162	69
<b>The value of sales during the year were:</b>		
Allianz	119	137

## 11. Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of net revenue included in the purchase price of all Group 2 shares. In the case of Accumulation shares, it is automatically reinvested in the subfund at the first distribution payment date after the shares were purchased. Being a capital repayment it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## 12. Shareholders' funds

The subfund currently has two share classes: A and C. The ACD's annual fee on these share classes are as follows:

Class A:	1.25%
Class C:	0.75%

The net asset value per share and the number of shares in issue are given in the Comparative Tables on page 34 and 35.

The distribution per share is given in the Distribution Table on page 36 and 37.

Revenue available for allocation will be allocated between the share classes based on the respective proportionate interests represented by those share classes on a daily basis and taxation is computed by reference to the net revenue after expenses attributable to each class. All share classes have the same rights on winding up.

For the year ended 31 August 2020:

	Class A Shares Income	Class A Shares Accumulation	Class C Shares Income	Class C Shares Accumulation
Opening shares	2,115,658	7,439,853	1,552,714	3,540,867
Shares created	14,216	38,001	112,024	139,027
Shares cancelled	(111,760)	(464,788)	(283,609)	(541,489)
Shares converted	(12,127)	(32,631)	15,858	55,544
<b>Closing shares</b>	<b>2,005,987</b>	<b>6,980,435</b>	<b>1,396,987</b>	<b>3,193,949</b>

# Notes to the Final Report and Financial Statements continued

## 13. Contingent liabilities and commitments

As at 31 August 2020 there were no contingent liabilities (2019: £Nil).

## 14. Derivatives and other financial instruments

### a. Currency exposure

The majority of the net assets and liabilities of the subfund are denominated in currencies other than Sterling, with the effect that the total net assets and total return can be affected by currency movements.

	Monetary Exposure	Non-Monetary Exposure	Total Exposure	Monetary Exposure	Non-Monetary Exposure	Total Exposure
Currency	31 August 2020 £000s	31 August 2020 £000s	31 August 2020 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s
Euro currency	967	13,154	14,121	923	20,884	21,807
Norwegian Krone	81	958	1,039	77	2,141	2,218
Swedish Krona	(24)	1,087	1,063	-	-	-
Swiss Franc	61	3,269	3,330	48	1,228	1,276
US Dollar	-	670	670	16	-	16

### b. Interest rate risk profile

The subfund did not hold any interest bearing financial instruments other than its cash and bank balances as at the balance sheet date (2019 - same).

### c. Sensitivity analysis

#### Market price sensitivity

The value of the subfund's listed investments, which were exposed to market price risk as at 31 August was as follows:

	2020 £000s	2019 £000s
Listed equity investments held at fair value through profit or loss	19,139	24,252

The following illustrates the sensitivity of the net return and the net assets to an increase or decrease of 20% (2019 - 20%) in the fair values of the subfund's investments. This level of change is considered to be reasonably possible based on observation of market conditions in the year. The sensitivity analysis is based on the impact of a change to the value of the subfund's investments at each balance sheet date.

	2020 20% Increase in fair value £000s	2020 20% Decrease in fair value £000s	2019 20% Increase in fair value £000s	2019 20% Decrease in fair value £000s
<b>Capital Return</b>				
Net gains (losses) on investments at fair value	3,828	(3,828)	4,850	(4,850)

# Notes to the Final Report and Financial Statements continued

## Foreign currency risk sensitivity

The following table details the subfund's sensitivity to a 20% increase and decrease in Sterling against the relevant foreign currencies and the resultant impact that any such increase or decrease would have on the net return and net assets. The sensitivity analysis includes all foreign currency denominated items and adjusts their translation at the year end for a 20% change in foreign currency rates.

	2020	2020	2019	2019
	20% Increase in Sterling against foreign currencies £000s	20% Decrease in Sterling against foreign currencies £000s	20% Increase in Sterling against foreign currencies £000s	20% Decrease in Sterling against foreign currencies £000s
Euro	(2,353)	3,530	(3,635)	5,452
Norwegian Krone	(173)	260	(370)	555
Swedish Krona	(177)	266	-	-
Swiss Franc	(555)	832	(213)	319
US Dollar	(112)	168	(3)	4
<b>Change in net return and net assets</b>	<b>(3,370)</b>	<b>5,056</b>	<b>(4,221)</b>	<b>6,330</b>

## d. Leverage

The subfund did not employ significant leverage during the year (2019 - same).

## e. Fair value hierarchy

An analysis of the portfolio in accordance with the fair value hierarchy is shown below:

	Assets	Liabilities	Assets	Liabilities
	31 August 2020 £000s	31 August 2020 £000s	31 August 2019 £000s	31 August 2019 £000s
Level 1: Quoted	19,139	-	24,252	-
Level 2: Observable	-	-	-	-
Level 3: Unobservable	-	-	-	-
	<b>19,139</b>	<b>-</b>	<b>24,252</b>	<b>-</b>

The fair value as at the reporting date has been estimated using the following fair value hierarchy:

### Level (1) Quoted prices for identical instruments in active markets

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

### Level (2) Valuation techniques that use:

Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

### Level (3) Valuation techniques that use:

Inputs that are unobservable (i.e. for which market data is unavailable) for the asset or liability.

When the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate, the fair value is estimated by using an alternative valuation technique. Such valuation techniques will, where possible, maximise the use of observable market data inputs as opposed to non-observable entity determined data inputs. The Investment Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

## f. Maturity of financial liabilities

All liabilities are due in one year or less or on demand (2019 - same).

## g. Fair value disclosure

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value.

# Notes to the Final Report and Financial Statements continued

## 15. Portfolio transaction costs

For the year ended 31 August 2020:

	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2020	2020	2020	2020	2020
	£000s	£000s	%	£000s	%
<b>Purchases</b>					
Equity instruments (direct)	18,924	6	0.03	14	0.07
Total purchases	18,924	6	0.03	14	0.07
Total purchases including transaction costs	18,944				
	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2020	2020	2020	2020	2020
	£000s	£000s	%	£000s	%
<b>Sales</b>					
Equity instruments (direct)	20,539	7	0.03	-	-
Total sales	20,539	7	0.03	-	-
Total sales including transaction costs	20,532				
<b>Derivative Transaction costs</b>		-		-	
<b>Total transaction costs as a % of average net assets</b>		0.05%		0.06%	
	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2019	2019	2019	2019	2019
	£000s	£000s	%	£000s	%
<b>Purchases</b>					
Equity instruments (direct)	11,633	4	0.03	10	0.09
Total purchases	11,633	4	0.03	10	0.09
Total purchases including transaction costs	11,647				
	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2019	2019	2019	2019	2019
	£000s	£000s	%	£000s	%
<b>Sales</b>					
Equity instruments (direct)	12,210	4	0.03	-	-
Total sales	12,210	4	0.03	-	-
Total sales including transaction costs	12,206				
<b>Derivative Transaction costs</b>		-		-	
<b>Total transaction costs as a % of average net assets</b>		0.03%		0.04%	

The above analysis covers any direct transaction costs suffered by the subfund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Separately identifiable direct transaction costs (commissions & taxes etc) are attributable to the subfund's purchase and sale of equity shares. Additionally for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions.

Dealing spread costs suffered by the subfund vary considerably for the different asset / instrument types depending on a number of factors including transaction value and market sentiment.

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.06% (2019 : 0.05%).

# Fund Information

## Investment Objective and Policy

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

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

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

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

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

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

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

## Fund Details

<b>Fund Manager</b>	Mike Rddell	
<b>Benchmark</b>	FTSE Actuaries UK Conventional Gilts All Stocks Index	
<b>Underlying Yield to</b>		
<b>28 August 2020</b>	I Shares	0.52%
	Y Shares	0.40%
<b>Distribution Yield to</b>		
<b>28 August 2020</b>	I Shares	0.52%
	Y Shares	0.40%
<b>Income allocation</b>		
<b>dates</b>	Interim	28 February*
	Final	31 August
<b>Income pay dates</b>	Interim	30 April
	Final	31 October
<b>Launch dates</b>	Fund	16 May 2002
	I Shares	16 May 2002
	Y Shares	20 February 2017
<b>ISA status</b>	Yes	
<b>Share Classes and</b>	I (Income Shares)	
<b>types of Shares</b>	Y (Accumulation Shares)	
<b>Minimum investment</b>	I Shares	Lump sum £10,000,000
	Y Shares	Lump sum £100,000,000 (Available to Approved Investors only)
<b>Initial charge</b>	I Shares	Nil
	Y Shares	Nil
<b>Annual ACD fee</b>	I Shares	0.30%
	Y Shares	0.30%

\*29 February in a leap year  
C Shares closed on 3 July 2020.

# Comparative Tables

For the year ended 31 August 2020

	C Shares Income			I Shares Income		
	2020 (p)	2019 (p)	2018 (p)	2020 (p)	2019 (p)	2018 (p)
Opening net asset value per share	196.37	177.25	180.99	204.88	184.55	188.03
Return before operating charges	11.27	22.50	(0.40)	5.97	23.48	(0.39)
Operating charges	(0.68)	(0.97)	(0.98)	(0.66)	(0.61)	(0.59)
Return after operating charges	10.59	21.53	(1.38)	5.31	22.87	(0.98)
Distributions	(0.95)	(2.41)	(2.36)	(1.79)	(2.54)	(2.50)
Return to shareholder as a result of class closure	206.01	-	-	-	-	-
Closing net asset value per share	-	196.37	177.25	208.40	204.88	184.55
After direct transaction costs of <sup>1</sup>	-	-	-	-	-	-
<b>Performance</b>						
Return after operating charges	5.39%	12.15%	(0.76)%	2.59%	12.39%	(0.52)%
<b>Other information</b>						
Closing net asset value (£'000)	-	73,267	71,919	2,415,388	2,128,992	1,568,628
Closing number of shares	-	37,309,594	40,575,573	1,159,013,174	1,039,131,588	849,956,874
Operating charges	0.41%	0.54%	1.00%	0.32%	0.32%	0.00%
Direct transaction costs	-	-	-	-	-	-
<b>Prices</b>						
Highest share price	210.56	197.68	182.20	219.87	206.27	189.29
Lowest share price	184.65	171.32	172.88	192.81	178.43	179.82

<sup>1</sup> Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the subfund and share class returns before operating charges.

Share Class C Income was closed on 3 July 2020.

Operating charges represents all operating charges and expenses and is expressed as a percentage of the average net asset value. It includes the annual ACD fee as well as all the administrative expenses including custodial transaction charges incurred by the subfund.

# Comparative Tables continued

For the year ended 31 August 2020

Y Shares Accumulation			
	2020 (p)	2019 (p)	2018 (p)
Opening net asset value per share	5,803.54	5,161.26	5,186.97
Return before operating charges	169.11	660.55	(10.39)
Operating charges	(20.37)	(18.27)	(15.32)
Return after operating charges	148.74	642.28	(25.71)
Distributions	(54.13)	(53.99)	(95.75)
Retained distributions on accumulation shares	54.13	53.99	95.75
Closing net asset value per share	5,952.28	5,803.54	5,161.26
After direct transaction costs of <sup>1</sup>	(0.11)	(0.03)	-
<b>Performance</b>			
Return after operating charges	2.56%	12.44%	(0.50)%
<b>Other information</b>			
Closing net asset value (£'000)	3	69	105
Closing number of shares	55	1,196	2,029
Operating charges	0.35%	0.35%	0.00%
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	6,256.42	5,805.96	5,231.22
Lowest share price	5,486.56	4,990.14	4,960.47

<sup>1</sup> Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the subfund and share class returns before operating charges.

Operating charges represents all operating charges and expenses and is expressed as a percentage of the average net asset value. It includes the annual ACD fee as well as all the administrative expenses including custodial transaction charges incurred by the subfund.

# Distribution Tables

## For the year ended 31 August 2020

### Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 September 2019

Group 2 Shares purchased on or after 1 September 2019 to 28 February 2020

	Gross revenue (p)	Equalisation (p)	Distribution paid 30/04/20 (p)	Distribution paid 30/04/19 (p)
<b>C Shares Income</b>				
Group 1	0.9484	-	0.9484	1.1868
Group 2	0.5740	0.3744	0.9484	1.1868
<b>I Shares Income</b>				
Group 1	0.9794	-	0.9794	1.2456
Group 2	0.4826	0.4968	0.9794	1.2456
<b>Y Shares Accumulation</b>				
Group 1	37.7839	-	37.7839	25.0012
Group 2	33.4735	4.3104	37.7839	25.0012

### Final Distribution in pence per share

Group 1 Shares purchased prior to 1 March 2020

Group 2 Shares purchased on or after 1 March 2020 to 31 August 2020

	Gross revenue (p)	Equalisation (p)	Distribution payable 31/10/20 (p)	Distribution paid 31/10/19 (p)
<b>C Shares Income</b>				
Group 1	-	-	-	1.2271
Group 2	-	-	-	1.2271
<b>I Shares Income</b>				
Group 1	0.8153	-	0.8153	1.2988
Group 2	0.4080	0.4073	0.8153	1.2988
<b>Y Shares Accumulation</b>				
Group 1	16.3433	-	16.3433	28.9867
Group 2	16.3433	-	16.3433	28.9867

Share Class C Income was closed on 3 July 2020.

Investors are reminded that distribution is not guaranteed.

# Investment Review

## Performance Summary

Over the year under review, 1st September 2019 to 31st August 2020, the Allianz Gilt Yield Fund produced a total return of 2.62%, ahead of the 1.55% return from the Fund's benchmark, the FTSE UK Gilts All Stocks (Midday) Index.\*

\* Source: Allianz Global Investors/Datastream. Fund performance based on midday prices using the mid market price portfolio valuation, net of fees and expenses, with net revenue re-invested in Sterling. Performance per comparative table based on bid market price portfolio valuation at midday on the last day of the accounting period and with related accounting adjustments. Benchmark performance based on midday prices.

## Market Background

The gilt market over the year was mainly impacted by the response to the coronavirus pandemic as well as key internal events such as the general election at the end of 2019 and ongoing Brexit negotiations. The general election results saw Boris Johnson remain as PM, winning with a comfortable majority as numerous Labour seats fell to the Conservatives. Sterling surged on the back of the results as some of the political uncertainty had started to clear.

As COVID-19 started to spread internationally at the start of 2020, financial markets entered a highly volatile period with investors piling into safe-haven assets. In response, we saw global central banks and governments act swiftly to stave off a financial crisis. Throughout the pandemic, the newly appointed Chancellor of the Exchequer, Rishi Sunak, announced several expansionary fiscal measures to stimulate the UK economy and ward off a spike in unemployment. So far, the UK fiscal response to the pandemic has been around £160bn, equivalent to 7% GDP. Concurrently, we saw significant monetary action by the Bank of England (BoE), who, as part of a broadly coordinated global response to COVID-19, cut rates twice, eventually to their effective lower rate of 0.1%. The Bank also announced a host of additional monetary stimulants including a revival of its asset purchase program, while also reviewing other unconventional policies such as negative interest rates. It is mostly thanks to these strong expansionary policies, risky assets performed well throughout the summer despite bleak background looking macroeconomic data points.

From an economic data perspective, the severity of the lockdown was highlighted in the latest GDP figure which showed that the UK economy shrank 20.4% in the second quarter versus the prior quarter, the biggest contraction of any

major European economy in the period, a factor attributed to the UK's relatively long lockdown and the economy's large tilt to consumer services. However, as lockdown eased near the end of the second quarter, the UK appeared on course to recover much of the lost ground in the third quarter, helped by a rebound in consumer spending – retail sales rose 3.6% in July versus the prior month. On Brexit, there has been little substantive progress in UK-EU trade talks; the likelihood is still that there will eventually be bare bones trade deal, that may resemble a no-deal outcome, but it is unlikely to come together before September or October.

Against a backdrop of significant monetary easing coupled with a net negative supply for gilts, we saw gilts provide a positive return as yields fell until the end of July across all maturities but especially in the belly of the curve (20-30 year) as this part was most affected by the quantitative easing program. In May, the UK government succeeded in auctioning three-year and five-year gilts with negative yields for the first time on record and while markets price in negative rates, we continue to believe that it is unlikely that the Bank of England cuts rates below zero and that the sustained fall in gilt yields is more a function of technical factors with heavier buying of gilts, through the BoE and liability-driven investors, than selling. However, in August we saw a gilt selloff, driven by the global selloff in rates on the back of the global deflation narrative. Going forward, we'll see continuing quantitative easing tapering by the Bank of England (BoE) with the weekly pace dropping to £4.4 billion from close to £7 billion several months ago. As the BoE remains optimistic for the economic outlook for the UK, markets will expect even less support for the rest of the year which may continue the weakening trend for UK gilts.

## Portfolio Review

The fund's central five strategies to generate returns are duration, curve positioning, relative value, cross market and inflation.

The fund remained underweight headline duration through October and November which proved positive for returns given the rise in yields. The avoidance of a hard Brexit contributed to a precipitous drop in UK inflation expectations, whereby falling UK breakevens in October proved relatively negative for our 20-year inflation-linked gilt, which had looked relatively attractive on the curve. Following the selloff in gilts

# Investment Review continued

after the UK election result, gilts had become relatively more attractive and we reduced our cross-market positions and removed our underweight duration gilt positioning. We ended the year 0.6 years long versus the benchmark.

At the start of 2020, we were positioned for global deflation and moved the fund underweight duration to about -1.2 years around mid-month. However, following the news from China concerning the Wuhan coronavirus breaking, we added back some duration, ending the month at -0.7 years underweight. This positioning proved negative for the fund given the rally in government bonds on viral contagions concerns. By February, we went long headline duration and generally maintained this position until the end of April, barring a few occasions where we went headline underweight on a tactical basis. However, considering the idiosyncratic risks in the UK coupled with how gilts were trading at relatively rich levels, we preferred to hold our overweight exposure mainly through our cross-market strategy and were underweight gilts against our benchmark since mid-March.

Amid market dislocations following the pandemic, spreads in supranational and government-guaranteed bonds blew out alongside the sharp selloff in other "spread products". We took advantage of distressed sellers to pick up yields of 50-60bps in excess of similar maturity gilts for what is no additional credit risk. During March we also noted that some global government bond markets were lagging. Acting on this, we added Australian and New Zealand government bonds. We especially liked long-end Australian bonds as the Reserve Bank of Australia (RBA) were targeting three-year government bond yields to support an economy entering its first recession in almost 30 years, which had drastically steepened the Australian curve. Altogether, supranational and government-guaranteed bond exposure represented close to 11% of the portfolio, or 0.9 years in duration terms. Although historically we have had little exposure to spread products as we prefer to express our views through the sovereign, the fund is able to take advantage of market dislocations in these products as it can hold up to 20% in supranational and agency bonds, as long as they are equal or lower credit risk than the UK government.

The resumption of Quantitative Easing by the BoE led to some distortions in terms of relative value within the UK gilt market. With the BoE's current guidelines stating that they may not own more than 70% of the free float of any individual gilt, and

after previous rounds of QE, the Bank has already reached its limit on several gilts. This led to significant relative value moves in otherwise similar gilts between those eligible and ineligible for purchase. As an example of this effect, we switched out of the eligible 4.5% 2034 gilt into the ineligible 4.25% 2032 gilt, which had cheapened up. In terms of curve positioning, we mostly preferred the 20-30 year part of the curve which we believe to be best positioned to benefit from quantitative easing. However, as the BoE have started to taper some of their purchases, we have eased our overweight in the belly of the curve and have rotated into shorter-end gilts. We maintain our outlook for the net supply of gilts to turn positive from September onwards as the BoE starts to taper its purchases, thereby adding an upward pressure to gilt yields.

Throughout August, we have been getting steadily more nervous about government bond valuations. With government bonds now offering increasingly poor asymmetry, given the still historically very low yields and the central scenario we still have – a continued global economic recovery, we have accordingly increased our underweight to UK gilts by the end of August. We end the period -0.84 years, maintaining our underweight to gilts which contributed positively on the back of the gilt sell-off in August.

## Outlook

Going forward, we have been getting steadily more nervous about government bond valuations. The global economy appeared to be stalling a little in July, due largely to a jump in COVID-19 infections in the US but appears to be reaccelerating modestly in August. While we clearly don't expect any major central banks to hike interest rates in the next 12 months, we have felt that it's only a matter of time until markets start to consider monetary policy tightening, where even if rate hikes only begin in 4-5 years from now, this is still more than most markets are currently pricing in.

Investors remain deeply uncertain over the medium to long term effects of all the stimulus seen this year. If US CPI and US real GDP growth are both running above 3%, which could easily happen in mid-2021, it is inevitable that at some stage market participants will question why interest rates are zero or negative, and why central banks are doing QE. Of course, assuming energy prices don't surge over the remainder of 2021, the leap in CPI should simply move lower again the

# Investment Review continued

following year. But the realized higher inflation numbers will likely serve to feed the reflation narrative. And if COVID-19 vaccines are being mass produced at that stage too, which seems possible, then the risk of a taper tantrum gets larger still.

On the other hand, given the rising macro risks and uncertainty revolving the second wave spread of the coronavirus, a renewed deterioration in the UK or global economy could see further gains in gilts, albeit given how low gilt yields have now reached, a continuation of strong returns from the asset class would likely necessitate the Bank of England cutting interest rates into negative territory and maintaining a negative rate policy for a prolonged period.

# Portfolio Statement

As at 31 August 2020

Nominal		Market Value £'000	% of Net Assets
<b>Australian Dollar Denominated Fixed Rate Government Bonds - 5.58% (2019 - 0.00%)</b>			
AUD32,550,000	Australia Government Bond 1.75% 21/06/2051	17,076	0.71
AUD65,000,000	Australia Government Bond 2.75% 21/05/2041	42,089	1.74
AUD65,000,000	Australia Government Bond 3% 21/03/2047	44,338	1.84
AUD45,000,000	Australia Government Bond 3.25% 21/06/2039	31,247	1.29
		<b>134,750</b>	<b>5.58</b>
<b>Sterling Denominated Fixed Rate Government Bonds - 80.77% (2019 - 90.96%)</b>			
£50,000,000	Treasury 0.125% 30/01/2026	50,155	2.08
£99,000,000	Treasury 0.375% 22/10/2030	99,023	4.10
£25,000,000	Treasury 0.5% 22/10/2061	21,607	0.89
£221,500,000	Treasury 0.625% 07/06/2025	228,054	9.44
£154,500,000	Treasury 0.625% 22/10/2050	142,188	5.89
£35,000,000	Treasury 1.25% 22/07/2027	37,713	1.56
£102,000,000	Treasury 1.25% 22/10/2041	109,182	4.52
£50,000,000	Treasury 1.625% 22/10/2054	60,457	2.50
£8,700,000	Treasury 1.75% 22/07/2057	11,038	0.46
£57,000,000	Treasury 2.5% 22/07/2065	91,449	3.78
£51,200,000	Treasury 3.25% 22/01/2044	76,471	3.17
£53,000,000	Treasury 3.75% 07/09/2020	53,051	2.20
£25,000,000	Treasury 4% 22/01/2060	50,963	2.11
£151,250,000	Treasury 4.25% 07/06/2032	216,856	8.98
£150,000,000	Treasury 4.25% 07/03/2036	228,926	9.47
£48,000,000	Treasury 4.25% 07/12/2040	78,490	3.25
£24,500,000	Treasury 4.5% 07/09/2034	37,380	1.55
£42,000,000	Treasury 4.75% 07/12/2038	70,696	2.93
£195,400,000	Treasury 6% 07/12/2028	287,256	11.89
		<b>1,950,955</b>	<b>80.77</b>
<b>Sterling Denominated Fixed Rate Corporate Bonds - 12.31% (2019 - 0.93%)</b>			
£32,709,000	European Bank for Reconstruction & Development 5.625% 07/12/2028	45,930	1.90
£85,000,000	International Bank for Reconstruction & Development 1% 21/12/2029	87,715	3.63
£50,000,000	International Finance 0.75% 22/07/2027	50,875	2.11
£15,548,000	Kreditanstalt fuer Wiederaufbau 5.75% 07/06/2032	24,208	1.00
£5,000,000	Network Rail Infrastructure Finance 4.375% 09/12/2030	6,826	0.28
£30,000,000	Network Rail Infrastructure Finance 4.75% 29/11/2035	46,016	1.91
£15,000,000	Nordic Investment Bank 1.125% 15/12/2022	15,311	0.63
£20,000,000	Nordic Investment Bank 1.125% 15/12/2023	20,575	0.85
		<b>297,456</b>	<b>12.31</b>
<b>DERIVATIVES - 0.04% (2019 - (0.33)%)</b>			
<b>Sterling Open Futures Contracts - 0.06% (2019 - 0.00%)</b>			
	UK Long Gilt Bond Futures December 2020	1,446	0.06
		<b>1,446</b>	<b>0.06</b>
<b>Australian Dollar Open Forward Exchange Contracts - (0.03)% (2019 - 0.00%)</b>			
	Sold AUD 6,350,000 : Bought GBP 3,504,144	(746)	(0.03)
		<b>(746)</b>	<b>(0.03)</b>
<b>US Dollar Open Forward Exchange Contracts - 0.01% (2019 - (0.33)%)</b>			
	Bought USD 10,159,014 : GBP 8,083,540	(448)	(0.02)
	Sold USD 12,000,000 : GBP 9,608,467	589	0.03
		<b>141</b>	<b>0.01</b>
	Investment assets <sup>1</sup>	2,384,002	98.7
	Net other assets	31,389	1.30
	<b>Net assets</b>	<b>2,415,391</b>	<b>100.00</b>

<sup>1</sup> Includes investment liabilities.

Unless otherwise stated, all investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market.

Note: Comparative figures show percentages for each category of holding at 31 August 2019.

Please refer to page 68 for details on the credit quality of the portfolio.

# Statement of Total Return

For the year ended 31 August 2020

	Notes	2020 £000s	2020 £000s	2019 £000s	2019 £000s
Income:					
Net capital gains	2		52,898		218,674
Revenue	3	21,078		25,306	
Expenses	4	(7,609)		(6,086)	
Interest payable and similar charges		(128)		(14)	
Net revenue before taxation		13,341		19,206	
Taxation	5	(6)		-	
Net revenue after taxation			13,335		19,206
<b>Total return before distributions</b>			<b>66,233</b>		<b>237,880</b>
Distributions	6		(20,431)		(24,880)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>45,802</b>		<b>213,000</b>

# Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 August 2020

	2020 £000s	2020 £000s	2019 £000s	2019 £000s
Opening net assets attributable to shareholders		2,202,328		1,640,652
Amounts receivable on issue of shares	402,326		481,620	
Amounts payable on cancellation of shares	(235,069)		(132,952)	
		167,257		348,668
Dilution adjustment		(1)		-
<b>Change in net assets attributable to shareholders from investment activities (see above)</b>		<b>45,802</b>		<b>213,000</b>
Unclaimed distributions		5		8
<b>Closing net assets attributable to shareholders</b>		<b>2,415,391</b>		<b>2,202,328</b>

Notes to the final report and Financial Statements are from page 62 to 70.

# Balance Sheet

As at 31 August 2020

	Notes	2020 £000s	2020 £000s	2019 £000s	2019 £000s
<b>Assets:</b>					
Fixed assets:					
Investments			2,385,196		2,201,391
Current assets:					
Debtors	7	19,448		17,102	
Cash and bank balances	8	22,051		8,552	
<b>Total assets</b>			<b>2,426,695</b>		<b>2,227,045</b>
<b>Liabilities:</b>					
Investment liabilities					
			(1,194)		(8,715)
Creditors:					
Bank overdrafts	10	-		(1,056)	
Distribution payable		(9,451)		(13,954)	
Other creditors	9	(659)		(992)	
<b>Total liabilities</b>			<b>(11,304)</b>		<b>(24,717)</b>
<b>Net assets attributable to shareholders</b>			<b>2,415,391</b>		<b>2,202,328</b>

Notes to the final report and Financial Statements are from page 62 to 70.

# Notes to the Final Report and Financial Statements

## 1. Accounting Basis and Policies

The applicable accounting policies adopted by the Allianz Gilt Yield Fund are included on pages 8 to 13 of the Collective Notes to the Final Report and Financial Statements.

## 2. Net capital gains

	2020 £000s	2019 £000s
Gains on non-derivative securities	24,215	245,048
Gains/(losses) on derivative securities	8,267	(9,928)
Gains/(losses) on currency	7,126	(756)
Gains/(losses) on forward currency contracts	13,296	(15,690)
Handling charges	(6)	-
<b>Net capital gains</b>	<b>52,898</b>	<b>218,674</b>

## 3. Revenue

	2020 £000s	2019 £000s
Bank interest	42	22
Futures interest	(1)	-
Interest on fixed income securities	19,838	26,311
Overseas dividends - taxable	54	-
Returns from bond futures	809	(1,050)
Stock lending income	336	19
Capped OCF Rebate - Income	-	4
<b>Total revenue</b>	<b>21,078</b>	<b>25,306</b>

# Notes to the Final Report and Financial Statements continued

## 4. Expenses

	2020	2019
	£000s	£000s
<b>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director, and agents of either of them:</b>		
ACD's annual fee <sup>1</sup>	7,098	5,674
Company secretarial costs	-	1
	7,098	5,675
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	415	326
Safe custody fees	81	57
	496	383
<b>Other expenses:</b>		
Audit fees	11	9
Distribution costs	(10)	4
Printing costs	(2)	3
Registration fees	10	12
Other expenses	6	-
	15	28
<b>Total expenses</b>	<b>7,609</b>	<b>6,086</b>

<sup>1</sup> For the purpose of the distribution, the ACD's annual fee is borne by the capital account (see Note 6).

All expenditure stated above is inclusive of VAT where applicable.

The Audit fee for the year, excluding VAT, was £10,000 (2019 - £9,000).

# Notes to the Final Report and Financial Statements continued

## 5. Taxation

	2020	2019
	£000s	£000s
<b>a. Analysis of the taxation charge for the year:</b>		
Overseas tax suffered	6	-
<b>Total taxation for the year (see Note 5(b))</b>	<b>6</b>	<b>-</b>

### b. Factors affecting taxation charge for the year:

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for a subfund of an Open-Ended Investment Company (20%) (2019 - 20%).

The differences are explained below:

Net revenue before taxation	13,342	19,206
Corporation tax at 20%	2,668	3,841
<b>Effects of:</b>		
Overseas tax suffered	6	-
Indexation relief on index linked gilts	-	(158)
Tax deductible interest distributions	(2,668)	(3,683)
<b>Total taxation charge for the year (see Note 5(a))</b>	<b>6</b>	<b>-</b>

OEICs are exempt from tax on capital gains in the UK, therefore capital returns are not included within the reconciliation.

### c. Provision for deferred tax

There is no provision required for deferred taxation at the Balance Sheet date in the current or prior year.

## 6. Distributions

The distributions take account of revenue received on the creation of Shares and revenue deducted on the cancellation of Shares and comprise:

	2020	2019
	£000s	£000s
Interim	11,619	11,915
Final	9,451	13,954
Add: Revenue deducted on cancellation of shares	306	406
Deduct: Revenue received on creation of shares	(945)	(1,395)
<b>Net distributions for the year</b>	<b>20,431</b>	<b>24,880</b>

### Reconciliation of net revenue after taxation to net distributions for the year

Net revenue after taxation	13,334	19,206
Add: Capitalised expenses	7,097	5,674
<b>Net distributions for the year</b>	<b>20,431</b>	<b>24,880</b>

# Notes to the Final Report and Financial Statements continued

## 7. Debtors

	2020	2019
	£000s	£000s
Accrued revenue	15,935	13,721
Amounts receivable on creation of shares	3,513	3,381
	<b>19,448</b>	<b>17,102</b>

## 8. Cash and bank balances

	2020	2019
	£000s	£000s
Cash and bank balances	13,861	8,552
Amount held at futures clearing houses and brokers	8,190	-
	<b>22,051</b>	<b>8,552</b>

## 9. Other creditors

	2020	2019
	£000s	£000s
<b>a. Distribution payable</b>		
Net distribution payable	9,451	13,954
<b>b. Other creditors</b>		
Accrued ACD's annual fee	567	553
Amounts payable on cancellation of shares	-	236
Other accrued expenses	92	203
	<b>659</b>	<b>992</b>

## 10. Bank overdrafts

	2020	2019
	£000s	£000s
Bank overdrafts	-	1,056
<b>Total bank overdrafts</b>	<b>-</b>	<b>1,056</b>

## 11. Related party transactions

The ACD is deemed to be a related party under the definition of Financial Reporting Standard 102, which requires the disclosure of details of material transactions between the subfund and any related party.

# Notes to the Final Report and Financial Statements continued

Details of any related party transactions occurring during the year including commissions paid and any balances due at the year end are disclosed in the Balance Sheet, the Statement of Change in Net Assets Attributable to Shareholders and Notes 4, 7 and 9 to the financial statements. All creations and cancellations were transacted with the ACD.

## 12. Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of net revenue included in the purchase price of all Group 2 shares. In the case of Accumulation shares, it is automatically reinvested in the subfund at the first distribution payment date after the shares were purchased. Being a capital repayment it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## 13. Shareholders' funds

The subfund currently has two share classes: I and Y. The ACD's annual fee on these share classes are as follows:

Class I :	0.30%
Class Y :	0.30%

The net asset value per share and the number of shares in issue are given in the Comparative Tables on page 53 and 54.

The distribution per share is given in the Distribution Table on page 55.

Revenue available for allocation will be allocated between the share classes based on the respective proportionate interests represented by those share classes on a daily basis and taxation is computed by reference to the net revenue after expenses attributable to each class. All share classes have the same rights on winding up.

For the year ended 31 August 2020:

	Class C Shares	Class I Shares	Class Y Shares
Opening shares	37,309,594	1,039,131,588	1,196
Shares created	6,291,891	190,814,653	793
Shares cancelled	(5,854,044)	(107,085,333)	(1,935)
Shares converted	(37,747,441)	36,152,266	-
<b>Closing shares</b>	<b>0</b>	<b>1,159,013,174</b>	<b>54</b>

## 14. Contingent liabilities and commitments

As at 31 August 2020 there were no contingent liabilities (2019: £Nil).

# Notes to the Final Report and Financial Statements continued

## 15. Derivatives and other financial instruments

The narrative on pages 9 to 12 explains the different types of risks the subfund may face.

For this subfund, the ACD measures and manages risk using the value-at-risk approach. Please see page 13 for further details.

### a. Currency exposure

The majority of the net assets and liabilities of the subfund are denominated in currencies other than Sterling, with the effect that the total net assets and total return can be affected by currency movements.

	Monetary Exposure	Non-Monetary Exposure	Total Exposure	Monetary Exposure	Non-Monetary Exposure	Total Exposure
Currency	31 August 2020 £000s	31 August 2020 £000s	31 August 2020 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s
Australian Dollar	(136,773)	134,749	(2,024)	-	-	-
Canadian Dollar	12	-	12	-	-	-
Euro	36	-	36	-	-	-
US Dollar	316	-	316	-	-	-

The following table details the subfund's sensitivity to a 20% increase and decrease in sterling against the relevant foreign currencies and the resultant impact that any such increase or decrease would have on the net return and net assets. The sensitivity analysis includes all foreign currency denominated items and adjusts their translation at the year end for a 20% change in foreign currency rates.

### b. Interest rate risk profile

The interest rate profile of the subfund's portfolio of investments at the balance sheet date was:

	Floating Rate	Fixed Rate	Non-Interest	Total	Floating Rate	Fixed Rate	Non-Interest	Total
Currency	31 August 2020 £000s	31 August 2020 £000s	31 August 2020 £000s	31 August 2020 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s
Assets	-	2,383,161	2,035	2,385,196	-	2,200,024	1,367	2,201,391
Liabilities	-	-	(1,194)	(1,194)	-	-	(8,715)	(8,715)
Bonds							2,383,161	2,200,024

The following illustrates the sensitivity of the net return and the net assets to an increase or decrease of 20% (2019 - 20%) in the fair values of the subfund's investments. This level of change is considered to be reasonably possible based on observation of market conditions in the year. The sensitivity analysis is based on the impact of a change to the value of the subfund's investments at each balance sheet date.

	2020	2020	2019	2019
	20% Increase in fair value £000s	20% Decrease in fair value £000s	20% Increase in fair value £000s	20% Decrease in fair value £000s
Capital Return				
Net gains (losses) on investments at fair value	476,632	(476,632)	440,005	(440,005)

### Foreign currency risk sensitivity

The subfund does not have significant exposure to currency risk hence no sensitivity analysis has been presented.

### Interest rate risk sensitivity

Duration measures the sensitivity of a portfolio's price to change in interest rates. The calculation of duration incorporates yield, coupon, final maturity and other relevant factors.

Duration is considered to be an accurate predictor of price changes for small, parallel shifts of the yield curve. For every 0.01% movement in interest rates, a portfolio with a duration of one year will move in price by 0.01% in the opposite direction.

As at the 31 August 2020, the net asset value was £2,425.3m (2019 - £2,202.3m) (before the deduction of the interest distribution) with a duration of 13.07 years (2019 - 12.64 years).

Thus, for example, an increase of 0.25% in the interest rates would result in a fall of 3.27% or £79.31m (2019 - 3.16% or £70.11m) in the value of the portfolio.

### d. Leverage

The subfund did not employ significant leverage during the year (2019 - same).

# Notes to the Final Report and Financial Statements continued

## e. Fair value hierarchy

	Assets		Liabilities	
	31 August 2020 £000s	31 August 2020 £000s	31 August 2019 £000s	31 August 2019 £000s
Level 1: Quoted	1,952,401	-	2,179,625	-
Level 2: Observable	432,795	(1,194)	21,766	(8,715)
Level 3: Unobservable	-	-	-	-
	<b>2,385,196</b>	<b>(1,194)</b>	<b>2,201,391</b>	<b>(8,715)</b>

The fair value as at the reporting date has been estimated using the following fair value hierarchy:

### Level (1) Quoted prices for identical instruments in active markets

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

### Level (2) Valuation techniques that use:

Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

### Level (3) Valuation techniques that use:

Inputs that are unobservable (i.e. for which market data is unavailable) for the asset or liability.

When the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate, the fair value is estimated by using an alternative valuation technique. Such valuation techniques will, where possible, maximise the use of observable market data inputs as opposed to non-observable entity determined data inputs.

The Investment Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

## f. Maturity of financial liabilities

All liabilities are due in one year or less or on demand (2019 - same).

## g. Fair value disclosure

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value.

## h. Derivatives

Derivatives are used in the subfund for hedging purposes and/or investment purposes. The main instruments used are money market futures, forward exchange contracts and credit default swaps. For more details please refer to page 11.

## i. Credit rating

	2020	2020	2019	2019
	Market Value £000s	% of Net Assets	Market Value £000s	% of Net Assets
Investment Grade	2,383,161	98.66	2,200,024	99.89
Derivatives	841	0.04	(7,348)	(0.33)
Other assets	31,389	1.30	9,652	0.44
<b>Total net assets</b>	<b>2,415,391</b>	<b>100.00</b>	<b>2,202,328</b>	<b>100.00</b>

A fixed income security is deemed to be of investment grade, if it is rated BBB- or above. Sub-investment grade are those securities that are rated below investment grade. As at 31 August 2020, all fixed income investments were investment grade (2019- same).

# Notes to the Final Report and Financial Statements continued

## 16. Portfolio transaction costs

For the year ended 31 August 2020:

	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2020	2020	2020	2020	2020
	£000s	£000s	%	£000s	%
<b>Purchases</b>					
Debt instruments (direct)	6,362,922	-	-	-	-
Derivatives	2,335,158	18	-	2	-
Total purchases	8,698,080	18	-	2	-
Total purchases including transaction costs	8,698,100				
	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2020	2020	2020	2020	2020
	£000s	£000s	%	£000s	%
<b>Sales</b>					
Debt instruments (direct)	6,179,089	-	-	-	-
Derivatives	2,712,684	20	-	2	-
Total sales	8,891,773	20	-	2	-
Total sales including transaction costs	8,891,751				
<b>Total transaction costs as a % of average net assets</b>		<b>0.00%</b>		<b>0.00%</b>	
	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2019	2019	2019	2019	2019
	£000s	£000s	%	£000s	%
<b>Purchases</b>					
Debt instruments (direct)	5,167,352	-	-	-	-
Derivatives	-	4	-	1	-
Total purchases	5,167,352	4	-	1	-
Total purchases including transaction costs	5,167,357				
	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2019	2019	2019	2019	2019
	£000s	£000s	%	£000s	%
<b>Sales</b>					
Debt instruments (direct)	4,826,853	-	-	-	-
Derivatives	-	4	-	-	-
Total sales	4,826,853	4	-	-	-
Total sales including transaction costs	4,826,849				
<b>Total transaction costs as a % of average net assets</b>		<b>0.00%</b>		<b>0.00%</b>	

The above analysis covers any direct transaction costs suffered by the subfund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

For the subfund's investment transactions in debt and money market instruments any applicable transaction charges form part of the dealing spread for these instruments.

Transactions in money market instruments to manage the subfund's daily liquidity position are excluded from the analysis.

# Notes to the Final Report and Financial Statements continued

During the period the subfund utilised futures contracts as derivative instruments covering different underlying asset classes. The settlement values for opening and closing derivative positions are not comparable to principal values for transactions in direct holding investments and therefore purchase and sale amounts for derivative transactions are not quantified in the analysis above. Transaction costs for derivatives positions will be either suffered as direct costs or form part of the dealing spread for the instruments. Any direct costs are identified in the analysis above.

Dealing spread costs suffered by the subfund vary considerably for the different asset / instrument types depending on a number of factors including transaction value and market sentiment.

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.13% (2019 : 0.05%).

# Fund Information

## Investment Objective and Policy

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

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

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

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

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

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

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

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

## Fund Details

<b>Fund Manager</b>	Mike Riddell	
<b>Benchmark</b>	FTSE Actuaries UK Government Index-Linked All Stocks Total Return GBP Midday Index	
<b>Income allocation dates</b>	Interim	28 February*
	Final	31 August
<b>Income pay dates</b>	Interim	30 April
	Final	31 October
<b>Launch dates</b>	Fund	1 February 2018
	E Shares	1 February 2018
	W Shares	1 February 2018
<b>ISA status</b>	Yes	
<b>Share Classes and types of Shares</b>	E Shares (Accumulation Shares) E Shares (Income) W Shares (Accumulation) W Shares (Income)	
<b>Minimum investment</b>	E Shares	Lump sum £10,000,000
	W Shares	Lump sum £10,000,000
<b>Initial charge</b>	E Shares	Nil
	W Shares	Nil
<b>Annual ACD fee</b>	E Shares	0.20%**
	W Shares	0.30%***

\* 29 February in a leap year

\*\* 0.20% p.a. minus the additional expense payable in respect of the E Shares.

\*\*\* 0.30% p.a. minus the additional expense payable in respect of the W Shares.

# Comparative Tables

For the year ended 31 August 2020

	E Shares Income			E Shares Accumulation		
	2020 (p)	2019 (p)	2018 (p)	2020 (p)	2019 (p)	2018 (p)
Opening net asset value per share	121.26	101.49	100.00	124.52	102.70	100.00
Return before operating charges	(3.39)	21.62	2.83	(3.22)	22.04	2.82
Operating charges	(0.23)	(0.21)	(0.12)	(0.24)	(0.22)	(0.12)
Return after operating charges	(3.62)	21.41	2.71	(3.46)	21.82	2.70
Distributions	-	(1.64)	(1.22)	-	(1.58)	(1.22)
Retained distributions on accumulation shares	-	-	-	-	1.58	1.22
Closing net asset value per share	117.64	121.26	101.49	121.06	124.52	102.70
After direct transaction costs of <sup>1</sup>	-	-	-	-	-	-
<b>Performance</b>						
Return after operating charges	(2.99)%	21.10%	3.00%	(2.78)%	21.25%	2.00%
<b>Other information</b>						
Closing net asset value (£'000)	128,405	128,828	60,560	11,397	2,466	1,781
Closing number of shares	109,146,671	106,243,889	59,670,174	9,414,675	1,980,014	1,734,326
Operating charges <sup>2</sup>	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
Direct transaction costs	-	-	-	-	-	-
<b>Prices</b>						
Highest share price	124.34	122.22	105.63	127.94	124.71	105.61
Lowest share price	100.94	98.84	97.70	103.87	100.01	97.70

<sup>1</sup> Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the subfund and share class returns before operating charges.

<sup>2</sup> Operating charges on E classes have been capped at 0.20%.

Operating charges represents all operating charges and expenses and is expressed as a percentage of the average net asset value. It includes the annual ACD fee as well as all the administrative expenses including custodial transaction charges incurred by the subfund.

# Comparative Tables continued

For the year ended 31 August 2020

	W Shares Income			W Shares Accumulation		
	2020 (p)	2019 (p)	2018 (p)	2020 (p)	2019 (p)	2018 (p)
Opening net asset value per share	121	102.62	100.00	124.33	102.64	100.00
Return before operating charges	(3.37)	21.61	2.80	(3.23)	22.02	2.82
Operating charges	(0.34)	(0.33)	(0.18)	(0.35)	(0.33)	(0.18)
Return after operating charges	(3.71)	21.28	2.62	(3.58)	21.69	2.64
Distributions	-	(2.90)	-	-	(1.51)	(1.16)
Retained distributions on accumulation shares	-	-	-	-	1.51	1.16
Closing net asset value per share	117.29	121	102.62	120.75	124.33	102.64
After direct transaction costs of <sup>1</sup>	-	-	-	-	-	-
<b>Performance</b>						
Return after operating charges	(3.07)%	20.74%	2.62%	(2.88)%	21.13%	2.62%
<b>Other information</b>						
Closing net asset value (£'000)	2,302	2,324	1	1,483	1,639	1,232
Closing number of shares	1,962,589	1,920,739	974	1,227,684	1,318,637	1,200,000
Operating charges <sup>2</sup>	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
Direct transaction costs	-	-	-	-	-	-
<b>Prices</b>						
Highest share price	123.99	121.96	105.53	127.64	124.52	105.56
Lowest share price	100.68	99.93	97.68	103.65	99.95	97.69

<sup>1</sup> Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the subfund and share class returns before operating charges.

<sup>2</sup> Operating charges on W classes have been capped at 0.30%.

Operating charges represents all operating charges and expenses and is expressed as a percentage of the average net asset value. It includes the annual ACD fee as well as all the administrative expenses including custodial transaction charges incurred by the subfund.

# Distribution Tables

## For the year ended 31 August 2020

### Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 September 2019

Group 2 Shares purchased on or after 1 September 2019 to 29 February 2020

	Gross revenue (p)	Equalisation (p)	Distribution paid 30/04/20 (p)	Distribution paid 30/04/19 (p)
<b>E Shares Income</b>				
Group 1	0.2423	-	0.2423	0.8695
Group 2	0.1129	0.1294	0.2423	0.8695
<b>E Shares Accumulation</b>				
Group 1	0.2386	-	0.2386	0.8332
Group 2	0.1574	0.0812	0.2386	0.8332
<b>W Shares Income</b>				
Group 1	0.2307	-	0.2307	2.1296
Group 2	0.1487	0.0820	0.2307	2.1296
<b>W Shares Accumulation</b>				
Group 1	0.2210	-	0.2210	0.8019
Group 2	0.1227	0.0983	0.2210	0.8019

### Final Distribution in pence per share

Group 1 Shares purchased prior to 1 March 2020

Group 2 Shares purchased on or after 1 March 2020 to 31 August 2020

	Gross revenue (p)	Equalisation (p)	Distribution payable 31/10/20 (p)	Distribution paid 31/10/19 (p)
<b>E Shares Income</b>				
Group 1	-	-	-	0.7739
Group 2	-	-	-	0.7739
<b>E Shares Accumulation</b>				
Group 1	-	-	-	0.7448
Group 2	-	-	-	0.7448
<b>W Shares Income</b>				
Group 1	-	-	-	0.7728
Group 2	-	-	-	0.7728
<b>W Shares Accumulation</b>				
Group 1	-	-	-	0.7117
Group 2	-	-	-	0.7117

Investors are reminded that distribution is not guaranteed.

# Investment Review

## Performance Summary

Over the year under review, from 1st September 2019 to 31st August 2020, the Fund's W Acc class produced a total return of -2.86%. The Fund's benchmark, the FTSE All Stocks Total Return (Middy Index), produced a total return of -3.87% over the period.\*

\* Source: Allianz Global Investors/Datastream. Fund performance based on midday prices, net of fees and expenses, with net revenue re-invested in Sterling. Benchmark performance based on midday prices.

## Market Background

In the last quarter of 2019, Brexit was the key driver of UK inflation markets. In October, the European Union agreed to extend a Brexit deal to the 31st of January 2020 after an initial deal was rejected by Parliament. Markets took the news positively with the risk of a no-deal Brexit diminishing drastically – sterling rallied 3% which depressed UK inflation expectations with 10-year breakevens falling 32 basis points over the month. In general, the breakeven rate is inversely correlated to sterling as a strengthening currency would dampen import prices, thereby helping curb inflation. As the general election in December approached, a strong conservative majority became more likely, which added fuel to the sterling rally pushing breakevens even lower. The general election results saw Boris Johnson remain as PM, winning with a comfortable majority as numerous Labour seats fell to the Conservatives. Sterling surged on the back of the results, causing breakeven rates to fall the lowest levels since the 2016 Brexit vote, as some of the political uncertainty had started to clear. However, these moves were partially reversed near the end of the year as, soon after the election, hard Brexit risks were brought back to the fore when the government moved to vote that an extension of negotiations at the end of January would be illegal.

As COVID-19 started to spread internationally at the start of 2020, financial markets entered a highly volatile period with investors piling into safe-haven assets. In response, we saw global central banks and governments act swiftly to stave off a financial crisis. Throughout the pandemic, the newly appointed Chancellor of the Exchequer, Rishi Sunak, announced several expansionary fiscal measures to stimulate the UK economy and ward off a spike in unemployment. So far, the UK fiscal response to the pandemic has been around £160bn, equivalent to 7% GDP. Concurrently, we saw significant monetary action by the Bank of England (BoE), who, as part of

a broadly coordinated global response to COVID-19, cut rates twice, eventually to their effective lower rate of 0.1%. The Bank also announced a host of additional monetary stimulants including a revival of its asset purchase program, while also reviewing other unconventional policies such as negative interest rates. It is mostly thanks to these strong expansionary policies, risky assets performed well throughout the summer despite bleak background looking macroeconomic data points.

From an economic data perspective, the severity of the lockdown was highlighted in the latest GDP figure which showed that the UK economy shrank 20.4% in the second quarter versus the prior quarter, the biggest contraction of any major European economy in the period, a factor attributed to the UK's relatively long lockdown and the economy's large tilt to consumer services. However, as lockdown eased near the end of the second quarter, the UK appeared on course to recover much of the lost ground in the third quarter, helped by a rebound in consumer spending – retail sales rose 3.6% in July versus the prior month. On Brexit, there has been little substantive progress in UK-EU trade talks; the likelihood is still that there will eventually be bare bones trade deal, that may resemble a no-deal outcome, but it is unlikely to come together before September or October.

Against a backdrop of a global pandemic, we saw inflation expectations initially fall amid the global risk-off shift in financial markets and collapsing commodity prices with US oil prices turning negative as demand for crude dried up. As global central banks stepped in with their sizeable monetary stimulus programs, this placed upward pressure on market inflation expectations and UK breakeven rates started to climb from their April lows. As UK breakevens continued to climb throughout the summer, we started to think that the market was overpricing the degree of future UK inflation, particularly in the context of the current recession. This made UK inflation-linked bonds, especially short-dated bonds, expensive compared to global inflation-linked bonds. In July, we saw long-end real yields reach all-time lows and breakeven rates reaching close to the pre-Covid highs. In August, we saw UK index-linked gilts perform poorly with real yields moving substantially higher as the conventional gilts curve bear steepened significantly over the month. The long duration of the benchmark index, as well as the fund, meant that the index-linked gilts were especially hurt by the aggressive selloff in conventional bonds. While an increase in breakeven

# Investment Review continued

inflation partially compensated the rise in conventional bonds, we saw real yields substantially rise along with their conventional counterparts.

## Portfolio Review

The fund's central five strategies to generate returns are duration, curve positioning, relative value, cross market and break-evens.

We started off in September 2019 with a curve flattening position with an overweight to ultra-long dated index-linked gilts versus shorter dated index-linked gilts, and we increased this positioning following the syndication. We remained underweight to the 10-year part of the curve as this was looking relatively expensive. As we remained marginally long for global duration, the rise in global inflation-linked yields in Q4 proved negative for returns. Returns were further hit at the start of Q4 as our preferred part of the curve (3-7 years) was the worst-performing part of the curve. However, at the end of Q4, our preference for the 15- to 25-year belly of the curve and underweight of the 10-year contributed positively to returns, as this area led the sell-off.

At the start of 2020, as the economic data showed signs of improving, we were positioned for global deflation and moved the fund underweight duration against the benchmark. However, based on our concerns regarding the outbreak of the coronavirus pandemic we covered some of our underweight duration exposure and ended the month 1.1 years underweight. By mid-February, we completely moved long duration relative to the benchmark as the spread of the COVID-19 virus internationally pointed to an exponential spread of the virus and a growing threat to global growth. We remained bullish on the 15- to 25-year part of the curve which we deemed to be the most attractive in terms of valuation. In terms of our cross-market positioning, we believed the risks of an election-breaking victory in the Italian regional election in Emilia Romagna was not priced in by the market, and hence we trimmed our Italian inflation-linked bond positions. By mid-March, we went underweight duration at the portfolio level given that we perceived the move in index-linked gilts to be overdone. Through Q1 2020, we maintained a 10-year US position and we also held some US TIPS.

We remained underweight duration relative to the benchmark throughout the second quarter of 2020 as we believed that index-linked gilts were rich in valuation terms, especially compared to global inflation markets. Moreover, as we expected short-term inflation in the UK to be depressed due to the underlying macroeconomic factors, we preferred to remain underweight inflation-linked gilts relative to the benchmark and express our position in the longer-end of the curve – hence, we further added to our overweight to the ultra-long part of the curve.

While our view remained that UK inflation-linked bonds are expensive, we reduced our underweight in UK duration against the benchmark throughout July by gaining exposure in long-end linkers – against a backdrop of a steepening curve, we reversed our curve positioning rotating from the 5- to 10-year section into the 20- to 30-year and 30- to 40-year part of the curve. At the start of August, we covered our short duration position following some index-linked gilt supply by buying the 52s, as we believed that the more favorable immediate supply outlook would support long dated breakevens. However, in August, we became steadily more nervous about government bond valuations. With government bonds now offering increasingly poor asymmetry, given the still historically very low yields and the central scenario we still have – a continued global economic recovery, we accordingly increased our underweight to UK inflation-linked bonds by the end of August. We end the month -1.77 years underweight headline duration.

## Outlook

The global economy appeared to be stalling a little in July, due largely to a jump in COVID-19 infections in the US but appears to be reaccelerating modestly in August. While we clearly don't expect any major central banks to hike interest rates in the next 12 months, we have felt that it's only a matter of time until markets start to consider monetary policy tightening, where even if rate hikes only begin in 4-5 years from now, this is still more than most markets are currently pricing in.

While we do not buy into the argument that the world is about to see a surge in inflation, we can say with a high degree of confidence that inflation rates will be higher than many central banks' targets around Q2 next year. Most of this is simply due to year-on-year base effects, where for example oil prices were close to zero in April 2020, but where even if WTI fails to move

# Investment Review continued

higher from current price of just above \$40/barrel, it will represent a big % increase.

Investors remain deeply uncertain over the medium to long term effects of all the stimulus seen this year. If US CPI and US real GDP growth are both running above 3%, which could easily happen in mid-2021, it is inevitable that at some stage market participants will question why interest rates are zero or negative, and why central banks are doing QE. Of course, assuming energy prices don't surge over the remainder of 2021, the leap in CPI should simply move lower again the following year. But the realized higher inflation numbers will likely serve to feed the reflation narrative. And if COVID-19 vaccines are being mass produced at that stage too, which seems possible, then the risk of a taper tantrum gets larger still.

On the other hand, given the rising macro risks e.g. uncertainty revolving the second wave spread of the coronavirus and stalling Brexit negotiations, a renewed deterioration in the UK could invite for more monetary stimulus supporting yields at current levels and increasing inflation expectation further, or a no-deal Brexit could cause a sterling selloff which may increase UK specific inflation expectations. There is an additional risk that is still hanging over the UK inflation market which is the delayed RPI consultation on whether index linked gilts maturing from 2030 onwards could see the inflation reference rate changed from RPI to a CPI based measure. If this change takes place without existing holders of longer dated index linked gilts being offered compensation, then the securities could see large losses, given that CPI inflation measures tend to be around 1% per year lower on average.

# Portfolio Statement

As at 31 August 2020

Nominal		Market Value £'000	% of Net Assets
<b>Sterling Denominated Fixed Rate Government Bonds - 88.81% (2019 - 89.00%)</b>			
£450,000	Treasury 1.625% 22/10/2071	608	0.42
£6,100,000	Treasury Inflation Linked 0.125% 22/03/2024	8,217	5.72
£4,650,000	Treasury Inflation Linked 0.125% 22/03/2029	7,432	5.18
£6,450,000	Treasury Inflation Linked 0.125% 22/11/2036	11,238	7.83
£1,881,000	Treasury Inflation Linked 0.125% 10/08/2041	3,278	2.28
£1,800,000	Treasury Inflation Linked 0.125% 22/03/2044	3,743	2.61
£200,000	Treasury Inflation Linked 0.125% 22/11/2065	569	0.40
£6,670,000	Treasury Inflation Linked 0.25% 22/03/2052	16,366	11.40
£6,234,000	Treasury Inflation Linked 0.375% 22/03/2062	19,271	13.42
£3,500,000	Treasury Inflation Linked 0.5% 22/03/2050	9,890	6.89
£5,800,000	Treasury Inflation Linked 0.625% 22/11/2042	14,769	10.29
£1,700,000	Treasury Inflation Linked 1.25% 22/11/2027	3,447	2.40
£3,400,000	Treasury Inflation Linked 1.25% 22/11/2055	13,919	9.69
£7,300,000	Treasury Inflation Linked 1.875% 22/11/2022	11,566	8.05
£622,000	Treasury Inflation Linked 2.5% 17/07/2024	2,245	1.56
£250,000	Treasury Inflation Linked 4.125% 22/07/2030	963	0.67
		<b>127,521</b>	<b>88.81</b>
<b>Euro Denominated Fixed Rate Government Bonds - 0.00% (2019 - 7.06%)</b>			
<b>US Dollar Denominated Fixed Rate Government Bonds - 9.32% (2019 - 3.18%)</b>			
\$5,000,000	Treasury Inflation Indexed Bonds 0.125% 15/04/2022	4,067	2.83
\$7,000,000	Treasury Inflation Indexed Bonds 0.5% 15/04/2024	5,737	4.00
\$4,000,000	Treasury Inflation Indexed Bonds 0.875% 15/01/2029	3,580	2.49
		<b>13,384</b>	<b>9.32</b>
<b>DERIVATIVES - 1.02% (2019 - (0.35)%)</b>			
<b>Sterling Open Futures Contracts - 0.02% (2019 - 0.00%)</b>			
(50)	Long Gilt December 2020 Futures	26	0.02
		<b>26</b>	<b>0.02</b>
<b>Sterling Interest Rate Swaps - 0.37% (2019 - (0.13)%)</b>			
15,000,000	Receive 3.6% Pay Variable 15/05/2024	530	0.37
		<b>530</b>	<b>0.37</b>
<b>Euro Open Forward Exchange Contracts - 0.00% (2019 - (0.07)%)</b>			
<b>US Dollar Open Forward Exchange Contracts - 0.63% (2019 - 0.00%)</b>			
	Bought USD544,453 for GBP430,000 Settlement 17/09/2020	(21)	(0.01)
	Sold USD18,873,159 for GBP15,113,053 Settlement 17/09/2020	928	0.64
		<b>907</b>	<b>0.63</b>
	Investment assets <sup>1</sup>	142,368	99.15
	Net other assets	1,219	0.85
	<b>Net assets</b>	<b>143,587</b>	<b>100.00</b>

<sup>1</sup> Includes investment liabilities.<sup>2</sup> Unquoted Securities.

Unless otherwise stated, all investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market.

Note: Comparative figures show percentages for each category of holding at 31 August 2019.

Please refer to page 88 for details on the credit quality of the portfolio.

# Statement of Total Return

For the year ended 31 August 2020

	Notes	2020 £000s	2020 £000s	2019 £000s	2019 £000s
Income:					
Net capital (losses)/gains	2		(2,893)		20,779
Revenue	3	(92)		1,583	
Expenses	4	(267)		(202)	
Interest payable and similar charges		(6)		(1)	
Net (expense)/revenue before taxation		(365)		1,380	
Taxation	5	-		-	
Net (expense)/revenue after taxation			(365)		1,380
<b>Total return before distributions</b>			<b>(3,258)</b>		<b>22,159</b>
Distributions	6		(268)		(1,547)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(3,526)</b>		<b>20,612</b>

# Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 August 2020

	2020 £000s	2020 £000s	2019 £000s	2019 £000s
Opening net assets attributable to shareholders		135,257		63,574
Amounts receivable on issue of shares	53,083		63,124	
Amounts payable on cancellation of shares	(41,248)		(12,104)	
		11,835		51,020
Dilution adjustment		5		-
<b>Change in net assets attributable to shareholders from investment activities (see above)</b>		<b>(3,526)</b>		<b>20,612</b>
Retained distributions on accumulation shares		16		51
<b>Closing net assets attributable to shareholders</b>		<b>143,587</b>		<b>135,257</b>

Notes to the final report and Financial Statements are from page 81 to 89.

# Balance Sheet

As at 31 August 2020

	Notes	2020 £000s	2020 £000s	2019 £000s	2019 £000s
<b>Assets:</b>					
Fixed assets:					
Investments			142,389		134,324
Current assets:					
Debtors	7	496		463	
Cash and bank balances	8	775		1,947	
<b>Total assets</b>			<b>143,660</b>		<b>136,734</b>
<b>Liabilities:</b>					
Investment liabilities					
			(21)		(569)
Creditors:					
Distribution payable		-		(837)	
Other creditors	9	(52)		(71)	
<b>Total liabilities</b>			<b>(73)</b>		<b>(1,477)</b>
<b>Net assets attributable to shareholders</b>			<b>143,587</b>		<b>135,257</b>

Notes to the final report and Financial Statements are from page 81 to 89.

# Notes to the Final Report and Financial Statements

## 1. Accounting Basis and Policies

The applicable accounting policies adopted by the Allianz Index-Linked Gilt Fund are included on pages 8 to 13 of the Collective Notes to the Final Report and Financial Statements.

## 2. Net capital gains

	2020 £000s	2019 £000s
(Losses)/gains on non-derivative securities	(5,446)	21,684
Gains/(losses) on derivative securities	1,599	(467)
Gains/(losses) on currency	429	(16)
Gains/(losses) on forward currency contracts	528	(419)
Handling charges	(3)	(3)
<b>Net capital (losses)/gains</b>	<b>(2,893)</b>	<b>20,779</b>

## 3. Revenue

	2020 £000s	2019 £000s
Bank interest	4	2
Interest on fixed income securities	(161)	1,589
Returns from bond futures	65	(8)
<b>Total revenue</b>	<b>(92)</b>	<b>1,583</b>

# Notes to the Final Report and Financial Statements continued

## 4. Expenses

	2020	2019
	£000s	£000s
<b>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director, and agents of either of them:</b>		
ACD's annual fee	271	205
ACD rebate*	(52)	(54)
Company secretarial costs	-	1
	219	152
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	24	18
Safe custody fees	6	4
	30	22
<b>Other expenses:</b>		
Audit fees	12	12
Distribution costs	6	14
Printing costs	(2)	2
Registration fees	1	-
Other expenses	1	-
	18	28
<b>Total expenses</b>	<b>267</b>	<b>202</b>

All expenditure stated above is inclusive of VAT where applicable.

The Audit fee for the year, excluding VAT, was £11,100 (2019 - £10,170).

\*Operating charges for each subfund are capped. E Shares are capped at 0.20%, W Shares are capped at 0.30%. Any charges in excess of this amount are borne by the Manager. This is operated by way of a fee rebate from the ACD.

# Notes to the Final Report and Financial Statements continued

## 5. Taxation

	2020	2019
	£000s	£000s
<b>a. Analysis of the taxation charge for the year:</b>		
Total taxation for the year (see Note 5(b))	-	-
<b>b. Factors affecting taxation charge for the year:</b>		
The taxation assessed for the year is higher than the standard rate of corporation tax in the UK for a subfund of an Open-Ended Investment Company (20%) (2019 - 20%).		
The differences are explained below:		
Net (expense)/revenue before taxation	(365)	1,380
Corporation tax at 20%	(73)	276
<b>Effects of:</b>		
Indexation relief on index linked gilts	(135)	(586)
Surplus allowable expenses arising in the year	208	310
<b>Total taxation charge for the year (see Note 5(a))</b>	<b>-</b>	<b>-</b>

OEICs are exempt from tax on capital gains in the UK, therefore capital returns are not included within the reconciliation.

### c. Provision for deferred tax

There is no provision required for deferred taxation at the Balance Sheet date in the current year or prior period.

### d. Factors that may affect future tax charges

At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £536,000 (2019 : £328,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the year.

## 6. Distributions

The distributions take account of revenue received on the creation of Shares and revenue deducted on the cancellation of Shares and comprise:

	2020	2019
	£000s	£000s
Interim	289	867*
Final	-	861*
Add: Revenue deducted on cancellation of shares	27	31
Deduct: Revenue received on creation of shares	(48)	(212)
<b>Net distributions for the year/period</b>	<b>268</b>	<b>1,547</b>

### Reconciliation of net (expense)/revenue after taxation to net distributions for the year

Net (expense)/revenue after taxation	(365)	1,380
Add: Capitalised ACD fee rebate	(43)	(38)
Add: Capitalised expenses	271	205
Net revenue shortfall taken to capital	405	-
<b>Net distributions for the year</b>	<b>268</b>	<b>1,547</b>

\* Prior year figures have been split into the period they were distributed.

# Notes to the Final Report and Financial Statements continued

## 7. Debtors

	2020	2019
	£000s	£000s
Accrued ACD's fee rebate	4	9
Accrued revenue	159	109
Amounts receivable on creation of shares	333	345
	<b>496</b>	<b>463</b>

## 8. Cash and bank balances

	2020	2019
	£000s	£000s
Cash and bank balances	603	1,947
Amount held at futures clearing houses and brokers	172	-
	<b>775</b>	<b>1,947</b>

## 9. Other creditors

	2020	2019
	£000s	£000s
<b>a. Distribution payable</b>		
Net distribution payable	-	837
<b>b. Other creditors</b>		
Accrued ACD's annual fee	23	21
Amounts payable on cancellation of shares	1	-
Other accrued expenses	28	50
	<b>52</b>	<b>71</b>

## 10. Related party transactions

The ACD is deemed to be a related party under the definition of Financial Reporting Standard 102, which requires the disclosure of details of material transactions between the subfund and any related party.

Details of any related party transactions occurring during the year including commissions paid and any balances due at the year end are disclosed in the Balance Sheet, the Statement of Change in Net Assets Attributable to Shareholders and Notes 4, 8 and 10 to the financial statements. All creations and cancellations were transacted with the ACD.

# Notes to the Final Report and Financial Statements continued

## 11. Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of net revenue included in the purchase price of all Group 2 shares. In the case of Accumulation shares, it is automatically reinvested in the subfund at the first distribution payment date after the shares were purchased. Being a capital repayment it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## 12. Shareholders' funds

The subfund currently has two share classes: E and W. The ACD's annual fee on these share classes are as follows:

Class E :	0.20%
Class W :	0.30%

The net asset value per share and the number of shares in issue are given in the Comparative Tables on page 72 and 73.

The distribution per share is given in the Distribution Table on page 74.

Revenue available for allocation will be allocated between the share classes based on the respective proportionate interests represented by those share classes on a daily basis and taxation is computed by reference to the net revenue after expenses attributable to each class. All share classes have the same rights on winding up.

For the year ended 31 August 2020:

	Class E Shares Income	Class E Shares Accumulation	Class W Shares Income	Class W Shares Accumulation
Opening shares	106,243,889	1,980,014	1,920,739	1,318,637
Shares created	33,917,035	10,016,051	578,230	1,189,599
Shares cancelled	(31,005,853)	(2,581,390)	(544,799)	(1,280,552)
Shares converted	(8,400)	-	8,419	-
<b>Closing shares</b>	<b>109,146,671</b>	<b>9,414,675</b>	<b>1,962,589</b>	<b>1,227,684</b>

## 13. Contingent liabilities and commitments

As at 31 August 2020 there were no contingent liabilities (2019: £Nil).

# Notes to the Final Report and Financial Statements continued

## 14. Derivatives and other financial instruments

### a. Currency exposure

A proportion of the net assets and liabilities of the subfund are denominated in currencies other than Sterling, with the effect that the total net assets and total return can be affected by currency movements.

	Monetary Exposure	Non-Monetary Exposure	Total Exposure	Monetary Exposure	Non-Monetary Exposure	Total Exposure
Currency	31 August 2020 £000s	31 August 2020 £000s	31 August 2020 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s
Euro currency	11	-	11	(8,902)	9,548	646
US Dollar	(13,601)	13,384	(217)	(4,306)	4,297	(9)

### b. Interest rate risk profile

The interest rate profile of the subfund's portfolio of investments at the balance sheet date was:

	Floating Rate	Fixed Rate	Non-Interest	Total	Floating Rate	Fixed Rate	Non-Interest	Total
Currency	31 August 2020 £000s	31 August 2020 £000s	31 August 2020 £000s	31 August 2020 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s
Assets	-	140,905	1,463	142,368	-	134,221	103	134,324
Liabilities	-	-	-	-	-	-	(569)	(569)

### c. Sensitivity analysis

#### Market price sensitivity

The value of the subfund's listed investments, which were exposed to market price risk as at 31 August was as follows:

	2020 £000s	2019 £000s
Bonds	140,905	134,221
Interest Rate swaps	15,530	(173)
Open future contracts	26	-

The following illustrates the sensitivity of the net return and the net assets to an increase or decrease of 20% (2020 - 20%) in the fair values of the subfund's investments. This level of change is considered to be reasonably possible based on observation of market conditions in the year. The sensitivity analysis is based on the impact of a change to the value of the subfund's investments at each balance sheet date.

	2020 20% Increase in fair value £000s	2020 20% Decrease in fair value £000s	2019 20% Increase in fair value £000s	2019 20% Decrease in fair value £000s
Capital Return				
Net gains (losses) on investments at fair value	31,292	(31,292)	26,810	(26,810)

# Notes to the Final Report and Financial Statements continued

## Foreign currency risk sensitivity

The following table details the subfund's sensitivity to a 20% increase and decrease in sterling against the relevant foreign currencies and the resultant impact that any such increase or decrease would have on the net return and net assets. The sensitivity analysis includes all foreign currency denominated items and adjusts their translation at the year end for a 20% change in foreign currency rates.

	2020	2020	2019	2019
	20% Increase in Sterling against foreign currencies £000s	20% Decrease in Sterling against foreign currencies £000s	20% Increase in Sterling against foreign currencies £000s	20% Decrease in Sterling against foreign currencies £000s
Euro currency	(2)	3	(108)	161
US Dollar	36	(54)	2	(2)
<b>Change in net return and net assets</b>	<b>34</b>	<b>(51)</b>	<b>(106)</b>	<b>159</b>

## Interest rate risk sensitivity

Duration measures the sensitivity of a portfolio's price to change in interest rates. The calculation of duration incorporates yield, coupon, final maturity and other relevant factors. Duration is considered to be an accurate predictor of price changes for small, parallel shifts of the yield curve. For every 0.01% movement in interest rates, a portfolio with a duration of one year will move in price by 0.01% in the opposite direction.

As at the 31 August 2020, the net asset value was £143.6m (2019 - £135.3m) (before the deduction of the interest distribution) with a duration of 16.70 years (2019 - 18.57 years).

Thus, for example, an increase of 0.25% in the interest rates would result in a fall of 4.18% or £6.00m (2019 - 4.64% or £6.28m) in the value of the portfolio.

## d. Leverage

The use of derivatives may expose the subfund to a higher degree of risk. In particular, derivative contracts can be highly volatile and the amount of initial margin is generally small relative to the size of the contract so that transactions may be leveraged in terms of market exposure. A relatively small market movement may have a potentially larger impact on derivatives than on standard bonds or equities. Leveraged derivative positions can therefore increase a subfund's volatility. The leverage is calculated on a commitment basis, by taking the sum of the net asset value and the incremental exposure generated through the use of derivatives and is expressed as a percentage of the net asset value. The average level of leverage employed by the subfund during the year was 1.35%.

## e. Fair value hierarchy

An analysis of the portfolio in accordance with the fair value hierarchy is shown below:

	Assets	Liabilities	Assets	Liabilities
	31 August 2020 £000s	31 August 2020 £000s	31 August 2019 £000s	31 August 2019 £000s
Level 1: Quoted	140,905	-	134,221	-
Level 2: Observable	1,463	-	103	(569)
Level 3: Unobservable	-	-	-	-
	<b>142,368</b>	<b>-</b>	<b>134,324</b>	<b>(569)</b>

The fair value as at the reporting date has been estimated using the following fair value hierarchy:

### Level (1) Quoted prices for identical instruments in active markets

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

### Level (2) Valuation techniques that use:

Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

### Level (3) Valuation techniques that use:

Inputs that are unobservable (i.e. for which market data is unavailable) for the asset or liability.

When the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate, the fair value is estimated by using an alternative valuation technique. Such valuation techniques will, where possible, maximise the use of observable market data inputs as opposed to non-observable entity determined data inputs.

The Investment Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

## f. Maturity of financial liabilities

All liabilities are due in one year or less or on demand (2019 - same).

# Notes to the Final Report and Financial Statements continued

## g. Fair value disclosure

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value.

## i. Credit rating

	2020	2020	2019	2019
	Market Value £000s	% of Net Assets	Market Value £000s	% of Net Assets
Investment Grade	140,905	98.13	134,221	99.24
Derivatives	1,463	1.02	(466)	(0.35)
Other assets	1,219	0.85	1,502	1.11
<b>Total net assets</b>	<b>143,587</b>	<b>100.00</b>	<b>135,257</b>	<b>100.00</b>

A fixed income security is deemed to be of investment grade, if it is rated BBB- or above.

## 15. Portfolio transaction costs

For the year ended 31 August 2020:

	Transaction Value 2020 £000s	Commissions 2020 £000s	Commissions 2020 %	Taxes 2020 £000s	Taxes 2020 %
<b>Purchases</b>					
Debt instruments (direct)	243,590	-	-	-	-
Derivatives		1	-	-	-
Total purchases	243,590	1	-	-	-
Total purchases including transaction costs	243,591				
	Transaction Value 2020 £000s	Commissions 2020 £000s	Commissions 2020 %	Taxes 2020 £000s	Taxes 2020 %
<b>Sales</b>					
Debt instruments (direct)	(230,945)	-	-	-	-
Derivatives		(1)	-	-	-
Total sales	(230,945)	(1)	-	-	-
Total sales including transaction costs	(230,944)				
<b>Derivative Transaction costs</b>		-		-	
<b>Total transaction costs as a % of average net assets</b>		0.00%		0.00%	
	Transaction Value 2019 £000s	Commissions 2019 £000s	Commissions 2019 %	Taxes 2019 £000s	Taxes 2019 %
<b>Purchases</b>					
Debt instruments (direct)	421,755	-	-	-	-
Derivatives	-	1	-	-	-
Total purchases	421,755	1	-	-	-
Total purchases including transaction costs	421,756				

# Notes to the Final Report and Financial Statements continued

	Transaction Value 2019 £000s	Commissions 2019 £000s	Commissions 2019 %	Taxes 2019 £000s	Taxes 2019 %
<b>Sales</b>					
Debt instruments (direct)	373,465	-	-	-	-
Derivatives	-	(1)	-	-	-
Total sales	373,465	(1)	-	-	-
Total sales including transaction costs	373,466				
<b>Total transaction costs as a % of average net assets</b>		<b>0.00%</b>		<b>0.00%</b>	

The above analysis covers any direct transaction costs suffered by the subfund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

For the subfund's investment transactions in debt and money market instruments any applicable transaction charges form part of the dealing spread for these instruments.

Transactions in money market instruments to manage the subfund's daily liquidity position are excluded from the analysis.

During the period the subfund utilised futures contracts as derivative instruments covering different underlying asset classes. The settlement values for opening and closing derivative positions are not comparable to principal values for transactions in direct holding investments and therefore purchase and sale amounts for derivative transactions are not quantified in the analysis above. Transaction costs for derivatives positions will be either suffered as direct costs or form part of the dealing spread for the instruments. Any direct costs are identified in the analysis above.

Dealing spread costs suffered by the subfund vary considerably for the different asset / instrument types depending on a number of factors including transaction value and market sentiment.

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.14% (2019 : 0.10%).

# Fund Information

## Investment Objective and Policy

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

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

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

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

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

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

The Fund may use the derivative instruments listed above for hedging purposes and/or for investment purposes, which may

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

## Fund Details

Fund Manager	Mike Riddell	
Benchmark	Bloomberg Barclays Global Aggregate Index hedged to GBP	
Underlying Yield to 28		
August 2020	A Shares	0.19%
	C Shares	0.84%
	I Shares	1.05%
Distribution Yield to		
28 August 2020	A Shares	0.19%
	C Shares	0.84%
	I Shares	1.05%
Income allocation		
dates	Interim	28 February*
	Final	31 August
Income pay dates	Interim	30 April
	Final	31 October
Launch dates	Fund	16 May 2002
	A Shares	16 May 2002
	C Shares	1 April 2005
	I Shares (Inc)	28 July 2016
	I Shares (Acc)	10 April 2019
ISA status	Yes	
Share Classes and types of Shares	A (Income Shares)	
	C (Income Shares)	
	I (Income Shares)	
Minimum investment	A Shares	Lump sum £500
		Monthly saving £50
	C Shares	Lump sum £500
		Monthly saving £50
	I Shares	Lump sum £10,000,000
Initial charge	A Class	Nil
	C Class	Nil
	I Class	Nil
Annual ACD fee	A Class	1.25%
	C Class	0.60%
	I Class	0.39%

\*29 February in a leap year

# Comparative Tables

For the year ended 31 August 2020

	A Shares Income			C Shares Income		
	2020 (p)	2019 (p)	2018 (p)	2020 (p)	2019 (p)	2018 (p)
Opening net asset value per share	170.25	148.52	151.88	170.80	148.95	152.35
Return before operating charges	45.40	25.99	(0.45)	45.61	26.11	(0.48)
Operating charges	(2.39)	(2.20)	(2.27)	(1.19)	(1.02)	(1.19)
Return after operating charges	43.01	23.79	(2.72)	44.42	25.09	(1.67)
Distributions	(5.01)	(2.06)	(0.64)	(6.25)	(3.24)	(1.73)
Closing net asset value per share	208.25	170.25	148.52	208.97	170.80	148.95
After direct transaction costs of <sup>1</sup>	-	-	-	-	-	-
<b>Performance</b>						
Return after operating charges	25.26%	16.02%	(1.79)%	26.01%	16.84%	(1.10)%
<b>Other information</b>						
Closing net asset value (£'000)	45,717	25,215	18,658	567,672	180,085	17,124
Closing number of shares	21,953,519	14,810,702	12,562,546	271,651,064	105,436,725	11,496,663
Operating charges	1.29%	1.41%	1.52%	0.63%	0.65%	0.79%
Direct transaction costs	-	-	-	-	-	-
<b>Prices</b>						
Highest share price	216.31	171.66	152.35	217.65	172.83	153.37
Lowest share price	165.86	145.01	146.89	166.65	145.53	147.63

<sup>1</sup> Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the subfund and share class returns before operating charges.

Operating charges represents all operating charges and expenses and is expressed as a percentage of the average net asset value. It includes the annual ACD fee as well as all the administrative expenses including custodial transaction charges incurred by the subfund.

# Comparative Tables continued

For the year ended 31 August 2020

	I Shares Income			I Shares Accumulation	
	2020 (p)	2019 (p)	2018 (p)	2020 (p)	2019 (p)
Opening net asset value per share	109.85	95.77	97.94	108.65	100.00
Return before operating charges	29.35	16.82	(0.32)	29.18	8.82
Operating charges	(0.52)	(0.43)	(0.51)	(0.51)	(0.17)
Return after operating charges	28.83	16.39	(0.83)	28.67	8.65
Distributions	(4.27)	(2.31)	(1.34)	(4.23)	(0.84)
Retained distributions on accumulation shares	-	-	-	4.23	0.84
Closing net asset value per share	134.41	109.85	95.77	137.32	108.65
After direct transaction costs of <sup>1</sup>	-	-	-	-	-
<b>Performance</b>					
Return after operating charges	26.24%	17.11%	(0.85)%	26.39%	8.65%
<b>Other information</b>					
Closing net asset value (£'000)	1,316,826	332,226	20,982	332,940	59,298
Closing number of shares	979,732,200	302,440,926	21,908,707	242,447,981	54,576,140
Operating charges	0.42%	0.42%	0.52%	0.42%	0.45%
Direct transaction costs	-	-	-	-	-
<b>Prices</b>					
Highest share price	140.11	111.27	98.73	139.44	108.86
Lowest share price	107.23	93.61	94.99	106.06	99.55

<sup>1</sup> Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the subfund and share class returns before operating charges.

Operating charges represents all operating charges and expenses and is expressed as a percentage of the average net asset value. It includes the annual ACD fee as well as all the administrative expenses including custodial transaction charges incurred by the subfund.

Share Class I Accumulation was launched on 11 April 2019.

# Distribution Tables

## For the year ended 31 August 2020

### Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 September 2019

Group 2 Shares purchased on or after 1 September 2019 to 29 February 2020

	Gross revenue (p)	Equalisation (p)	Distribution paid 30/04/20 (p)	Distribution paid 30/04/19 (p)
<b>A Shares Income</b>				
Group 1	0.3298	-	0.3298	0.9953
Group 2	0.1604	0.1694	0.3298	0.9953
<b>C Shares Income</b>				
Group 1	0.8943	-	0.8943	1.5499
Group 2	0.3881	0.5062	0.8943	1.5499
<b>I Shares Income</b>				
Group 1	0.6890	-	0.6890	1.1046
Group 2	0.3454	0.3436	0.6890	1.1046
<b>I Shares Accumulation</b>				
Group 1	0.6797	-	0.6797	n/a
Group 2	0.2956	0.3841	0.6797	n/a

### Final Distribution in pence per share

Group 1 Shares purchased prior to 1 March 2020

Group 2 Shares purchased on or after 1 March 2020 to 31 August 2020

	Gross revenue (p)	Equalisation (p)	Distribution payable 31/10/20 (p)	Distribution paid 31/10/19 (p)
<b>A Shares Income</b>				
Group 1	4.6802	-	4.6802	1.0674
Group 2	2.5686	2.1116	4.6802	1.0674
<b>C Shares Income</b>				
Group 1	5.3539	-	5.3539	1.6946
Group 2	2.7440	2.6099	5.3539	1.6946
<b>I Shares Income</b>				
Group 1	3.5854	-	3.5854	1.2045
Group 2	2.1027	1.4827	3.5854	1.2045
<b>I Shares Accumulation</b>				
Group 1	3.5459	-	3.5459	0.8440
Group 2	2.1937	1.3522	3.5459	0.8440

Share Class I Accumulation was launched on 11 April 2019.

Investors are reminded that distribution is not guaranteed.

# Investment Review

## Performance Summary

Over the period under review, 1st September 2019 to 31st August 2020, the Allianz Strategic Bond Fund's C Inc class produced a total return of 26.23%. The Fund's benchmark, the Barclays Global Aggregate Total Return GBP Hedged, produced a total return of 2.21% over the same period.\*

\* Source: Allianz Global Investors/Datastream. Fund performance based on midday prices using the mid market price portfolio valuation, net of fees and expenses, with net revenue re-invested in Sterling. Performance for the 'I' class has not been included as it has been in existence for less than twelve months. Performance per comparative table based on bid market price portfolio valuation at midday on the last day of the accounting period and with related accounting adjustments. Benchmark performance based on midday prices.

## Market Background

The last quarter of 2019 was characterized by a supportive setting for risk assets against a backdrop of an improving outlook of the key geopolitical risks at the time, driven by Brexit and US-China relations and talk about the weakening global data having bottomed. In the UK, the general election results in December saw Boris Johnson remain as PM, winning with a comfortable majority as numerous Labour seats fell to the Conservatives. Sterling surged on the back of the results as some of the political uncertainty had started to clear. On the same day, announcements regarding a Sino-US trade agreement contributed to further risk-asset strength. Global money supply growth improved into year-end, signalling a stabilisation in economic conditions. Economic data change indices improved in the world's major economies, particularly the US and Eurozone. Consequently, we saw global bond markets sell off in the period, while implied volatility in bond markets continued its fall from October. Everywhere, volatility looked to be too depressed, and this remained particularly true in FX markets which were still pricing in a permanent end to currency wars. A change in the macro regime would likely shift this volatility regime.

Come January, we saw a major inflection point when the coronavirus outbreak began to hit global markets as confirmed cases increased on an exponential scale, with new cases, deaths and countries infected confirmed as the month wore on. It wasn't until February, when cases began emerging in South Korea, Italy and Iran that risky assets finally began pricing in the impact of a shutdown of the global economy, and we saw the unwind of several crowded carry trades. Liquidity remained an underlying issue in financial markets, and we saw liquidity conditions across markets drop at the end

of February as volatility picked up. In response, we saw global central banks and governments act swiftly to stave off a full-blown financial crisis. The US Federal Reserve, in particular, took aggressive action early, announcing a 50 basis point cut in the Federal Funds Rate on the 3rd March, before cutting a further 100 basis points mid-month to near zero. As part of this 'bazooka' response, the Fed also announced further monetary measures, including extending dollar swap lines to help ease liquidity issues throughout the global economy. Perhaps most significantly was the open-end purchase programme from the Fed, which for the first time included corporate bonds in addition to treasuries and mortgages. In addition to monetary measures, governments across the globe introduced social distancing measures to limit the spread and damage of the virus and announced varying fiscal responses to fight the virus, the most significant of which was the US' \$2 trillion fiscal package.

The range of supportive monetary conditions introduced by central banks, together with the pricing in of an economic downturn, saw credit spreads approach attractive levels in the latter part of March. Although the large monetary and fiscal stimulus increased long term inflation expectations, in the short term the collapse of energy prices and the recessionary environment kept inflation expectations at bay. By May, we saw global government bond yields trend higher, reflecting the modest easing in risk-off sentiment against diverging backward-looking economic data points which mirrored the damage from the lockdown measures – we saw the German economy contract 2.2% q/q in Q1; the biggest slump since 2009. This global support in risk sentiment was largely a result of continued easing in financial conditions and economies slowly beginning to emerge from stringent lockdown measures.

Global government bond yields rose sharply, touching the highest levels since March and credit spreads continued to grind tighter at the start of the summer amid growing optimism over the outlook for the global economy. Economic data improved as lockdowns, travel restrictions and social-distancing measures eased for many countries. Over the summer, we saw a tug of war between central banks as they increased the size of their programs and rising concerns over a second wave with growing cases in Europe and the US, pulling markets in both directions as risk assets continued to grind higher while safe-haven demand remained strong – core government bonds gained further through July, while at the

# Investment Review continued

same time the credit rally carried on. In August, we saw a large sell-off in global government bond driven by the global selloff in rates on the back of the global reflation narrative.

## Portfolio Review

The fund's central four strategies to generate returns are duration, credit, inflation and FX markets.

Throughout Q4 2019, we held long positions in US and EUR inflation (alongside a short in UK inflation). Higher US and Eurozone inflation expectations and lower UK expectations proved positive for the fund. We continued to have a high conviction view that Italian government bonds were cheap on the Euro ratings curve, and this position performed very well. Some hedges we had against this in FX were naturally a drag on returns.

Entering 2020, we were positioned for global reflation expressed through an underweight in headline duration and overweight inflation markets, but towards the end of January it became apparent to us that the coronavirus outbreak was a game changer. We therefore exited out of our inflation positions and moved to be positioned for a spike in volatility, specifically via credit and FX, where valuations appeared most extreme. Specifically, some measures of Eurozone and US credit risk premia were the lowest since June 2007, which was surprising for the US, in particular, given that the non-financial sector has record leverage. Implied volatility on many currency pairs was at record lows. Suddenly there was an obvious catalyst that could cause a jump in risk premia. We moved from short to slightly long core rate duration in early February, but the size of the position was smaller than in FX and credit given government bonds were already pricing in some downside risks. This performed well through February and early March.

Following the announcements of enormous quantitative easing programmes and the huge swing in valuations, we moved much more supportive on credit. We took the portfolio from outright short credit to have about 65% in investment grade (IG) corporate bonds and 10% in Eurozone high yield via a credit default swap (CDS) – we built our long IG credit exposure mainly through the primary market in both the US and Europe. Investment grade spreads had widened out dramatically since the start of the year, and with a liquidity

squeeze in the commercial paper market, we saw a record amount of investment grade issuance as a result. As is typically for an already-stressed market, we were seeing highly-rated, single-A corporate issuers with bonds in the secondary market yielding where single-B companies were trading a few months ago, and on top of this primary issues were pricing with 30 to 60 basis points of new issue premium. Given that cash credit spreads had widened more than those on CDS, the attractiveness of these new issues and the liquidity provided by a new issue event, we were able to utilise the very liquid portfolio that we had to begin building a position in IG credit. Spread tightening since then has contributed positively to returns and we have slowly started to decrease our credit exposure as macroeconomic risks started to rise amid concerns over a second wave of infections. Moreover, aware of risks to our outlook, we've also held some hedges against this, among which are a long Japanese yen position, shorts in EM FX, and a short in peripheral Eurozone government bonds. We also expect central bank purchases to prove supportive for inflation expectations, and amid the market pricing of deflation for 2021, we added long positions in US inflation and more recently EUR inflation. We have also maintained shorts in UK inflation through 2020, and a short sterling position given our concerns over the Brexit negotiations.

On the back of rich valuations in government bonds, we moved the fund's headline duration to an underweight of around -2 years versus our benchmark by the end of August. We achieved this by continuing to reduce our long duration exposure stemming from corporate bonds and taking profit on bonds we picked up during the market dislocations in March. Besides reducing credit duration, we continued to build up short rates positions in Poland, Czech Republic and New Zealand, markets that we believe are particularly expensive, while we have also further reduced UK government bond exposure. Given growing macro risks and richer credit valuations, we have continued to reduce our credit exposure - to about 35% investment grade and 10% Eurozone high yield via credit default swaps compared to our benchmark's 30% in investment grade credit. As a result, we are still slightly overweight credit, and positioned 'risk-on', but we now prefer to express our 'risk-on' view in areas where we see better asymmetry, namely being underweight duration in rates and being long inflation.

# Investment Review continued

## Outlook

We are steadily becoming more nervous about government bond valuations. We can say with a high degree of confidence that inflation rates will be higher than many central banks' targets around Q2 next year – simply due to base effects. While we clearly don't expect any major central banks to hike interest rates in the next 12 months, we have felt that it's only a matter of time until markets start to consider monetary policy tightening, where even if rate hikes only begin in 4-5 years from now, this is still more than most markets are currently pricing in. Although we believe that a large 'taper tantrum' event only becomes a major risk from next year, government bonds now offer increasingly poor asymmetry, given the still historically very low yields and the central scenario we still have – a continued global economic recovery.

The key risk to our outlook is a continued rise in macro risks amid the uncertainty concerning the second wave spread of the coronavirus, and a renewed deterioration in global economy. Under this scenario, we would expect further gains in government bonds and further (unconventional) policies by central banks. We continue to build our portfolios with hedges in place against a risk-on environment through our FX strategy bucket, as well as our shorts in certain peripheral European rate markets.

# Portfolio Statement

As at 31 August 2020

Nominal		Market Value £'000	% of Net Assets
<b>Sterling Denominated Fixed Rate Government Bonds - 0.44% (2019 - 1.21%)</b>			
£10,800,000	Treasury 0.625% 22/10/2050	9,939	0.44
		<b>9,939</b>	<b>0.44</b>
<b>Sterling Denominated Fixed Rate Corporate Debt Securities - 0.39% (2019 - 0.00%)</b>			
£8,350,000	3i Group 3.75% 05/06/2040	8,756	0.39
		<b>8,756</b>	<b>0.39</b>
<b>Euro Denominated Fixed Rate Government Bonds - 2.80% (2019 - 39.63%)</b>			
€ 69,000,000	Bundesrepublik Deutschland Bundesanleihe 0% 15/05/2035	63,454	2.80
		<b>63,454</b>	<b>2.80</b>
<b>Euro Denominated Fixed Rate Corporate Debt Securities - 16.79% (2019 - 4.33%)</b>			
€ 35,300,000	Abertis Infraestructuras 2.25% 29/03/2029	32,279	1.43
€ 19,700,000	Aeroports de Paris 1.5% 02/07/2032	17,939	0.79
€ 10,700,000	Airbus 1.625% 09/06/2030	9,841	0.43
€ 25,450,000	Airbus 2.375% 07/04/2032	24,798	1.10
€ 23,250,000	Airbus 2.375% 09/06/2040	21,284	0.94
€ 18,950,000	Anheuser-Busch 3.7% 02/04/2040	21,249	0.94
€ 30,600,000	Auchan 2.875% 29/01/2026	28,120	1.24
€ 2,000,000	Auchan 3.25% 23/07/2027	1,841	0.08
€ 36,000,000	Bayer 1.375% 06/07/2032	32,926	1.45
€ 22,300,000	Cellnex Telecom 1.875% 26/06/2029	20,257	0.90
€ 26,750,000	Daimler 2.375% 22/05/2030	26,622	1.18
€ 20,350,000	Fiat Chrysler Automobiles 4.5% 07/07/2028	20,471	0.90
€ 21,200,000	Infineon Technologies 2% 24/06/2032	20,016	0.88
€ 24,900,000	JAB 3.375% 17/04/2035	26,133	1.15
€ 21,250,000	Signify 2.375% 11/05/2027	19,922	0.88
€ 33,470,000	Verizon Communications 1.85% 18/05/2040	31,650	1.40
€ 24,250,000	Volkswagen Financial Services 3.375% 06/04/2028	24,966	1.10
		<b>380,314</b>	<b>16.79</b>
<b>US Dollar Denominated Fixed Rate Government Bonds - 13.78% (2019 - 20.39%)</b>			
\$28,650,000	Argentine Republic Government International Bond 6.875% 11/01/2048	9,207	0.41
\$39,500,000	Egypt Government International Bond 8.875% 29/05/2050	30,631	1.35
\$22,120,000	Lebanon Government International Bond 6.85% 23/03/2027	2,649	0.12
\$39,350,000	Mexico Government International Bond 5% 27/04/2051	33,778	1.49
\$92,000,000	Treasury 0.625% 15/05/2030	68,431	3.02
\$65,000,000	Treasury 1.625% 15/08/2029	52,883	2.34
\$65,500,000	Treasury 2.25% 15/11/2027	55,197	2.44
\$48,500,000	Treasury 2.875% 15/08/2028	42,893	1.89
\$21,900,000	Ukraine Government International Bond 7.253% 15/03/2033	16,355	0.72
		<b>312,024</b>	<b>13.78</b>
<b>US Dollar Denominated Fixed Rate Corporate Debt Securities - 15.75% (2019 - 1.24%)</b>			
\$1,649,000	Anglo American Capital 5.625% 01/04/2030	1,534	0.07
\$21,400,000	AT&T 3.5% 01/02/2061	15,608	0.69
\$23,150,000	BAT Capital 5.282% 02/04/2050	20,616	0.91
\$9,200,000	Boeing 5.705% 01/05/2040	7,899	0.35
\$16,300,000	Boeing 5.805% 01/05/2050	14,429	0.64
\$20,000,000	Boeing 5.93% 01/05/2060	18,051	0.80
\$25,300,000	Broadcom 4.3% 15/11/2032	21,692	0.96
\$16,700,000	Corp Nacional del Cobre de Chile 3.75% 15/01/2031	13,875	0.61
\$40,600,000	Dow Chemical 3.6% 15/11/2050	30,919	1.37
\$27,340,000	Ecopetrol 6.875% 29/04/2030	24,718	1.09
\$20,200,000	GE Capital Funding 4.4% 15/05/2030	15,956	0.71
\$21,200,000	General Motors 6.8% 01/10/2027	19,411	0.86
\$36,400,000	HP 3.4% 17/06/2030	29,231	1.29
\$8,400,000	Hyundai Capital America 6.375% 08/04/2030	8,103	0.36
\$45,700,000	Lukoil Securities 3.875% 06/05/2030	36,660	1.62
\$4,850,000	Nasdaq 3.25% 28/04/2050	3,837	0.17
\$22,350,000	Sysco 6.6% 01/04/2050	22,751	1.01
\$22,400,000	Total Capital International 3.386% 29/06/2060	18,090	0.80
\$15,400,000	Upjohn 4% 22/06/2050	12,390	0.55
\$23,000,000	ViacomCBS 4.95% 19/05/2050	20,037	0.89
		<b>355,807</b>	<b>15.75</b>

# Portfolio Statement continued

As at 31 August 2020

Nominal		Market Value £'000	% of Net Assets
<b>Australian Dollar Denominated Fixed Rate Government Bonds - 9.34% (2019 - 0.00%)</b>			
AUD 53,500,000	Australia Government Bond 1.75% 21/06/2051	28,067	1.24
AUD 92,900,000	Australia Government Bond 2.75% 21/05/2041	60,155	2.66
AUD 93,500,000	Australia Government Bond 3% 21/03/2047	63,778	2.82
AUD 85,430,000	Australia Government Bond 3.25% 21/06/2039	59,320	2.62
		<b>211,320</b>	<b>9.34</b>
<b>Australian Dollar Denominated Fixed Rate Corporate Debt Securities - 0.03% (2019 - 0.10%)</b>			
AUD 1,000,000	International Bank for Reconstruction & Development 2.8% 12/01/2022	569	0.03
		<b>569</b>	<b>0.03</b>
<b>Canadian Dollar Denominated Fixed Rate Government Bonds - 6.09% (2019 - 0.00%)</b>			
CAD 95,000,000	Canadian When Issued Government Bond 0.5% 01/09/2025	54,818	2.42
CAD 59,000,000	Canadian When Issued Government Bond 1.25% 01/03/2025	35,222	1.56
CAD 78,500,000	Canadian When Issued Government Bond 1.5% 01/06/2030	47,656	2.11
		<b>137,696</b>	<b>6.09</b>
<b>Chinese Yuan Denominated Fixed Rate Government Bonds - 0.40% (2019 - 1.58%)</b>			
CNH 80,900,000	China Government Bond 3.25% 22/11/2028	8,968	0.40
		<b>8,968</b>	<b>0.40</b>
<b>Japanese Yen Denominated Fixed Rate Government Bonds - 14.18% (2019 - 15.21%)</b>			
JPY 6,992,000,000	Japan Government Five Year Bond 0.1% 20/03/2024	50,244	2.22
JPY 8,250,000,000	Japan Government Five Year Bond 0.1% 20/06/2025	59,346	2.62
JPY 2,192,000,000	Japan Government Forty Year Bond 0.4% 20/03/2056	14,461	0.64
JPY 6,200,000,000	Japan Government Ten Year Bond 0.6% 20/06/2024	45,411	2.01
JPY 3,650,000,000	Japan Government Twenty Year Bond 0.4% 20/03/2040	25,875	1.14
JPY 2,810,000,000	Japan Government Two Year Bond 0.1% 01/06/2021	20,083	0.89
JPY 3,627,000,000	Japan Government Two Year Bond 0.1% 01/11/2021	25,946	1.14
JPY 8,120,000,000	Japan Government Two Year Bond 0.1% 01/01/2022	58,108	2.57
JPY 3,000,000,000	Japan Government Two Year Bond 0.1% 01/08/2022	21,494	0.95
		<b>320,968</b>	<b>14.18</b>
<b>Mexican Peso Denominated Fixed Rate Government Bonds - 0.00% (2019 - 5.40%)</b>			
<b>Norwegian Krone Denominated Fixed Rate Government Bonds - 1.69% (2019 - 4.95%)</b>			
NOK 245,970,000	Norway Government Bond 1.375% 19/08/2030	22,192	0.98
NOK 171,770,000	Norway Government Bond 1.75% 06/09/2029	15,966	0.71
		<b>38,158</b>	<b>1.69</b>
<b>Singapore Dollar Denominated Fixed Rate Government Bonds - 4.89% (2019 - 0.00%)</b>			
SGD 22,000,000	Singapore Government Bond 2.25% 01/08/2036	13,811	0.61
SGD 54,000,000	Singapore Government Bond 2.375% 01/06/2025	32,380	1.43
SGD 51,000,000	Singapore Government Bond 2.875% 01/07/2029	32,812	1.45
SGD 45,290,000	Singapore Government Bond 3.375% 01/09/2033	31,657	1.40
		<b>110,660</b>	<b>4.89</b>
<b>South African Rand Denominated Fixed Rate Government Bonds - 0.00% (2019 - 5.24%)</b>			
<b>Swedish Krona Denominated Fixed Rate Government Bonds - 4.22% (2019 - 1.17%)</b>			
SEK 437,830,000	Sweden Government Bond 0.75% 12/11/2029	40,646	1.80
SEK 306,030,000	Sweden Government Bond 2.25% 01/06/2032	32,931	1.45
SEK 163,220,000	Sweden Government Bond 3.5% 30/03/2039	21,937	0.97
		<b>95,514</b>	<b>4.22</b>
<b>DERIVATIVES - 5.58% (2019 - (3.48%))</b>			
<b>Sterling Interest Rate Swaps - (0.25)% (2019 - 0.59%)</b>			
200,000,000	Receive 3.4% Pay Variable 15/05/2021	4,987	0.22
(14,000,000)	Pay 3.5% Receive Variable 18/01/2023	(614)	(0.03)
4,000,000	Receive 3.4% Pay Variable 15/03/2024	105	-
13,000,000	Receive 3.5% Pay Variable 15/03/2024	407	0.02
110,000,000	Receive 3.6% Pay Variable 15/05/2024	3,883	0.17
(315,000,000)	Pay 3% Receive Variable 15/04/2025	(4,001)	(0.18)
(407,000,000)	Pay 3.1% Receive Variable 15/06/2025	(5,694)	(0.26)
(360,000,000)	Pay 3.3% Receive Variable 15/07/2025	(3,417)	(0.15)
(122,000,000)	Pay 3.4% Receive Variable 15/08/2025	(945)	(0.04)
(132,000,000)	Pay 3.3% Receive Variable 15/05/2027	(1,153)	(0.05)
14,000,000	Receive 3.5% Pay Variable 18/01/2028	486	0.02
7,400,000	Receive 3.5% Pay Variable 15/09/2028	237	0.01
12,000,000	Receive 3.6% Pay Variable 15/06/2029	424	0.02
		<b>(5,295)</b>	<b>(0.25)</b>

# Portfolio Statement continued

As at 31 August 2020

Nominal		Market Value £'000	% of Net Assets
	<b>Sterling Open Futures Contracts - 0.01% (2019 - 0.00%)</b>		
(540)	Sterling Long Gilt December 2020 Futures	159	0.01
		<b>159</b>	<b>0.01</b>
	<b>Sterling Written Call Options - 0.17% (2019 - 0.00%)</b>		
91,500,000	Sterling Call Option 0.0075 May 2021	5,329	0.24
(91,500,000)	Sterling Call Option 0.125 May 2021	(1,616)	(0.07)
		<b>3,713</b>	<b>0.17</b>
	<b>Sterling Written Put Option - 0.00% (2019 - 0.00%)</b>		
405,000,000	Sterling Put Option 1.15 September 2020	1	-
		<b>1</b>	<b>-</b>
	<b>Australian Dollar Open Forward Exchange Contracts - (0.03)% (2019 - (0.02)%)</b>		
	Sold AUD 306,500,000 : GBP 167,954,945	(740)	(0.03)
		<b>(740)</b>	<b>(0.03)</b>
	<b>Australian Dollar Written Put Option - 0.05% (2019 - 0.00%)</b>		
(325,000,000)	Australian Dollar Put Option 0.645 December 2020	(285)	(0.01)
325,000,000	Australian Dollar Put Option 0.695 December 2020	1,337	0.06
		<b>1,052</b>	<b>0.05</b>
	<b>Canadian Dollar Open Forward Exchange Contracts - 0.10% (2019 - (0.07)%)</b>		
	Sold CAD 208,600,000 : GBP 122,166,842	2,171	0.10
		<b>2,171</b>	<b>0.10</b>
	<b>Chilean Peso Open Forward Exchange Contracts - (0.05)% (2019 - 0.00%)</b>		
	Bought CLP 39,136,396,000 : USD 51,000,000	(835)	(0.04)
	Bought CLP 56,201,159,040 : USD 72,000,000	(269)	(0.01)
		<b>(1,104)</b>	<b>(0.05)</b>
	<b>Chinese Yuan Open Forward Exchange Contracts - 0.00% (2019 - (0.09)%)</b>		
	<b>Czech Koruna Interest Rate Swaps - 0.10% (2019 - (0.21)%)</b>		
450,000,000	Receive 0.6% Pay Variable 15/07/2025	247	0.01
618,000,000	Receive 0.7% Pay Variable 06/08/2025	288	0.01
618,000,000	Receive 0.6% Pay Variable 07/08/2025	285	0.01
618,000,000	Receive 0.7% Pay Variable 07/08/2025	275	0.01
1,341,000,000	Receive 0.6% Pay Variable 10/08/2025	647	0.02
1,255,000,000	Receive 0.7% Pay Variable 13/08/2025	412	0.03
727,000,000	Receive 0.7% Pay Variable 18/08/2025	220	0.01
		<b>2,374</b>	<b>0.10</b>
	<b>Euro Credit Default Swaps - 0.80% (2019 - 0.00%)</b>		
261,000,000	Receive 5% Pay Variable 20/06/2025	18,020	0.80
		<b>18,020</b>	<b>0.80</b>
	<b>Euro Interest Rate Swaps - 0.31% (2019 - 0.00%)</b>		
189,750,000	Receive 0.3% Pay Variable 14/06/2022	144	0.01
253,125,000	Receive 0.4% Pay Variable 14/06/2022	105	-
(405,000,000)	Pay 0.2% Receive Variable 15/06/2022	(2,372)	(0.11)
135,000,000	Receive 0.3% Pay Variable 15/06/2023	1,037	0.05
270,000,000	Receive 0.4% Pay Variable 15/06/2023	2,037	0.09
(83,000,000)	Pay 0.3% Receive Variable 05/11/2024	(340)	(0.02)
83,000,000	Receive 0.3% Pay Variable 05/11/2024	340	0.02
29,000,000	Receive 0.3% Pay Variable 26/06/2025	38	-
(42,500,000)	Pay 0.4% Receive Variable 08/07/2025	(8)	-
155,000,000	Receive 0.6% Pay Variable 15/07/2025	1,387	0.06
197,000,000	Receive 0.7% Pay Variable 15/07/2025	912	0.04
247,000,000	Receive 0.8% Pay Variable 15/07/2025	486	0.03
(64,000,000)	Pay 0.4% Receive Variable 06/08/2025	(158)	(0.02)
(32,000,000)	Pay 0.4% Receive Variable 07/08/2025	(58)	(0.01)
(36,000,000)	Pay 0.4% Receive Variable 11/08/2025	(62)	-
183,000,000	Receive 0.8% Pay Variable 15/06/2030	3,964	0.17
(12,000,000)	Pay 0.1% Receive Variable 06/07/2030	(6)	-
(12,000,000)	Pay 0.2% Receive Variable 07/07/2030	(34)	-
		<b>7,412</b>	<b>0.31</b>

# Portfolio Statement continued

As at 31 August 2020

Nominal		Market Value £'000	% of Net Assets
	<b>Euro Open Forward Exchange Contracts - 0.20% (2019 - (0.77)%)</b>		
	Bought EUR 75,000,000 : USD 85,784,371	2,649	0.12
	Bought EUR 46,278,305 : JPY 5,650,000,000	1,105	0.05
	Bought EUR 25,809,441 : NZD 45,000,000	446	0.02
	Bought EUR 1,832,207 : AUD 3,000,000	(11)	-
	Bought EUR 4,652,301 : GBP 4,200,000	(36)	-
	Bought EUR 18,001,188 : GBP 16,468,180	(357)	(0.02)
	Sold EUR 87,364,359 : GBP 78,778,869	587	0.03
		<b>4,383</b>	<b>0.20</b>
	<b>Euro Open Futures Contracts - (0.42)% (2019 - (0.40)%)</b>		
(1,920)	Euro 171 PUT FSO October 2020 Futures	(212)	(0.01)
1,920	Euro 173 PUT FSO October 2020 Futures	734	0.03
(1,757)	Euro BTP September 2020 Futures	(6,500)	(0.29)
(481)	Euro-Bono Bond September 2020 Futures	(1,037)	(0.05)
(1,281)	Euro-Oat September 2020	(2,264)	(0.10)
		<b>(9,279)</b>	<b>(0.42)</b>
	<b>Euro Written Call Option - 0.14% (2019 - 0.00%)</b>		
130,000,000	Euro Call Option 1.2 April 2021	2,572	0.11
(130,000,000)	Euro Call Option 1.25 April 2021	(1,105)	(0.05)
(200,000,000)	Euro Call Option 0.0035 August 2021	(1,189)	(0.05)
200,000,000	Euro Call Option 1 August 2021	3,044	0.13
		<b>3,322</b>	<b>0.14</b>
	<b>Euro Written Put Option - 0.10% (2019 - 0.00%)</b>		
(260,000,000)	Euro Put Option 10.35 September 2020	(977)	(0.04)
260,000,000	Euro Put Option 10.55 September 2020	3,195	0.14
180,000,000	Euro Put Option 110 September 2020	-	-
		<b>2,218</b>	<b>0.10</b>
	<b>Indian Rupee Open Forward Exchange Contracts - 0.00% (2019 - 0.00%)</b>		
	Bought INR 672,210,000 : USD 9,000,000	5	-
		<b>5</b>	<b>-</b>
	<b>Israeli Shekel Open Forward Exchange Contracts - 0.00% (2019 - 0.00%)</b>		
	Bought ILS 11,990,000 : USD 3,527,625	25	-
		<b>25</b>	<b>-</b>
	<b>Japanese Yen Open Forward Exchange Contracts - 0.03% (2019 - (0.25)%)</b>		
	Bought JPY 6,015,330,795 : USD 56,500,000	456	0.02
	Bought JPY 1,385,203,600 : EUR 11,000,000	39	-
	Sold JPY 9,400,000,000 : GBP 67,341,760	269	0.01
		<b>764</b>	<b>0.03</b>
	<b>Mexican Peso Open Forward Exchange Contracts - 0.00% (2019 - (0.06)%)</b>		
	<b>New Zealand Dollar Interest Rate Swaps - (0.01)% (2019 - 0.00%)</b>		
(19,500,000)	Pay 0.3% Receive Variable 14/08/2025	(25)	-
102,000,000	Receive 0.2% Pay Variable 17/08/2025	12	-
(160,000,000)	Pay 0.2% Receive Variable 18/08/2025	(158)	(0.01)
(20,000,000)	Pay 0.7% Receive Variable 13/08/2030	(50)	(0.01)
(10,000,000)	Pay 0.6% Receive Variable 14/08/2030	(7)	-
51,000,000	Receive 0.6% Pay Variable 17/08/2030	119	-
(80,000,000)	Pay 0.6% Receive Variable 18/08/2030	(38)	-
21,000,000	Receive 0.5% Pay Variable 27/08/2030	132	0.01
		<b>(15)</b>	<b>(0.01)</b>
	<b>New Zealand Dollar Open Forward Exchange Contracts - 0.02% (2019 - 0.00%)</b>		
	Bought NZD 65,800,000 : GBP 32,927,188	198	0.01
	Sold NZD 17,600,000 : GBP 9,134,075	274	0.01
		<b>472</b>	<b>0.02</b>
	<b>Norwegian Krone Open Forward Exchange Contracts - 0.01% (2019 - 0.01%)</b>		
	Bought NOK 232,000,000 : SEK 224,700,074	266	0.01
		<b>266</b>	<b>0.01</b>

# Portfolio Statement continued

As at 31 August 2020

Nominal		Market Value £'000	% of Net Assets
	<b>Polish Zloty Interest Rate Swaps - 0.12% (2019 - 0.00%)</b>		
(1,967,950,000)	Pay 0.3% Receive Variable 15/06/2022	(145)	(0.01)
133,000,000	Receive 0.3% Pay Variable 15/06/2022	4	-
132,000,000	Receive 0.5% Pay Variable 26/06/2025	254	0.01
190,000,000	Receive 0.6% Pay Variable 08/07/2025	267	0.01
190,000,000	Receive 0.6% Pay Variable 09/07/2025	297	0.01
282,000,000	Receive 0.5% Pay Variable 06/08/2025	719	0.04
141,000,000	Receive 0.5% Pay Variable 07/08/2025	354	0.02
160,500,000	Receive 0.5% Pay Variable 11/08/2025	402	0.01
110,000,000	Receive 0.7% Pay Variable 21/08/2025	63	-
176,000,000	Receive 0.7% Pay Variable 28/08/2025	46	-
326,000,000	Receive 0.7% Pay Variable 31/08/2025	204	0.02
108,000,000	Receive 0.9% Pay Variable 06/07/2030	515	0.01
		<b>2,980</b>	<b>0.12</b>
	<b>South Korean Won Open Forward Exchange Contracts - 0.00% (2019 - (0.03)%)</b>		
	<b>Swedish Krona Interest Rate Swaps - 0.00% (2019 - 0.00%)</b>		
900,000,000	Receive 0.2% Pay Variable 05/11/2024	419	0.02
(900,000,000)	Pay 0.2% Receive Variable 05/11/2024	(419)	(0.02)
		-	-
	<b>Swedish Krona Open Forward Exchange Contracts - (0.01)% (2019 - 0.05%)</b>		
	Bought SEK 225,390,320 : NOK 232,000,000	(206)	(0.01)
	Sold SEK 130,500,000 : GBP 11,431,994	68	-
		<b>(138)</b>	<b>(0.01)</b>
	<b>US Dollar Credit Default Swaps - 0.00% (2019 - (1.09)%)</b>		
	<b>US Dollar Interest Rate Swaps - 2.11% (2019 - (0.15)%)</b>		
321,000,000	Receive 0.3% Pay Variable 23/03/2022	7,334	0.32
321,000,000	Receive 0.06% Pay Variable 07/04/2022	4,927	0.22
179,000,000	Receive 0.8% Pay Variable 21/04/2025	5,670	0.26
195,000,000	Receive 0.8% Pay Variable 06/05/2025	5,735	0.26
40,000,000	Receive 1.7% Pay Variable 17/06/2025	1,966	0.09
40,000,000	Receive 1.9% Pay Variable 17/06/2025	2,177	0.09
90,000,000	Receive 1.5% Pay Variable 29/10/2025	3,863	0.17
30,000,000	Receive 0.8% Pay Variable 06/03/2026	472	0.02
105,000,000	Receive 1.3% Pay Variable 06/05/2030	4,310	0.19
105,000,000	Receive 1.3% Pay Variable 11/05/2030	4,517	0.20
185,000,000	Receive 1.4% Pay Variable 27/05/2030	7,890	0.34
86,000,000	Receive 1.6% Pay Variable 26/06/2030	2,470	0.11
86,000,000	Receive 1.6% Pay Variable 29/06/2030	2,822	0.13
(9,000,000)	Pay 2.2% Receive Variable 17/06/2050	(1,868)	(0.08)
(9,000,000)	Pay 2.3% Receive Variable 17/06/2050	(2,099)	(0.09)
(19,000,000)	Pay 1.2% Receive Variable 29/10/2050	(2,760)	(0.12)
(5,700,000)	Pay 1.2% Receive Variable 06/03/2051	(98)	-
		<b>47,328</b>	<b>2.11</b>
	<b>US Dollar Open Forward Exchange Contracts - 1.77% (2019 - (0.52)%)</b>		
	Bought USD 92,243,917 : IDR 1,346,636,339,963	224	0.01
	Bought USD 9,000,000 : INR 672,210,000	(5)	-
	Bought USD 3,500,000 : ILS 12,002,487	(49)	-
	Bought USD 11,095,790 : CNH 79,100,000	(314)	(0.02)
	Bought USD 23,670,508 : CAD 32,000,000	(617)	(0.03)
	Bought USD 69,061,566 : JPY 7,400,000,000	(894)	(0.04)
	Bought USD 37,702,062 : GBP 30,000,000	(1,663)	(0.07)
	Bought USD 72,000,000 : AUD 102,077,675	(2,070)	(0.09)
	Bought USD 88,173,582 : PHP 4,429,690,911	(2,340)	(0.10)
	Bought USD 88,631,893 : INR 6,766,038,470	(2,578)	(0.11)
	Bought USD 143,349,261 : SGD 200,000,000	(2,769)	(0.12)
	Bought USD 113,633,895 : AUD 161,344,444	(3,394)	(0.15)
	Bought USD 47,651,498 : NOK 462,000,000	(3,691)	(0.16)
	Bought USD 96,595,105 : SEK 905,000,000	(6,203)	(0.27)
	Bought USD 670,847,325 : EUR 595,000,000	(28,313)	(1.25)
	Sold USD 2,078,659,002 : GBP 1,656,740,551	94,387	4.17
		<b>39,711</b>	<b>1.77</b>

# Portfolio Statement continued

As at 31 August 2020

Nominal		Market Value £'000	% of Net Assets
	<b>US Dollar Open Futures Contracts - 0.00% (2019 - 0.01%)</b>		
(430)	US Long Bond (CBT) December 2020 Futures	(45)	-
		<b>(45)</b>	<b>-</b>
	<b>US Dollar Written Call Options - 0.11% (2019 - 0.00%)</b>		
200,000,000	US Dollar Call Option 3.51 September 2020	66	-
1,000,000,000	US Dollar Call Option 52.3 September 2020	1	-
122,500,000	US Dollar Call Option 52.53 September 2020	-	-
500,000,000	US Dollar Call Option 1.42 November 2020	199	0.01
(500,000,000)	US Dollar Call Option 1.48 November 2020	(55)	-
177,000,000	US Dollar Call Option 50.95 February 2021	318	0.01
280,000,000	US Dollar Call Option 0.01 August 2021	3,937	0.17
(280,000,000)	US Dollar Call Option 0.135 August 2021	(1,906)	(0.08)
		<b>2,560</b>	<b>0.11</b>
	<b>US Dollar Written Put Options - 0.20% (2019 - 0.16%)</b>		
750,000,000	US Dollar Put Option 100 November 2020	1,028	0.05
198,000,000	US Dollar Put Option 96 February 2021	640	0.03
(2,500)	US Dollar Put Futures Option 99.5 December 2020	(23)	-
2,500	US Dollar Put Futures Option 99.625 December 2020	70	-
2,650	US Dollar Put Futures Option 10 Year 139 November 2020	1,556	0.07
3,293	US Dollar Put Futures Option 10 Year 137 December 2020	1,199	0.05
		<b>4,470</b>	<b>0.20</b>
	Investment assets <sup>1</sup>	2,180,937	96.37
	Net other assets	82,218	3.63
	<b>Net assets</b>	<b>2,263,155</b>	<b>100.00</b>

<sup>1</sup> Includes investment liabilities.

Unless otherwise stated, the holdings shown without market value are below £500 and rounded down.

Unless otherwise stated, all investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market.

Note: Comparative figures show percentages for each category of holding at 31 August 2019.

Please refer to page 113 for details on the credit quality of the portfolio.

# Statement of Total Return

For the year ended 31 August 2020

	Notes	2020 £000s	2020 £000s	2019 £000s	2019 £000s
Income:					
Net capital gains	2		260,082		38,797
Revenue	3	55,481		5,221	
Expenses	4	(5,758)		(1,096)	
Interest payable and similar charges	6	(182)		(508)	
Net revenue before taxation		49,541		3,617	
Taxation	5	(62)		(27)	
Net revenue after taxation			49,479		3,590
<b>Total return before distributions</b>			<b>309,561</b>		<b>42,387</b>
Distributions	7		(49,479)		(3,592)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>260,082</b>		<b>38,795</b>

# Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 August 2020

	2020 £000s	2020 £000s	2019 £000s	2019 £000s
Opening net assets attributable to shareholders		596,824		56,764
Amounts receivable on issue of shares	1,534,023		525,681	
Amounts payable on cancellation of shares	(137,141)		(24,904)	
		1,396,882		500,777
Dilution adjustment		-		11
<b>Change in net assets attributable to shareholders from investment activities (see above)</b>		260,082		38,795
Retained distributions on accumulation shares		9,357		461
Unclaimed distributions		10		16
<b>Closing net assets attributable to shareholders</b>		<b>2,263,155</b>		<b>596,824</b>

Notes to the final report and Financial Statements are from page 105 to 115.

# Balance Sheet

As at 31 August 2020

	Notes	2020 £000s	2020 £000s	2019 £000s	2019 £000s
<b>Assets:</b>					
Fixed assets:					
Investments			2,282,034		610,903
Current assets:					
Debtors	8	145,633		49,847	
Cash and bank balances	9	111,957		49,570	
<b>Total assets</b>			<b>2,539,624</b>		<b>710,320</b>
<b>Liabilities:</b>					
Investment liabilities					
			(101,097)		(32,165)
Creditors:					
Bank overdrafts	11	-		(64)	
Distribution payable		(50,700)		(5,588)	
Other creditors	10	(124,672)		(75,679)	
<b>Total liabilities</b>			<b>(276,469)</b>		<b>(113,496)</b>
<b>Net assets attributable to shareholders</b>			<b>2,263,155</b>		<b>596,824</b>

Notes to the final report and Financial Statements are from page 105 to 115.

# Notes to the Final Report and Financial Statements

## 1. Accounting Basis and Policies

The applicable accounting policies adopted by the Allianz Strategic Bond Fund are included on pages 8 to 13 of the Collective Notes to the Final Report and Financial Statements.

## 2. Net capital gains

	2020 £000s	2019 £000s
Gains on non-derivative securities	119,078	63,409
Gains/(losses) on derivative securities	69,718	(7,687)
Gains/(losses) on currency	6,691	(205)
Gains/(losses) on forward currency contracts	64,362	(16,703)
Handling charges	(33)	(17)
Breach compensation	266	-
<b>Net capital gains</b>	<b>260,082</b>	<b>38,797</b>

## 3. Revenue

	2020 £000s	2019 £000s
Bank interest	98	29
Interest on fixed income securities	21,958	5,204
Returns from bond futures	(665)	(12)
Option income	32,054	-
Premiums on swaps	1,933	-
Stock lending income	103	-
<b>Total revenue</b>	<b>55,481</b>	<b>5,221</b>

# Notes to the Final Report and Financial Statements continued

## 4. Expenses

	2020	2019
	£000s	£000s
<b>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director, and agents of either of them:</b>		
ACD's annual fee	5,426	1,017
Company secretarial costs	-	1
	5,426	1,018
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	206	32
Safe custody fees	105	(3)
	311	29
<b>Other expenses:</b>		
Audit fees	12	12
Distribution costs	(13)	1
Printing costs	(2)	5
Registration fees	20	26
Other expenses	4	5
	21	49
<b>Total expenses</b>	<b>5,758</b>	<b>1,096</b>

All expenditure stated above is inclusive of VAT where applicable.

The Audit fee for the year, excluding VAT, was £11,400 (2019 - £10,260).

# Notes to the Final Report and Financial Statements continued

## 5. Taxation

	2020	2019
	£000s	£000s
<b>a. Analysis of the taxation charge for the year:</b>		
Corporation tax	12	2
Double tax relief	(12)	(2)
Overseas tax suffered	62	27
<b>Total taxation for the year (see Note 5(b))</b>	<b>62</b>	<b>27</b>

### b. Factors affecting taxation charge for the year:

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for a subfund of an Open-Ended Investment Company (20%) (2019 - 20%).

The differences are explained below:

Net revenue before taxation	49,541	3,617
Corporation tax at 20%	9,908	723
<b>Effects of:</b>		
Indexation relief on index linked gilts	-	(3)
Tax deductible interest distributions	(9,896)	(718)
Double taxation relief	(12)	(2)
Overseas tax suffered	62	27
<b>Total taxation charge for the year (see Note 5(a))</b>	<b>62</b>	<b>27</b>

OEICs are exempt from tax on capital gains in the UK, therefore capital returns are not included within the reconciliation.

### c. Provision for deferred tax

There is no provision required for deferred taxation at the Balance Sheet date in the current or prior year.

## 6. Interest payable and similar charges

	2020	2019
	£000s	£000s
Interest	182	36
Premiums on credit default swaps	-	472
<b>Total interest payable and similar charges</b>	<b>182</b>	<b>508</b>

## 7. Distributions

The distributions take account of revenue received on the creation of Shares and revenue deducted on the cancellation of Shares and comprise:

	2020	2019
	£000s	£000s
Interim	4,746	685
Final	59,297	6,049
Add: Revenue deducted on cancellation of shares	1,107	111
Deduct: Revenue received on creation of shares	(15,671)	(3,253)
<b>Net distributions for the year</b>	<b>49,479</b>	<b>3,592</b>

# Notes to the Final Report and Financial Statements continued

## Reconciliation of net revenue after taxation to net distributions for the year

Net revenue after taxation	49,479	3,590
Net equalisation on conversions	-	2
<b>Net distributions for the year</b>	<b>49,479</b>	<b>3,592</b>

## 8. Debtors

	2020	2019
	£000s	£000s
Accrued revenue	14,472	3,161
Amounts receivable on creation of shares	40,367	6,716
Sales awaiting settlement	90,794	39,970
	<b>145,633</b>	<b>49,847</b>

## 9. Cash and bank balances

	2020	2019
	£000s	£000s
Cash and bank balances	48,629	30,146
Amount held at futures clearing houses and brokers	63,328	19,424
	<b>111,957</b>	<b>49,570</b>

## 10. Other creditors

	2020	2019
	£000s	£000s
<b>a. Distribution payable</b>		
Net distribution payable	50,700	5,588
<b>b. Other creditors</b>		
Accrued ACD's annual fee	784	223
Amounts payable on cancellation of shares	37	44
Other accrued expenses	107	131
Purchases awaiting settlement	123,744	75,281
	<b>124,672</b>	<b>75,679</b>

## 11. Bank overdrafts

Bank overdrafts	2020	2019
	£000s	£000s
Bank overdrafts	-	64
<b>Total bank overdrafts</b>	<b>-</b>	<b>64</b>

# Notes to the Final Report and Financial Statements continued

## 12. Related party transactions

The ACD is deemed to be a related party under the definition of Financial Reporting Standard 102, which requires the disclosure of details of material transactions between the subfund and any related party.

Details of any related party transactions occurring during the year including commissions paid and any balances due at the year end are disclosed in the Balance Sheet, the Statement of Change in Net Assets Attributable to Shareholders and Notes 4, 8 and 10 to the financial statements. All creations and cancellations were transacted with the ACD.

## 13. Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of net revenue included in the purchase price of all Group 2 shares. In the case of Accumulation shares, it is automatically reinvested in the subfund at the first distribution payment date after the shares were purchased. Being a capital repayment it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## 14. Shareholders' funds

The subfund currently has three share classes: A, C, and I. The ACD's annual fee on these share classes are as follows:

Class A:	1.25%
Class C:	0.60%
Class I:	0.39%

The net asset value per share and the number of shares in issue are given in the Comparative Tables on page 91 and 92.

The distribution per share is given in the Distribution Table on page 93.

Revenue available for allocation will be allocated between the share classes based on the respective proportionate interests represented by those share classes on a daily basis and taxation is computed by reference to the net revenue after expenses attributable to each class. All share classes have the same rights on winding up.

For the year ended 31 August 2020:

	Class A Shares Income	Class C Shares Income	Class I Shares Income	Class I Shares Accumulation
Opening shares	14,810,702	105,436,725	302,440,926	54,576,140
Shares created	10,576,806	182,910,513	733,521,054	218,680,000
Shares cancelled	(3,393,509)	(16,592,176)	(59,938,838)	(27,306,242)
Shares converted	(40,480)	(103,998)	3,709,058	(3,501,917)
<b>Closing shares</b>	<b>21,953,519</b>	<b>271,651,064</b>	<b>979,732,200</b>	<b>242,447,981</b>

## 15. Contingent liabilities and commitments

As at 31 August 2020 there were no contingent liabilities (2019: £Nil).

# Notes to the Final Report and Financial Statements continued

## 16. Derivatives and other financial instruments

The narrative on pages 9 to 12 explains the different types of risks the subfund may face.

For this subfund, the ACD measures and manages risk using the value-at-risk approach. Please see page 13 for further details.

### a. Currency exposure

A proportion of the net assets and liabilities of the subfund are denominated in currencies other than Sterling, with the effect that the total net assets and total return can be affected by currency movements.

	Monetary Exposure	Non-Monetary Exposure	Total Exposure	Monetary Exposure	Non-Monetary Exposure	Total Exposure
Currency	31 August 2020 £000s	31 August 2020 £000s	31 August 2020 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s
Australian Dollar	(312,821)	211,889	(100,932)	(11,859)	576	(11,283)
Brazilian Real	(1)	-	(1)	24	-	24
Canadian Dollar	(137,710)	137,697	(13)	(9,258)	-	(9,258)
Chilean Peso	91,336	-	91,336	-	-	-
Chinese Yuan	(8,566)	8,968	402	247	9,448	9,695
Czech Koruna	2,448	-	2,448	8,430	-	8,430
Euro	(439,049)	443,768	4,719	(259,291)	262,410	3,119
Indian Rupee	(69,195)	-	(69,195)	-	-	-
Indonesian Rupiah	(69,108)	-	(69,108)	(12,681)	-	(12,681)
Japanese Yen	(152,032)	320,968	168,936	(63,139)	90,768	27,629
Mexican Peso	4	-	4	(19,884)	32,221	12,337
New Israeli Sheqel	(1)	-	(1)	-	-	-
New Zealand Dollar	1,606	-	1,606	-	-	-
Norwegian Krone	(39,100)	38,158	(942)	(28,666)	29,561	895
Pakistani Rupee	-	-	-	-	-	-
Philippine Peso	(68,612)	-	(68,612)	(10,902)	-	(10,902)
Polish Zloty	2,908	-	2,908	33	-	33
Singapore Dollar	(109,227)	110,661	1,434	-	-	-
South African Rand	-	-	-	(23,886)	31,262	7,376
South Korean Won	-	-	-	(15)	-	(15)
Swedish Krona	(97,953)	95,515	(2,438)	(6,578)	6,987	409
Turkish Lira	-	-	-	(9,077)	-	(9,077)
US Dollar	(493,825)	667,831	174,006	(116,948)	129,098	12,150

### b. Interest rate risk profile

The interest rate profile of the subfund's portfolio of investments at the balance sheet date was:

	Floating Rate	Fixed Rate	Non-Interest	Total	Floating Rate	Fixed Rate	Non-Interest	Total
Currency	31 August 2020 £000s	31 August 2020 £000s	31 August 2020 £000s	31 August 2020 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s
Assets	-	2,054,147	227,842	2,281,989	-	599,555	11,348	610,903
Liabilities	-	-	(101,052)	(101,052)	-	-	(32,165)	(32,165)

# Notes to the Final Report and Financial Statements continued

## c. Sensitivity analysis

### Market price sensitivity

The value of the subfund's listed investments (excluding open forward currency contracts), which were exposed to market price risk as at 31 August was as follows:

	2020	2019
	£000s	£000s
Bonds	2,054,151	599,555
Credit Default swaps	18,020	(6,515)
Interest Rate swaps	54,784	(5,700)
Open future contracts	(9,166)	(2,322)
Option contracts	17,336	4,019

The following illustrates the sensitivity of the net return and the net assets to an increase or decrease of 20% (2019 - 20%) in the fair values of the subfund's investments. This level of change is considered to be reasonably possible based on observation of market conditions in the year. The sensitivity analysis is based on the impact of a change to the value of the subfund's investments at each balance sheet date.

	2020	2020	2019	2019
	20% Increase in fair value £000s	20% Decrease in fair value £000s	20% Increase in fair value £000s	20% Decrease in fair value £000s
<b>Capital Return</b>				
Net gains (losses) on investments at fair value	427,025	(427,025)	117,808	(117,808)

### Foreign currency risk sensitivity

The following table details the subfund's sensitivity to a 20% increase and decrease in Sterling against the relevant foreign currencies and the resultant impact that any such increase or decrease would have on the net return and net assets. The sensitivity analysis includes all foreign currency denominated items and adjusts their translation at the year end for a 20% change in foreign currency rates.

	2020	2020	2019	2019
	20% Increase in Sterling against foreign currencies £000s	20% Decrease in Sterling against foreign currencies £000s	20% Increase in Sterling against foreign currencies £000s	20% Decrease in Sterling against foreign currencies £000s
Australian Dollar	16,822	(25,233)	1,898	(2,848)
Brazilian Real	-	-	1	(1)
Canadian Dollar	2	(3)	1,611	(2,417)
Chilean Peso	(15,223)	22,834	-	-
Chinese Yuan	(67)	100	(1,530)	2,296
Czech Koruna	(408)	612	(1,223)	1,834
Euro	(786)	1,180	429	(643)
Indian Rupee	11,533	(17,299)	-	-
Indonesian Rupiah	11,518	(17,277)	2,113	(3,170)
Japanese Yen	(28,156)	42,234	(4,356)	6,535
Mexican Peso	(1)	1	(1,998)	2,997
New Zealand Dollar	(268)	401	-	-
Norwegian Krone	157	(236)	(162)	243
Philippine Peso	11,435	(17,153)	1,817	(2,725)
Polish Zloty	(485)	727	(6)	8
Singapore Dollar	(239)	358	-	-
South African Rand	-	-	(1,225)	1,838

# Notes to the Final Report and Financial Statements continued

South Korean Won	-	-	35	(52)
Swedish Krona	406	(610)	(113)	170
Turkish Lira	-	-	1,513	(2,269)
US Dollar	(29,001)	43,502	(454)	682
<b>Change in net return and net assets</b>	<b>(22,761)</b>	<b>34,138</b>	<b>(1,650)</b>	<b>2,478</b>

## Interest rate risk sensitivity

Duration measures the sensitivity of a portfolio's price to change in interest rates. The calculation of duration incorporates yield, coupon, final maturity and other relevant factors. Duration is considered to be an accurate predictor of price changes for small, parallel shifts of the yield curve. For every 0.01% movement in interest rates, a portfolio with a duration of one year will move in price by 0.01% in the opposite direction.

As at the 31 August 2020, the net asset value was £2,263.2m (2019 - £596.8m) (before the deduction of the interest distribution) with a duration of 4.34 years (2019 - 8.51 years).

Thus, for example, an increase of 0.25% in the interest rates would result in a fall of 1.09% or £24.7m (2019 - 2.13% or £12.7m) in the value of the portfolio.

## d. Leverage

The use of derivatives may expose the subfund to a higher degree of risk. In particular, derivative contracts can be highly volatile and the amount of initial margin is generally small relative to the size of the contract so that transactions may be leveraged in terms of market exposure. A relatively small market movement may have a potentially larger impact on derivatives than on standard bonds or equities. Leveraged derivative positions can therefore increase a subfund's volatility. The leverage is calculated on a commitment basis, by taking the sum of the net asset value and the incremental exposure generated through the use of derivatives and is expressed as a percentage of the net asset value. The average level of leverage employed by the subfund during the year was 5.72% (2019 - 1.23%).

## e. Fair value hierarchy

An analysis of the portfolio in accordance with the fair value hierarchy is shown below:

	Assets		Liabilities	
	31 August 2020 £000s	31 August 2020 £000s	31 August 2019 £000s	31 August 2019 £000s
Level 1: Quoted	755,179	(10,081)	437,145	(2,443)
Level 2: Observable	1,526,810	(90,971)	173,758	(29,722)
Level 3: Unobservable	-	-	-	-
	<b>2,281,989</b>	<b>(101,052)</b>	<b>610,903</b>	<b>(32,165)</b>

The fair value as at the reporting date has been estimated using the following fair value hierarchy:

### Level (1) Quoted prices for identical instruments in active markets

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

### Level (2) Valuation techniques that use:

Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

### Level (3) Valuation techniques that use:

Inputs that are unobservable (i.e. for which market data is unavailable) for the asset or liability.

When the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate, the fair value is estimated by using an alternative valuation technique. Such valuation techniques will, where possible, maximise the use of observable market data inputs as opposed to non-observable entity determined data inputs.

The Investment Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

## f. Maturity of financial liabilities

All liabilities are due in one year or less or on demand (2019 - same).

## g. Fair value disclosure

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value.

## h. Derivatives

Derivatives are used in the subfund for hedging purposes and/or investment purposes. The main instruments used are option contracts, money market futures, interest rate swaps, forward exchange contracts and credit default swaps. For more details please refer to page 11.

# Notes to the Final Report and Financial Statements continued

## i. Credit rating

	2020		2019	
	Market Value £000s	% of Net Assets	Market Value £000s	% of Net Assets
Investment Grade	1,600,369	70.73	467,363	78.31
Sub-investment Grade	99,570	4.40	46,159	7.73
Non-rated	354,208	15.66	86,033	14.41
Derivatives	126,790	5.58	(20,817)	(3.48)
Other assets	82,218	3.63	18,086	3.03
<b>Total net assets</b>	<b>2,263,155</b>	<b>100.00</b>	<b>596,824</b>	<b>100.00</b>

A fixed income security is deemed to be of investment grade, if it is rated BBB- or above. Sub-investment grade are those securities that are rated below investment grade.

# Notes to the Final Report and Financial Statements continued

## 17. Portfolio transaction costs

For the year ended 31 August 2020:

	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2020	2020	2020	2020	2020
	£000s	£000s	%	£000s	%
<b>Purchases</b>					
Equity instruments (direct)	-	-	-	-	-
Debt instruments (direct)	5,465,333	-	-	-	-
Derivatives	-	20	-	3	-
Total purchases	5,465,333	20	-	3	-
Total purchases including transaction costs	5,465,356				
	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2020	2020	2020	2020	2020
	£000s	£000s	%	£000s	%
<b>Sales</b>					
Equity instruments (direct)	-	-	-	-	-
Debt instruments (direct)	4,126,522	-	-	-	-
Derivatives	-	25	-	3	-
Total sales	4,126,522	25	-	3	-
Total sales including transaction costs	4,126,494				
<b>Total transaction costs as a % of average net assets</b>		<b>0.00%</b>		<b>0.00%</b>	

  

	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2019	2019	2019	2019	2019
	£000s	£000s	%	£000s	%
<b>Purchases</b>					
Equity instruments (direct)	3,484	-	-	-	-
Debt instruments (direct)	880,814	-	-	-	-
Derivatives	-	6	-	2	-
Total purchases	884,298	6	-	2	-
Total purchases including transaction costs	884,306				
	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2019	2019	2019	2019	2019
	£000s	£000s	%	£000s	%
<b>Sales</b>					
Equity instruments (direct)	5,111	-	-	-	-
Debt instruments (direct)	399,105	-	-	-	-
Derivatives	-	5	-	1	-
Total sales	404,216	5	-	1	-
Total sales including transaction costs	404,210				
<b>Total transaction costs as a % of average net assets</b>		<b>0.00%</b>		<b>0.00%</b>	

# Notes to the Final Report and Financial Statements continued

The above analysis covers any direct transaction costs suffered by the subfund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

For the subfund's investment transactions in debt and money market instruments any applicable transaction charges form part of the dealing spread for these instruments.

Transactions in money market instruments to manage the subfund's daily liquidity position are excluded from the analysis.

During the period the subfund utilised futures contracts as derivative instruments covering different underlying asset classes. The settlement values for opening and closing derivative positions are not comparable to principal values for transactions in direct holding investments and therefore purchase and sale amounts for derivative transactions are not quantified in the analysis above. Transaction costs for derivatives positions will be either suffered as direct costs or form part of the dealing spread for the instruments. Any direct costs are identified in the analysis above.

Dealing spread costs suffered by the subfund vary considerably for the different asset / instrument types depending on a number of factors including transaction value and market sentiment.

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.36% (2019 : 0.14%).

# Fund Information

## Investment Objective and Policy

The Fund aims to achieve high and increasing income together with capital growth.

The ACD aims to achieve the investment objective by investing in securities listed on the London Stock Exchange although it may invest internationally and in all economic sectors. It is the general intention of the ACD to invest in shares which offer above average current dividend income yield or, if not, the prospect of superior long term dividend growth. A small proportion of the Fund's investments may be held in convertibles and investment trust income shares in order to enhance the income yield.

The ACD may also utilise deposits in the management of the portfolio. The Fund may also invest in collective investment schemes.

## Fund Details

<b>Fund Manager</b>	Simon Gergel	
<b>Benchmark</b>	FTSE All-Share Index	
<b>Income allocation</b>		
<b>dates</b>	Interim	28 February*
	Final	31 August
<b>Income pay dates</b>	Interim	30 April
	Final	31 October
<b>Launch dates</b>	Fund	20 June 2002
	A Shares	20 June 2002
	C Shares	23 April 2014
<b>ISA status</b>	Yes	
<b>Share Classes and types of Shares</b>	A (Income Shares) C (Income Shares)	
<b>Minimum investment</b>	A Shares	Lump sum £500 Monthly saving £50
	C Shares	Lump sum £500 Monthly saving £50
<b>Initial charge</b>	A Shares	Nil
	C Shares	Nil
<b>Annual ACD fee</b>	A Shares	1.25%
	C Shares	0.75%

\*29 February in a leap year

# Comparative Tables

For the year ended 31 August 2020

	A Shares Income			C Shares Income		
	2020 (p)	2019 (p)	2018 (p)	2020 (p)	2019 (p)	2018 (p)
Opening net asset value per share	273.40	29,798	292.11	100.34	10,877	106.09
Return before operating charges	(29.25)	(6.18)	23.84	(10.84)	(2.22)	8.67
Operating charges	(3.63)	(3.87)	(4.22)	(0.76)	(0.83)	(1.04)
Return after operating charges	(32.88)	(10.05)	19.62	(11.60)	(3.05)	7.63
Distributions	(10.01)	(14.53)	(13.75)	(3.72)	(5.38)	(4.95)
Closing net asset value per share	230.51	273.40	297.98	85.02	100.34	108.77
After direct transaction costs of <sup>1</sup>	(0.84)	(0.42)	(0.54)	(0.30)	(0.15)	(0.20)
<b>Performance</b>						
Return after operating charges	(12.03)%	(3.37)%	6.72%	(11.56)%	(2.80)%	7.19%
<b>Other information</b>						
Closing net asset value (£'000)	32,881	37,154	59,667	19,632	9,413	6,967
Closing number of shares	14,264,636	13,589,880	20,024,061	23,091,409	9,380,854	6,405,387
Operating charges	1.37%	1.38%	1.00%	0.80%	0.81%	1.00%
Direct transaction costs	0.31%	0.15%	0.18%	0.31%	0.15%	0.18%
<b>Prices</b>						
Highest share price	322.94	298.65	319.54	118.78	109.05	116.47
Lowest share price	190.41	257.32	282.28	70.08	94.13	102.82

<sup>1</sup> Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the subfund and share class returns before operating charges.

Operating charges represents all operating charges and expenses and is expressed as a percentage of the average net asset value. It includes the annual ACD fee as well as all the administrative expenses including custodial transaction charges incurred by the subfund.

# Distribution Tables

## For the year ended 31 August 2020

### Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 September 2019

Group 2 Shares purchased on or after 1 September 2019 to 29 February 2020

	Net revenue (p)	Equalisation (p)	Distribution paid 30/04/20 (p)	Distribution paid 30/04/19 (p)
<b>A Shares Income</b>				
Group 1	5.1793	-	5.1793	5.2730
Group 2	2.6565	2.5228	5.1793	5.2730
<b>C Shares Income</b>				
Group 1	1.9737	-	1.9737	1.9914
Group 2	0.5327	1.4410	1.9737	1.9914

### Final Distribution in pence per share

Group 1 Shares purchased prior to 1 March 2020

Group 2 Shares purchased on or after 1 March 2020 to 31 August 2020

	Net revenue (p)	Equalisation (p)	Distribution payable 31/10/20 (p)	Distribution paid 31/10/19 (p)
<b>A Shares Income</b>				
Group 1	4.8336	-	4.8336	9.2617
Group 2	3.2281	1.6055	4.8336	9.2617
<b>C Shares Income</b>				
Group 1	1.7498	-	1.7498	3.3871
Group 2	1.1763	0.5735	1.7498	3.3871

Investors are reminded that distribution is not guaranteed.

# Investment Review

## Performance Summary

Over the 12 month period under review, ending 31st August 2020, the fund's 'C' class shares produced a total return of -11.8%. The fund's benchmark, the FTSE All Share Total Return Index, produced a total return of -12.7%. The fund outperformed the benchmark over the period, with outperformance in the first half offsetting underperformance in the second half. The performance can be largely attributed to stock selection; with favourable selection in the first half of the period, most notably domestically orientated companies; and unfavourable selection in the second half of the period, as the covid-19 crisis led to a general flight from 'value' stocks in favour of already-expensive 'quality defensives'.

## Market Background

The coronavirus pandemic has defined the period and has dissected it cleanly into two distinct parts. At the beginning of February, towards the end of the first half of the period under review, markets were generally buoyant. In the UK optimism stemmed from an expectation of a release of many years of pent-up demand and sluggish investment, as the twin problems of gridlocked domestic politics and a stalled Brexit process were alleviated, at least in part, by a decisive General Election result in December. From September to February we saw a substantial rally in many UK domestic-orientated stocks as the market began to price in these benefits and lift very suppressed valuations.

In late February global markets, including the UK, saw one of the most rapid and steep declines in stock market history. Covid-19 rapidly spread internationally throughout February and March, governments across the globe enacted unprecedented curbs on economic activity in order to curb the disease. Within four weeks from February 20th the FTSE All-share had fallen more than 33%. A relatively rapid recovery in global markets followed as equally unprecedented fiscal and monetary stimulus was rapidly enacted. The hit to GDP in the first and second quarters of 2020 was dramatic in the UK, Europe, and the US. However, the extremely accommodative policy response and the strong performance of many relative winners of the Covid crisis, notably technology stocks, drove the US market to re-touch the prior peak by the end of August. The UK market recovery – with a generally less-favoured index composition, a relatively poor performance in containing the

virus, and lingering Brexit concerns – has proven much more muted so far.

## Portfolio Review

The portfolio comprises predominantly high yielding UK equities with the objective of delivering both high and growing income, and capital appreciation. The Fund maintains a limited exposure to continental European equities where we have high conviction in a differentiated investment case, and we write a modest amount of covered call options to supplement the income stream.

Strong individual performance contributors included our holdings in IG Group, Pennon, and Pan African Resources. All returned more than 40% on an absolute basis. Pennon delivered the bulk of this outperformance in the first half of the period. As a UK-centric utility, the stock was particularly negatively affected by the risk of nationalisation in the event of a Labour-majority election result, and it rallied strongly as this risk evaporated. IG Group, as a platform facilitating leveraged trading of financial instruments, benefits from market volatility. The stock performed well in the Spring of 2020 as many financial markets and instruments saw extreme volatility as the early part of the Covid-19 crisis unfolded. Extreme macroeconomic conditions, including unprecedented contractions in global GDP and very significant fiscal and monetary support, helped to drive a significant rally in the price of gold in the latter part of the period, in turn helping the stock of miner Pan African Resources to appreciate very significantly. The relative portfolio performance was also helped by not owning several poorly performing stocks, most notably HSBC, which we did not hold for most of the period, that captured a very significant decline with a large benchmark weighting.

Significant negative contributors to performance included businesses directly impacted by the Covid-19 crisis, such as those linked to travel & leisure or aerospace. These include Senior, Meggitt, and National Express in the portfolio, all of which fell by more than 50% in the latter part of the period. Although the severity of the Covid-19 crisis in these areas has destroyed significant value in each of these and related businesses, the valuations of these stocks are compelling, and we have confidence that they will in time return to good levels of activity and profitability. The relative portfolio performance

# Investment Review continued

was also hurt by not owning several performing stocks, most notably AstraZeneca, which appreciated across the period and is a heavy weight in the benchmark.

This year there has been significant turnover in the fund as business conditions and investment cases have evolved rapidly. We have added 16 new positions and removed 8 positions; diversifying the fund with smaller positions in selected smaller companies, such as Pan African Resources and Capital Ltd; as well as a few more European ideas, such as Total, Enel, Sanofi, and Swiss RE. Among UK larger companies we have added exposure in telecoms, where valuations do not reflect the defensiveness of the sector. We have added cyclical exposure to housebuilders and housing-related names which are trading on low valuations and where we have conviction of a swift recovery. We have removed names that reached a full valuation, such as Sirius Real Estate; and where new risks were developing that were not discounted into valuations, such as HSBC, Prudential, and Informa. Elegant Hotels and Greene King were subject to takeover at premium valuations in the period.

endures. We have high conviction that it will not endure much longer, and indeed may rapidly change and bring strong outperformance for many of our holdings, though timing this shift is difficult. In the meantime we will remain focussed on finding mispriced stocks across the UK market, whilst avoiding value traps.

## Outlook

The outlook for UK markets is uncertain and predicated largely on the ongoing course of the Covid-19 pandemic, and the severity and duration of the associated economic fallout. The speed and scale of the economic downturn resulting from widespread lockdown was unprecedented, but the initial recovery has also been very strong in many sectors. Robust fiscal and monetary policy has supported both the economic recovery and asset prices considerably so far. The recovery in global markets, which has been extraordinarily strong in the US and much more muted in the UK, is highly uneven, with many stocks back to pre-crises prices and many more languishing much nearer their lows. The polarisation of valuations within and between markets, already a strong theme before the pandemic, has intensified to record levels. This polarisation encompasses some quite unusual anomalies in stock and sector performance that we believe will eventually correct – for example both telecoms and tobacco are economically resilient sectors but have underperformed during the economic downturn so far. The macroeconomic landscape and perhaps economic cycle may have shifted considerably this year, but the underlying structure of the stock market, with ‘growth’ at a premium and ‘value’ at a steep discount, for now

# Portfolio Statement

As at 31 August 2020

Holding		Market Value £'000	% of Net Assets
	<b>UNITED KINGDOM EQUITIES - 88.79% (2019 - 94.54%)</b>		
	<b>Aerospace &amp; Defence - 5.42% (2019 - 8.55%)</b>		
378,287	BAE Systems	1,991	3.79
211,810	Meggitt	616	1.17
450,063	Senior	241	0.46
		<b>2,848</b>	<b>5.42</b>
	<b>Banks - 2.57% (2019 - 5.99%)</b>		
1,205,000	Barclays	1,347	2.57
		<b>1,347</b>	<b>2.57</b>
	<b>Beverages - 2.20% (2019 - 0.59%)</b>		
520,000	Stock Spirits	1,157	2.20
		<b>1,157</b>	<b>2.20</b>
	<b>Construction &amp; Materials - 7.61% (2019 - 7.24%)</b>		
127,064	Balfour Beatty	284	0.54
540,000	Eurocell	918	1.75
130,000	Keller	793	1.51
610,000	Norcros	839	1.60
596,404	Tyman	1,164	2.21
		<b>3,998</b>	<b>7.61</b>
	<b>Electricity - 2.84% (2019 - 2.38%)</b>		
117,543	SSE	1,492	2.84
		<b>1,492</b>	<b>2.84</b>
	<b>Electronic &amp; Electrical Equipment - 1.40% (2019 - 1.76%)</b>		
326,774	Morgan Advanced Materials	734	1.40
		<b>734</b>	<b>1.40</b>
	<b>Financial Services - 6.65% (2019 - 6.24%)</b>		
238,635	IG	1,900	3.62
75,932	M&G	132	0.25
240,000	OneSavings Bank	707	1.35
316,667	Standard Life Aberdeen	751	1.43
		<b>3,490</b>	<b>6.65</b>
	<b>Fixed Line Telecommunications - 1.23% (2019 - 0.00%)</b>		
610,000	BT	644	1.23
		<b>644</b>	<b>1.23</b>
	<b>Food Producers - 2.81% (2019 - 1.02%)</b>		
216,351	Tate & Lyle	1,478	2.81
		<b>1,478</b>	<b>2.81</b>
	<b>Gas, Water &amp; Multiutilities - 4.16% (2019 - 2.21%)</b>		
198,000	National Grid	1,684	3.20
49,894	Pennon	503	0.96
		<b>2,187</b>	<b>4.16</b>
	<b>General Retailers - 2.42% (2019 - 1.58%)</b>		
448,857	DFS Furniture	759	1.44
8,500	Next	517	0.98
		<b>1,276</b>	<b>2.42</b>
	<b>Household Goods &amp; Home Construction - 3.55% (2019 - 1.49%)</b>		
34,000	Bellway	794	1.51
242,000	Redrow	1,069	2.04
		<b>1,863</b>	<b>3.55</b>
	<b>Life Insurance - 4.49% (2019 - 6.46%)</b>		
408,902	Legal & General	892	1.70
150,000	St. James's Place	1,466	2.79
		<b>2,358</b>	<b>4.49</b>
	<b>Media - 1.17% (2019 - 2.28%)</b>		
1,022,212	ITV	612	1.17
		<b>612</b>	<b>1.17</b>
	<b>Mining - 4.91% (2019 - 4.40%)</b>		
46,505	Antofagasta	502	0.96
69,880	BHP	1,199	2.28
3,700,000	Pan African Resources1	877	1.67
		<b>2,578</b>	<b>4.91</b>

# Portfolio Statement continued

As at 31 August 2020

Holding		Market Value £'000	% of Net Assets
850,000	<b>Mobile Telecommunications - 1.83% (2019 - 0.00%)</b> Vodafone	959	1.83
		<b>959</b>	<b>1.83</b>
402,848	<b>Oil &amp; Gas Producers - 6.17% (2019 - 8.70%)</b> BP	1,078	2.05
1,007,471	Diversified Gas & Oil <sup>1</sup>	1,106	2.11
98,550	Royal Dutch Shell	1,057	2.01
		<b>3,241</b>	<b>6.17</b>
480,000	<b>Personal Goods - 1.85% (2019 - 1.53%)</b> PZ Cussons	970	1.85
		<b>970</b>	<b>1.85</b>
170,970	<b>Pharmaceuticals &amp; Biotechnology - 4.85% (2019 - 6.05%)</b> GlaxoSmithKline	2,548	4.85
		<b>2,548</b>	<b>4.85</b>
611,973	<b>Real Estate Investment &amp; Services - 2.20% (2019 - 1.46%)</b> Palace Capital	1,154	2.20
		<b>1,154</b>	<b>2.20</b>
537,899	<b>Real Estate Investment Trusts - 2.91% (2019 - 4.41%)</b> Hammerson	256	0.49
219,777	Land Securities	1,274	2.42
		<b>1,530</b>	<b>2.91</b>
248,437	<b>Support Services - 5.34% (2019 - 5.57%)</b> Beggies Traynor <sup>1</sup>	209	0.40
171,000	Inchcape	854	1.63
1,500,609	Kin & Carta	981	1.87
308,317	SThree	758	1.44
		<b>2,802</b>	<b>5.34</b>
88,556	<b>Tobacco - 9.03% (2019 - 8.11%)</b> British American Tobacco	2,250	4.28
197,216	Imperial Brands	2,495	4.75
		<b>4,745</b>	<b>9.03</b>
259,836	<b>Travel &amp; Leisure - 1.18% (2019 - 6.52%)</b> National Express	329	0.63
232,237	TEN Entertainment	291	0.55
		<b>620</b>	<b>1.18</b>
	<b>OVERSEAS EQUITIES - 10.90% (2019 - 7.18%)</b>		
	<b>France Equities - 3.49% (2019 - 0.00%)</b>		
8,250	Sanofi	630	1.20
32,500	SCOR	668	1.27
18,000	TOTAL	537	1.02
		<b>1,835</b>	<b>3.49</b>
	<b>Germany Equities - 0.00% (2019 - 1.06%)</b>		
	<b>Guernsey Equities - 0.00% (2019 - 1.29%)</b>		
	<b>Isle of Man Equities - 1.63% (2019 - 1.31%)</b>		
105,839	GVC	855	1.63
		<b>855</b>	<b>1.63</b>
79,000	<b>Italy Equities - 1.03% (2019 - 0.00%)</b> Enel	542	1.03
		<b>542</b>	<b>1.03</b>
613,944	<b>Jersey Equities - 3.57% (2019 - 3.52%)</b> Man	754	1.44
173,270	WPP	1,120	2.13
		<b>1,874</b>	<b>3.57</b>
83,000	<b>Singapore Equities - 0.12% (2019 - 0.00%)</b> Capital	61	0.12
		<b>61</b>	<b>0.12</b>
9,000	<b>Switzerland Equities - 1.06% (2019 - 0.00%)</b> Swiss Re	555	1.06
		<b>555</b>	<b>1.06</b>

# Portfolio Statement continued

As at 31 August 2020

Holding		Market Value £'000	% of Net Assets
DERIVATIVES - 0.00% (2019 - (0.01)%)			
UK Written Call Options - 0.00% (2019 - (0.01)%)			
(12)	BHP Call Options November 2020	(1)	-
(15)	GVC Call Options September 2020	-	-
(20)	SSE Call Options October 2020	-	-
(20)	SSE Call Options September 2020	-	-
(160)	Vodafone Call Options September 2020	-	-
		(1)	-
Investment assets <sup>2</sup>		52,352	99.69
Net other assets		161	0.31
<b>Net assets</b>		<b>52,513</b>	<b>100.00</b>

<sup>1</sup> Securities Listed on Alternative Investment Market.

<sup>2</sup> Includes derivative liabilities.

Unless otherwise stated, all investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market.

Note: Comparative figures show percentages for each category of holding at 31 August 2019.

# Statement of Total Return

For the year ended 31 August 2020

	Notes	2020 £000s	2020 £000s	2019 £000s	2019 £000s
Income:					
Net capital losses	2		(9,533)		(4,775)
Revenue	3	2,102		2,781	
Expenses	4	(637)		(702)	
Interest payable and similar charges		(1)		-	
Net revenue before taxation		1,464		2,079	
Taxation	5	(18)		(2)	
Net revenue after taxation			1,446		2,077
<b>Total return before distributions</b>			<b>(8,087)</b>		<b>(2,698)</b>
Distributions	6		(2,036)		(2,714)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(10,123)</b>		<b>(5,412)</b>

# Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 August 2020

	2020 £000s	2020 £000s	2019 £000s	2019 £000s
Opening net assets attributable to shareholders		46,567		66,634
Amounts receivable on issue of shares	20,929		3,572	
Amounts payable on cancellation of shares	(4,908)		(18,309)	
		16,021		(14,737)
Dilution adjustment		-		16
<b>Change in net assets attributable to shareholders from investment activities (see above)</b>		<b>(10,123)</b>		<b>(5,412)</b>
Unclaimed distributions		48		66
<b>Closing net assets attributable to shareholders</b>		<b>52,513</b>		<b>46,567</b>

Notes to the final report and Financial Statements are from page 126 to 134.

# Balance Sheet

As at 31 August 2020

	Notes	2020 £000s	2020 £000s	2019 £000s	2019 £000s
<b>Assets:</b>					
Fixed assets:					
Investments			52,353		47,367
Current assets:					
Debtors	7	554		590	
Cash and bank balances	8	775		356	
<b>Total assets</b>			<b>53,682</b>		<b>48,313</b>
<b>Liabilities:</b>					
Investment liabilities					
			(1)		(6)
Creditors:					
Distribution payable		(1,094)		(1,576)	
Other creditors	9	(74)		(164)	
<b>Total liabilities</b>			<b>(1,169)</b>		<b>(1,746)</b>
<b>Net assets attributable to shareholders</b>			<b>52,513</b>		<b>46,567</b>

Notes to the final report and Financial Statements are from page 126 to 134.

# Notes to the Final Report and Financial Statements

## 1. Accounting Basis and Policies

The applicable accounting policies adopted by the Allianz UK Equity Income Fund are included on pages 8 to 13 of the Collective Notes to the Final Report and Financial Statements.

## 2. Net capital gains

	2020 £000s	2019 £000s
Losses on non-derivative securities	(9,526)	(4,725)
Gains/(losses) on derivative securities	9	(49)
(Losses)/gains on currency	(14)	1
Handling charges	(2)	(2)
<b>Net capital losses</b>	<b>(9,533)</b>	<b>(4,775)</b>

## 3. Revenue

	2020 £000s	2019 £000s
Bank interest	1	1
Franked UK dividends	1,863	2,453
Overseas dividends - non-taxable	148	141
Overseas dividends - taxable	(2)	(1)
Unfranked UK dividends	55	120
Premiums on derivative securities	37	67
<b>Total revenue</b>	<b>2,102</b>	<b>2,781</b>

# Notes to the Final Report and Financial Statements continued

## 4. Expenses

	2020	2019
	£000s	£000s
<b>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director, and agents of either of them:</b>		
ACD's annual fee <sup>1</sup>	590	637
Company secretarial costs	-	1
	590	638
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	9	9
Safe custody fees	2	2
	11	11
<b>Other expenses:</b>		
Audit fees	11	8
Distribution costs	(4)	-
Printing costs	(1)	5
Registration fees	30	37
Other expenses	-	3
	36	53
<b>Total expenses</b>	<b>637</b>	<b>702</b>

<sup>1</sup> For the purpose of the distribution, the ACD's annual fee is borne by the capital account (see Note 6).

All expenditure stated above is inclusive of VAT where applicable.

The Audit fee for the year, excluding VAT, was £9,800 (2019 - £8,820).

# Notes to the Final Report and Financial Statements continued

## 5. Taxation

	2020	2019
	£000s	£000s
<b>a. Analysis of the taxation charge for the year:</b>		
Overseas tax suffered	18	2
<b>Total taxation for the year (see Note 5(b))</b>	<b>18</b>	<b>2</b>

### b. Factors affecting taxation charge for the year:

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for a subfund of an Open-Ended Investment Company (20%) (2019 - 20%).

The differences are explained below:

Net revenue before taxation	1,464	2,079
Corporation tax at 20%	293	416
<b>Effects of:</b>		
Overseas dividends - non-taxable	(30)	(28)
Non taxable property revenue from UK REITS- non PID	(4)	(3)
Overseas tax suffered	18	2
UK dividends not subject to corporation tax	(368)	(488)
Surplus allowable expenses arising in the year	109	103
<b>Total taxation charge for the year (see Note 5(a))</b>	<b>18</b>	<b>2</b>

OEICs are exempt from tax on capital gains in the UK, therefore capital returns are not included within the reconciliation.

### c. Provision for deferred tax

There is no provision required for deferred taxation at the Balance Sheet date in the current or prior year.

### d. Factors that may affect future tax charges

At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £6,356,000 (2019 : £6,247,000) in relation to surplus management expenses.

It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the year.

## 6. Distributions

The distributions take account of revenue received on the creation of Shares and revenue deducted on the cancellation of Shares and comprise:

	2020	2019
	£000s	£000s
Interim	1,094	926
Final	1,094	1,575
Add: Revenue deducted on cancellation of shares	59	252
Deduct: Revenue received on creation of shares	(211)	(39)
<b>Net distributions for the year</b>	<b>2,036</b>	<b>2,714</b>

### Reconciliation of net revenue after taxation to net distributions for the year

Net revenue after taxation	1,446	2,077
Add: Capitalised expenses	590	637
<b>Net distributions for the year</b>	<b>2,036</b>	<b>2,714</b>

# Notes to the Final Report and Financial Statements continued

## 7. Debtors

	2020	2019
	£000s	£000s
Accrued revenue	309	559
Amounts receivable on creation of shares	224	12
Overseas tax recoverable	20	19
Income tax recoverable	1	-
	<b>554</b>	<b>590</b>

## 8. Cash and bank balances

	2020	2019
	£000s	£000s
Cash and bank balances	631	336
Amount held at futures clearing houses and brokers	144	20
	<b>775</b>	<b>356</b>

## 9. Other creditors

	2020	2019
	£000s	£000s
<b>a. Distribution payable</b>		
Net distribution payable	1,094	1,553
<b>b. Other creditors</b>		
Accrued ACD's annual fee	44	46
Amounts payable on cancellation of shares	13	23
Other accrued expenses	17	95
	<b>74</b>	<b>164</b>

## 10. Related party transactions

The ACD is deemed to be a related party under the definition of Financial Reporting Standard 102, which requires the disclosure of details of material transactions between the subfund and any related party.

Details of any related party transactions occurring during the year including commissions paid and any balances due at the year end are disclosed in the Balance Sheet, the Statement of Change in Net Assets Attributable to Shareholders and Notes 4, 8 and 10 to the financial statements. All creations and cancellations were transacted with the ACD.

# Notes to the Final Report and Financial Statements continued

## 11. Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of net revenue included in the purchase price of all Group 2 shares. In the case of Accumulation shares, it is automatically reinvested in the subfund at the first distribution payment date after the shares were purchased. Being a capital repayment it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## 12. Shareholders' funds

The subfund currently has two share classes: A and C. The ACD's annual fee on these share classes are as follows:

Class A :	1.25%
Class C :	0.75%

The net asset value per share and the number of shares in issue are given in the Comparative Tables on page 117.

The distribution per share is given in the Distribution Table on page 118.

Revenue available for allocation will be allocated between the share classes based on the respective proportionate interests represented by those share classes on a daily basis and taxation is computed by reference to the net revenue after expenses attributable to each class. All share classes have the same rights on winding up.

For the year ended 31 August 2020:

	Class A Shares	Class C Shares
Opening shares	13,589,880	9,380,854
Shares created	1,821,995	15,970,161
Shares cancelled	(1,075,132)	(2,455,665)
Shares converted	(72,107)	196,059
<b>Closing shares</b>	<b>14,264,636</b>	<b>23,091,409</b>

## 13. Contingent liabilities and commitments

As at 31 August 2020 there were no contingent liabilities (2019: £Nil).

# Notes to the Final Report and Financial Statements continued

## 14. Derivatives and other financial instruments

### a. Currency exposure

A proportion of the net assets and liabilities of the subfund are denominated in currencies other than Sterling, with the effect that the total net assets and total return can be affected by currency movements.

Currency	Monetary Exposure	Non-Monetary Exposure	Total Exposure	Monetary Exposure	Non-Monetary Exposure	Total Exposure
	31 August 2020 £000s	31 August 2020 £000s	31 August 2020 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s
Euro	80	2,377	2,457	88	496	584
Norwegian Krone	5	-	5	6	-	6
Swiss Franc	7	556	563	-	-	-
US Dollar	32	-	32	90	-	90

### b. Interest rate risk profile

The subfund did not hold any interest bearing financial instruments other than its cash and bank balances as at the balance sheet date (2019 - same).

### c. Sensitivity analysis

#### Market price sensitivity

The value of the subfund's listed investments, which were exposed to market price risk as at 31 August was as follows:

	2020 £000s	2019 £000s
Listed equity investments held at fair value through profit or loss	52,353	47,367
UK written call options	(1)	(6)

The following illustrates the sensitivity of the net return and the net assets to an increase or decrease of 20% (2020 - 20%) in the fair values of the subfund's investments. This level of change is considered to be reasonably possible based on observation of market conditions in the year. The sensitivity analysis is based on the impact of a change to the value of the subfund's investments at each balance sheet date.

	2020 20% Increase in fair value £000s	2020 20% Decrease in fair value £000s	2019 20% Increase in fair value £000s	2019 20% Decrease in fair value £000s
<b>Capital Return</b>				
Net gains (losses) on investments at fair value	10,470	(10,470)	9,472	(9,472)

#### Foreign currency risk sensitivity

The following table details the subfund's sensitivity to a 20% increase and decrease in Sterling against the relevant foreign currencies and the resultant impact that any such increase or decrease would have on the net return and net assets. The sensitivity analysis includes all foreign currency denominated items and adjusts their translation at the year end for a 20% change in foreign currency rates.

	2020 20% Increase in Sterling against foreign currencies £000s	2020 20% Decrease in Sterling against foreign currencies £000s	2019 20% Increase in Sterling against foreign currencies £000s	2019 20% Decrease in Sterling against foreign currencies £000s
Euro	(410)	614	(97)	146
Norwegian Krone	(1)	1	(1)	1
Swiss Franc	(94)	141	-	-
US Dollar	(5)	8	(15)	22
<b>Change in net return and net assets</b>	<b>(510)</b>	<b>764</b>	<b>(113)</b>	<b>169</b>

# Notes to the Final Report and Financial Statements continued

## d. Leverage

The subfund did not employ significant leverage during the year (2019 - same).

## e. Fair value hierarchy

An analysis of the portfolio in accordance with the fair value hierarchy is shown below:

	Assets		Liabilities	
	31 August 2020 £000s	31 August 2020 £000s	31 August 2019 £000s	31 August 2019 £000s
Level 1: Quoted	52,353	(1)	47,367	(6)
Level 2: Observable	-	-	-	-
Level 3: Unobservable	-	-	-	-
	<b>52,353</b>	<b>(1)</b>	<b>47,367</b>	<b>(6)</b>

The fair value as at the reporting date has been estimated using the following fair value hierarchy:

### Level (1) Quoted prices for identical instruments in active markets

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

### Level (2) Valuation techniques that use:

Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

### Level (3) Valuation techniques that use:

Inputs that are unobservable (i.e. for which market data is unavailable) for the asset or liability.

When the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate, the fair value is estimated by using an alternative valuation technique. Such valuation techniques will, where possible, maximise the use of observable market data inputs as opposed to non-observable entity determined data inputs. The Investment Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

## f. Maturity of financial liabilities

All liabilities are due in one year or less or on demand (2019 - same).

## g. Fair value disclosure

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value.

## h. Derivatives

The subfund operates a strategy of writing (selling) covered call options on selected shares held within the portfolio in order to generate additional revenue. There is a maximum 20% limit, at the time of writing, on then proportion of the portfolio that can be exposed to call options. The effect of this strategy is that should the value of the shares rise the subfund would only benefit in that rise up to the call price.

Over the year the strategy has accrued additional revenue of £37,000 (2019 - £67,000).

For more details please refer to page 11.

# Notes to the Final Report and Financial Statements continued

## 15. Portfolio transaction costs

For the year ended 31 August 2020:

	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2020	2020	2020	2020	2020
	£000s	£000s	%	£000s	%
<b>Purchases</b>					
Equity instruments (direct)	33,946	13	0.04	149	0.44
Total purchases	33,946	13	0.04	149	0.44
Total purchases including transaction costs	34,108				
	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2020	2020	2020	2020	2020
	£000s	£000s	%	£000s	%
<b>Sales</b>					
Equity instruments (direct)	19,603	8	0.04	-	-
Derivatives	43	-	-	-	-
Total sales	19,646	8	0.04	-	-
Total sales including transaction costs	19,638				
<b>Total transaction costs as a % of average net assets</b>		<b>0.04%</b>		<b>0.27%</b>	
	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2019	2019	2019	2019	2019
	£000s	£000s	%	£000s	%
<b>Purchases</b>					
Equity instruments (direct)	15,669	7	0.04	63	0.40
Derivatives	2	-	-	-	-
Total purchases	15,671	7	0.04	63	0.40
Total purchases including transaction costs	15,741				
	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2019	2019	2019	2019	2019
	£000s	£000s	%	£000s	%
<b>Sales</b>					
Equity instruments (direct)	30,857	11	0.04	-	-
Derivatives	17	-	-	-	-
Total sales	30,874	11	0.04	-	-
Total sales including transaction costs	30,863				
<b>Total transaction costs as a % of average net assets</b>		<b>0.03%</b>		<b>0.12%</b>	

The above analysis covers any direct transaction costs suffered by the subfund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Separately identifiable direct transaction costs (commissions & taxes etc) are attributable to the subfund's purchase and sale of equity shares. Additionally for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions.

# Notes to the Final Report and Financial Statements continued

During the period the subfund utilised futures contracts as derivative instruments covering different underlying asset classes. The settlement values for opening and closing derivative positions are not comparable to principal values for transactions in direct holding investments and therefore purchase and sale amounts for derivative transactions are not quantified in the analysis above. Transaction costs for derivatives positions will be either suffered as direct costs or form part of the dealing spread for the instruments. Any direct costs are identified in the analysis above.

Dealing spread costs suffered by the subfund vary considerably for the different asset / instrument types depending on a number of factors including transaction value and market sentiment.

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.46% (2019 : 0.31%).

# Fund Information

## Investment Objective and Policy

The investment objective of the Allianz UK Opportunities Fund is to achieve capital growth, aiming to outperform the performance Benchmark, the FTSE All-Share Index Total Return.

The ACD aims to achieve the investment objective by investing in all economic sectors of the United Kingdom although it may invest internationally. The ACD will not follow any particular style bias and it will seek to take advantage of opportunities across the UK and other international markets to achieve capital growth. The ACD will predominantly invest into stocks. The Fund may also hold fixed income securities. It is the intention of the ACD to mainly invest in sectors and stocks which are represented on the FTSE All Share Index.

The ACD may also utilise deposits in the management of the portfolio. The Fund may also invest in collective investment schemes.

## Fund Details

<b>Fund Manager</b>	Matthew Tillet	
<b>Benchmark</b>	FTSE All-Share Index Total Return	
<b>Income allocation date</b>	31 August	
<b>Income pay date</b>	31 October	
<b>Launch dates</b>	Fund	20 June 2002
	A Shares	20 June 2002
	C Shares	27 March 2014
	I Shares	1 June 2017
	Y Shares	20 February 2017
	O Shares	3 May 2018
<b>ISA status</b>	Yes	
<b>Share Classes and types of Shares</b>	A (Accumulation Shares)	
	C (Accumulation Shares)	
	I (Accumulation Shares)	
	Y (Accumulation Shares)	
	O (Accumulation Shares)	
<b>Minimum investment</b>	A Shares	Lump sum £500
		Monthly saving £50
	C Shares	Lump sum £500
		Monthly saving £50
	I Shares	Lump sum £500
		Lump sum £10,000,000
		(Available to Approved Investors only)
	Y Shares	Lump sum £100,000,000
		(Available to Approved Investors only)
	O Shares	Lump sum £10,000,000
<b>Initial charge</b>	(Available to Approved Investors only)	
	A Shares	Nil
	C Shares	Nil
	I Shares	Nil
	Y Shares	Nil
	O Shares	Nil
<b>Annual ACD fee</b>	A Shares	1.25%
	C Shares	0.75%
	I Shares	0.50%
	Y Shares	0.30%
	O Shares	0.20%*

\* 0.20% p.a. minus the additional expense payable in respect of the O Shares.

# Comparative Tables

For the year ended 31 August 2020

	A Shares Accumulation			C Shares Accumulation		
	2020 (p)	2019 (p)	2018 (p)	2020 (p)	2019 (p)	2018 (p)
Opening net asset value per share	5,672.04	6,112.04	5,596.84	134.51	144.18	131.39
Return before operating charges	(537.44)	(360.94)	596.52	(12.82)	(8.52)	14.04
Operating charges	(75.29)	(79.06)	(81.32)	(1.11)	(1.15)	(1.25)
Return after operating charges	(612.73)	(440)	515.20	(13.93)	(9.67)	12.79
Distributions	(78.63)	(117.98)	(89.21)	(2.54)	(3.51)	(2.77)
Retained distributions on accumulation shares	78.63	117.98	89.21	2.54	3.51	2.77
Closing net asset value per share	5,059.31	5,672.04	6,112.04	120.58	134.51	144.18
After direct transaction costs of <sup>1</sup>	(16.50)	(16.27)	(15.83)	(0.39)	(0.38)	(0.37)
<b>Performance</b>						
Return after operating charges	(10.80)%	(7.20)%	9.21%	(10.36)%	(6.71)%	9.73%
<b>Other information</b>						
Closing net asset value (£'000)	18,956	22,489	28,983	33,785	42,484	32,461
Closing number of shares	374,687	396,493	474,188	28,017,413	31,584,573	22,513,642
Operating charges	1.35%*	1.37%	1.38%	0.84%	0.85%	0.90%
Direct transaction costs	0.29%	0.28%	0.27%	0.29%	0.28%	0.27%
<b>Prices</b>						
Highest share price	6,770.57	6,208.89	6,325.49	160.86	146.51	149.05
Lowest share price	3,858.74	5,344.61	5,460.20	91.79	126.29	128.44

<sup>1</sup> Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the subfund and share class returns before operating charges.

\* Operating Charges Figures are lower than usual this year due to a distribution fee policy change. More representative charges without this current year benefit to the fund would be 1.37% for the A Accumulation class.

Operating charges represents all operating charges and expenses and is expressed as a percentage of the average net asset value. It includes the annual ACD fee as well as all the administrative expenses including custodial transaction charges incurred by the subfund.

# Comparative Tables continued

For the year ended 31 August 2020

	I Shares Accumulation			Y Shares Accumulation		
	2020 (p)	2019 (p)	2018 (p)	2020 (p)	2019 (p)	2018 (p)
Opening net asset value per share	103.58	110.69	100.47	5,578.70	5,951.79	5,392.40
Return before operating charges	(9.90)	(6.55)	10.81	(491.28)	(350.61)	582.40
Operating charges	(0.54)	(0.56)	(0.59)	(22.35)	(22.48)	(23.01)
Return after operating charges	(10.44)	(7.11)	10.22	(513.63)	(373.09)	559.39
Distributions	(2.27)	(3.01)	(2.88)	(3.17)	(171.94)	(203.40)
Retained distributions on accumulation shares	2.27	3.01	2.88	3.17	171.94	203.40
Closing net asset value per share	93.14	103.58	110.69	5,065.07	5,578.70	5,951.79
After direct transaction costs of <sup>1</sup>	(0.30)	(0.29)	(0.29)	(16.58)	(15.91)	(15.49)
<b>Performance</b>						
Return after operating charges	(10.08)%	(6.42)%	10.17%	(9.21)%	(6.27)%	10.37%
<b>Other information</b>						
Closing net asset value (£'000)	40,079	25,961	10,401	51	166	256
Closing number of shares	43,032,372	25,064,160	9,396,984	1,000	2,979	4,308
Operating charges <sup>2</sup>	0.54%	0.54%	0.54%	0.40%	0.40%	0.40%
Direct transaction costs	0.29%	0.28%	0.27%	0.29%	0.28%	0.27%
<b>Prices</b>						
Highest share price	124.00	112.51	114.33	6,681.53	6,050.38	6,145.13
Lowest share price	70.80	97.05	98.39	3,816.25	5,220.91	5,284.59

<sup>1</sup> Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the subfund and share class returns before operating charges.

<sup>2</sup> Operating charges on 'I' Class Accumulation have been capped at 0.54%.

<sup>2</sup> Operating charges on 'Y' Class Accumulation have been capped at 0.40%.

Operating charges represents all operating charges and expenses and is expressed as a percentage of the average net asset value. It includes the annual ACD fee as well as all the administrative expenses including custodial transaction charges incurred by the subfund.

# Comparative Tables continued

For the year ended 31 August 2020

	O Shares Accumulation		
	2020 (p)	2019 (p)	2018 (p)
Opening net asset value per share	94.65	100.88	100.00
Return before operating charges	(9.90)	(6.04)	0.95
Operating charges	(0.17)	(0.19)	(0.07)
Return after operating charges	(10.07)	(6.23)	0.88
Distributions	(0.14)	(3.82)	-
Retained distributions on accumulation shares	0.14	3.82	-
Closing net asset value per share	84.58	94.65	100.88
After direct transaction costs of <sup>1</sup>	(0.26)	(0.27)	(0.27)
<b>Performance</b>			
Return after operating charges	(10.64)%	(6.18)%	1.00%
<b>Other information</b>			
Closing net asset value (£'000)	131	24	1
Closing number of shares	154,877	24,929	1,000
Operating charges <sup>2</sup>	0.20%	0.20%	-
Performance fee	2.64%	-	-
Direct transaction costs	0.29%	0.28%	0.27%
<b>Prices</b>			
Highest share price	111.42	102.47	103.94
Lowest share price	64.86	88.47	100

<sup>1</sup> Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the subfund and share class returns before operating charges.

<sup>2</sup> Operating charges have been capped at 0.20%.

Operating charges represents all operating charges and expenses and is expressed as a percentage of the average net asset value. It includes the annual ACD fee as well as all the administrative expenses including custodial transaction charges incurred by the subfund.

Share Class 'O' Accumulation was launched on 3 May 2018.

# Distribution Tables

## For the year ended 31 August 2020

### Final Distribution in pence per share

Group 1 Shares purchased prior to 1 September 2019

Group 2 Shares purchased on or after 1 September 2019 to 31 August 2020

	Net revenue (p)	Equalisation (p)	Distribution payable 31/10/20 (p)	Distribution paid 31/10/19 (p)
<b>A Shares Accumulation</b>				
Group 1	78.6313	-	78.6313	117.9803
Group 2	36.0060	42.6253	78.6313	117.9803
<b>C Shares Accumulation</b>				
Group 1	2.5435	-	2.5435	3.5083
Group 2	1.1575	1.3860	2.5435	3.5083
<b>I Shares Accumulation</b>				
Group 1	2.2683	-	2.2683	3.0112
Group 2	1.1069	1.1614	2.2683	3.0112
<b>Y Shares Accumulation</b>				
Group 1	3.1660	-	3.1660	171.9355
Group 2	-	3.1660	3.1660	171.9355
<b>O Shares Accumulation</b>				
Group 1	0.1372	-	0.1372	3.8170
Group 2	-	0.1372	0.1372	3.8170

Investors are reminded that distribution is not guaranteed.

# Investment Review

## Performance Summary

Over the 12 month period under review, ending 31st August 2020, the fund's 'C' class shares produced a total return of -10.4%. The fund's benchmark, the FTSE All Share Total Return Index, produced a total return of -12.7%. Strong relative performance in the first half was followed by a period of weaker performance, driven in large part by the Fund's exposure to domestically oriented mid and smaller size companies.

## Market Background

The coronavirus pandemic has defined the period and has dissected it cleanly into two distinct parts. At the beginning of February, towards the end of the first half of the period under review, markets were generally buoyant. In the UK optimism stemmed from an expectation of a release of many years of pent-up demand and sluggish investment, as the twin problems of gridlocked domestic politics and a stalled Brexit process were alleviated, at least in part, by a decisive General Election result in December. From September to February we saw a substantial rally in many UK domestic-orientated stocks as the market began to price in these benefits and lift very suppressed valuations.

In late February global markets, including the UK, saw one of the most rapid and steep declines in stock market history. Covid-19 rapidly spread internationally throughout February and March, governments across the globe enacted unprecedented curbs on economic activity in order to stop the disease. Within four weeks from February 20th the FTSE All-share had fallen more than 33%. A relatively rapid recovery in global markets followed as equally unprecedented fiscal and monetary stimulus was rapidly enacted. The hit to GDP in the first and second quarters of 2020 was dramatic in the UK, Europe, and the US. However, the extremely accommodative policy response and the strong performance of many relative winners of the Covid crisis, notably technology stocks, drove the US market to re-touch the prior peak by the end of August. The UK market recovery – with a generally less-favoured index composition, a relatively poor performance in containing the virus, and lingering Brexit concerns – has proven much more muted so far.

## Portfolio Review

The Fund aims to deliver a compelling long-term risk adjusted return that is significantly ahead of the FTSE All Share over the long term, defined as rolling 3 and 5 year periods. It seeks to achieve this through a concentrated portfolio that invests on an unconstrained basis across all sectors in the UK stock market. The Fund invests in companies that we believe are significantly undervalued relative to their assets or long-term earnings potential and where the downside risks are quantifiable and typically low. The benchmark is the FTSE All Share, but the fund is not constructed with reference to this or any other equity index.

Although the Fund outperformed on a relative basis, it is nevertheless disappointing to report a negative overall return. In what has been a difficult period for most investors with a value style, the Fund has held up relatively well, in part due to the focus on other factors such as quality, growth and the willingness to invest in smaller capitalisation stocks where there are often better opportunities. The Fund's 3-year return is modestly ahead of the benchmark, whilst over 5-years and longer it is significantly ahead.

Strong individual contributors included IG Group, Pennon, Capital Ltd and Pan African Resources. Undervalued utility company Pennon performed strongly following the decisive election result, with Fund opting to exit the position due to valuation. IG Group, the digital trading platform, saw strong growth as volatility returned to the financial markets. The fund's significant holdings in the gold mining sector performed exceptionally well in the second half of the year as the gold price rallied and sentiment towards the sector improved. We see excellent value in these holdings irrespective of the gold price, but clearly the environment has helped these stocks perform.

Significant negative contributors to performance included businesses directly impacted by the Covid-19 crisis, such as those linked to travel & leisure, aerospace and real estate. The critical question here relates to longer term behavioural and structural shifts. In some cases, such as exhibitions company Informa and travel business Firstgroup, we sold the Fund's positions early on in the crisis on the basis that the path to recovery is very uncertain. In other areas such as aerospace, domestic leisure and certain segments of real estate, we are more confident in the path to recovery and as a result have

# Investment Review continued

held onto the Fund's positions where valuations are extremely compelling and balance sheets sound.

Other changes to the Fund included a reduction in the exposure to domestically oriented stocks in January following the strong rally. Having sold out entirely of the oil majors BP and Shell in early 2019, the Fund bought both shares again after precipitous share price falls once again created very attractive long-term valuations. We believe the outlook for the oil and gas markets is much better than the dire consensus view, which we expect to become apparent once the global economy recovers from the pandemic. The Fund also invested into the domestic banks sector – the first time since the start of the current strategy 10 years ago. We have made three small investments into Natwest, One Savings Bank and Provident Financial, all of which have strong capital positions and very compelling long term valuations. Again we anticipate strong returns once economic recovery takes hold.

shift is difficult. In the meantime we will remain focussed on finding mispriced stocks across the UK market, whilst avoiding value traps.

## Outlook

The outlook for UK markets is uncertain and predicated largely on the ongoing course of the Covid-19 pandemic, and the severity and duration of the associated economic fallout. The speed and scale of the economic downturn resulting from widespread lockdown was unprecedented, but the initial recovery has also been very strong in many sectors. Robust fiscal and monetary policy has supported both the economic recovery and asset prices considerably so far. The recovery in global markets, which has been extraordinarily strong in the US and much more muted in the UK, is highly uneven, with many stocks back to pre-crises prices and many more languishing much nearer their lows. The polarisation of valuations within and between markets, already a strong theme before the pandemic, has intensified to record levels. This polarisation encompasses some quite unusual anomalies in stock and sector performance that we believe will eventually correct – for example tobacco is an economically resilient sector but has underperformed during the economic downturn so far. The macroeconomic landscape and perhaps economic cycle may have shifted considerably this year, but the underlying structure of the stock market, with 'growth' at a premium and 'value' at a steep discount, for now endures. History suggests that this may not endure for that much longer, and indeed may rapidly change bringing strong outperformance for many of our holdings, though timing this

# Portfolio Statement

As at 31 August 2020

Holding		Market Value £'000	% of Net Assets
	<b>UNITED KINGDOM EQUITIES - 90.40% (2019 - 87.62%)</b>		
	<b>Aerospace &amp; Defence - 2.10% (2019 - 3.67%)</b>		
400,000	Meggitt	1,164	1.25
1,475,000	Senior	791	0.85
		<b>1,955</b>	<b>2.10</b>
	<b>Banks - 1.76% (2019 - 0.00%)</b>		
1,450,000	NatWest	1,641	1.76
		<b>1,641</b>	<b>1.76</b>
	<b>Beverages - 2.87% (2019 - 0.00%)</b>		
1,200,000	Stock Spirits	2,670	2.87
		<b>2,670</b>	<b>2.87</b>
	<b>Construction &amp; Materials - 8.96% (2019 - 11.46%)</b>		
935,000	Eurocell	1,589	1.71
270,000	Keller	1,647	1.77
1,700,000	Norcros	2,338	2.51
1,415,000	Tyman	2,762	2.97
		<b>8,336</b>	<b>8.96</b>
	<b>Financial Services - 8.66% (2019 - 9.11%)</b>		
345,000	IG	2,747	2.95
11,700,000	Mercia Asset Management <sup>1</sup>	2,340	2.52
550,000	OneSavings Bank	1,619	1.74
550,000	Provident Financial	1,344	1.45
		<b>8,050</b>	<b>8.66</b>
	<b>Food Producers - 0.93% (2019 - 0.00%)</b>		
1,000,000	Premier Foods	864	0.93
		<b>864</b>	<b>0.93</b>
	<b>Gas, Water &amp; Multiutilities - 2.12% (2019 - 1.20%)</b>		
4,750,000	Infrastrata	1,971	2.12
		<b>1,971</b>	<b>2.12</b>
	<b>General Industrials - 1.29% (2019 - 0.00#%)</b>		
1,175,000	Melrose Industries	1,203	1.29
		<b>1,203</b>	<b>1.29</b>
	<b>General Retailers - 1.45% (2019 - 0.74%)</b>		
800,000	DFS Furniture	1,352	1.45
		<b>1,352</b>	<b>1.45</b>
	<b>Household Goods &amp; Home Construction - 6.38% (2019 - 0.16%)</b>		
740,893	Crest Nicholson	1,426	1.53
7,544,000	Eve Sleep <sup>1</sup>	324	0.35
580,000	Redrow	2,561	2.76
3,000,000	Walker Greenbank	1,620	1.74
		<b>5,931</b>	<b>6.38</b>
	<b>Life Insurance - 3.52% (2019 - 3.66%)</b>		
335,000	St. James's Place	3,274	3.52
		<b>3,274</b>	<b>3.52</b>
	<b>Media - 2.81% (2019 - 4.66%)</b>		
589,099	Ocean Outdoor	2,613	2.81
		<b>2,613</b>	<b>2.81</b>
	<b>Mining - 4.14% (2019 - 3.47%)</b>		
16,250,288	Pan African Resources <sup>1</sup>	3,851	4.14
		<b>3,851</b>	<b>4.14</b>
	<b>Oil &amp; Gas Producers - 10.93% (2019 - 2.67%)</b>		
900,000	BP	2,409	2.59
1,900,000	Diversified Gas & Oil <sup>1</sup>	2,086	2.24
330,000	Royal Dutch Shell	3,539	3.81
1,850,000	Serica Energy <sup>1</sup>	2,131	2.29
		<b>10,165</b>	<b>10.93</b>
	<b>Oil Equipment, Services &amp; Distribution - 0.96% (2019 - 1.55%)</b>		
6,150,000	Enteq Upstream <sup>1</sup>	892	0.96
		<b>892</b>	<b>0.96</b>

# Portfolio Statement continued

As at 31 August 2020

Holding		Market Value £'000	% of Net Assets
	<b>Real Estate Investment &amp; Services - 8.81% (2019 - 10.11%)</b>		
1,000,000	Countrywide	1,486	1.60
450,000	Helical	1,269	1.37
1,958,320	Palace Capital	3,691	3.97
2,600,000	U & I	1,742	1.87
		<b>8,188</b>	<b>8.81</b>
	<b>Real Estate Investment Trusts - 2.96% (2019 - 4.70%)</b>		
475,000	Land Securities	2,753	2.96
		<b>2,753</b>	<b>2.96</b>
	<b>Support Services - 8.29% (2019 - 15.11%)</b>		
434,063	Begbies Traynor <sup>1</sup>	365	0.39
3,500,000	Capita	1,076	1.16
3,550,500	Driver <sup>1</sup>	2,059	2.21
1,590,000	Empresaria <sup>1</sup>	636	0.68
2,900,000	Ince <sup>1</sup>	696	0.75
2,800,000	Kin & Carta	1,831	1.97
425,000	SThree	1,046	1.13
		<b>7,709</b>	<b>8.29</b>
	<b>Tobacco - 8.11% (2019 - 7.49%)</b>		
130,000	British American Tobacco	3,302	3.55
335,000	Imperial Brands	4,238	4.56
		<b>7,540</b>	<b>8.11</b>
	<b>Travel &amp; Leisure - 3.35% (2019 - 7.86%)</b>		
340,000	Fuller Smith & Turner	1,863	2.00
4,300,000	Goals Soccer Centres <sup>1*</sup>	-	-
1,000,000	TEN Entertainment	1,255	1.35
		<b>3,118</b>	<b>3.35</b>
	<b>OVERSEAS EQUITIES - 8.82% (2019 - 7.99%)</b>		
	<b>Australia Equities - 2.01% (2019 - 0.00%)</b>		
3,100,000	Resolute Mining	1,873	2.01
		<b>1,873</b>	<b>2.01</b>
	<b>Guernsey Equities - 0.12% (2019 - 3.15%)</b>		
33,000,000	Better Capital PCC 2012	36	0.04
7,256,654	Mercantile Ports and Logistics <sup>1</sup>	76	0.08
33,000,000		<b>112</b>	<b>0.12</b>
	<b>Ireland Equities - 0.00% (2019 - 1.04%)</b>		
	<b>Jersey Equities - 0.80% (2019 - 0.00%)</b>		
1,850,000	SafeStyle UK	742	0.80
		<b>742</b>	<b>0.80</b>
	<b>Singapore Equities - 5.89% (2019 - 3.62%)</b>		
7,400,000	Capital	5,476	5.89
		<b>5,476</b>	<b>5.89</b>
	<b>United Arab Emirates Equities - 0.00% (2019 - 0.18%)</b>		
	Investment assets	92,279	99.22
	Net other assets	723	0.78
	<b>Net assets</b>	<b>93,002</b>	<b>100.00</b>

<sup>1</sup> Securities Listed on Alternative Investment Market.

\* Suspended security.

# The classifications and prior year comparatives have been updated, where required, to reflect recent changes in the Industry Classification Benchmark (ICB) standard.

Unless otherwise stated, all investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market.

Note: Comparative figures show percentages for each category of holding at 31 August 2019.

# Statement of Total Return

For the year ended 31 August 2020

	Notes	2020 £000s	2020 £000s	2019 £000s	2019 £000s
Income:					
Net capital losses	2		(12,276)		(7,178)
Revenue	3	2,779		2,900	
Expenses	4	(842)		(767)	
Net revenue before taxation		1,937		2,133	
Taxation	5	(39)		-	
Net revenue after taxation			1,898		2,133
<b>Total return before distributions</b>			<b>(10,378)</b>		<b>(5,045)</b>
Distributions	6		(1,899)		(2,140)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(12,277)</b>		<b>(7,185)</b>

# Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 August 2020

	2020 £000s	2020 £000s	2019 £000s	2019 £000s
Opening net assets attributable to shareholders		91,124		72,102
Amounts receivable on issue of shares	33,812		28,316	
Amounts payable on cancellation of shares	(21,641)		(4,446)	
		12,171		23,870
<b>Change in net assets attributable to shareholders from investment activities (see above)</b>		<b>(12,277)</b>		<b>(7,185)</b>
Retained distributions on accumulation shares		1,984		2,337
<b>Closing net assets attributable to shareholders</b>		<b>93,002</b>		<b>91,124</b>

Notes to the final report and Financial Statements are from page 146 to 153.

# Balance Sheet

As at 31 August 2020

	Notes	2020 £000s	2020 £000s	2019 £000s	2019 £000s
<b>Assets:</b>					
Fixed assets:					
Investments			92,279		87,125
Current assets:					
Debtors	7	185		957	
Cash and bank balances	8	1,007		3,569	
<b>Total assets</b>			<b>93,471</b>		<b>91,651</b>
<b>Liabilities:</b>					
Creditors:					
Other creditors	9	(469)		(527)	
<b>Total liabilities</b>			<b>(469)</b>		<b>(527)</b>
<b>Net assets attributable to shareholders</b>			<b>93,002</b>		<b>91,124</b>

Notes to the final report and Financial Statements are from page 146 to 153.

# Notes to the Final Report and Financial Statements

## 1. Accounting Basis and Policies

The applicable accounting policies adopted by the Allianz UK Opportunities Fund are included on pages 8 to 13 of the Collective Notes to the Final Report and Financial Statements.

## 2. Net capital gains

	2020 £000s	2019 £000s
Losses on non-derivative securities	(12,262)	(7,183)
(Losses)/gains on currency	(10)	4
Handling charges	(4)	1
<b>Net capital losses</b>	<b>(12,276)</b>	<b>(7,178)</b>

## 3. Revenue

	2020 £000s	2019 £000s
Bank interest	3	2
Franked UK dividends	2,486	2,428
Overseas dividends - non-taxable	35	357
Overseas dividends - taxable	(2)	(2)
Unfranked UK dividends	257	115
<b>Total revenue</b>	<b>2,779</b>	<b>2,900</b>

# Notes to the Final Report and Financial Statements continued

## 4. Expenses

	2020	2019
	£000s	£000s
<b>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director, and agents of either of them:</b>		
ACD's annual fee	771	690
Company secretarial costs	-	1
ACD rebate*	(1)	(3)
	770	688
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	18	15
Safe custody fees	5	2
	23	17
<b>Other expenses:</b>		
Audit fees	11	8
Distribution costs	4	10
Printing costs	(3)	3
Registration fees	35	43
Other expenses	2	(2)
	49	62
<b>Total expenses</b>	<b>842</b>	<b>767</b>

All expenditure stated above is inclusive of VAT where applicable.

The Audit fee for the year, excluding VAT, was £10,000 (2019 - £8,820).

\*Operating charges for each subfund are capped. I Shares are capped at 0.54%, Y Shares are capped at 0.40%, O Shares are capped at 0.20%. Any charges in excess of this amount are borne by the Manager. This is operated by way of a fee rebate from the ACD.

# Notes to the Final Report and Financial Statements continued

## 5. Taxation

	2020	2019
	£000s	£000s
<b>a. Analysis of the taxation charge for the year:</b>		
Overseas tax suffered	39	-
<b>Total taxation for the year (see Note 5(b))</b>	<b>39</b>	<b>-</b>
<b>b. Factors affecting taxation charge for the year:</b>		
The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for a subfund of an Open-Ended Investment Company (20%) (2019 - 20%).		
The differences are explained below:		
Net revenue before taxation	1,937	2,133
Corporation tax at 20%	387	427
<b>Effects of:</b>		
Overseas dividends - non-taxable	(7)	(71)
Overseas tax suffered	39	-
Surplus allowable expenses arising in the year	117	130
UK dividends not subject to corporation tax	(486)	(486)
Non taxable property revenue from UK REITS- non PID	(11)	-
<b>Total taxation charge for the year (see Note 5(a))</b>	<b>39</b>	<b>-</b>

OEICs are exempt from tax on capital gains in the UK, therefore capital returns are not included within the reconciliation.

### c. Provision for deferred tax

There is no provision required for deferred taxation at the Balance Sheet date in the current or prior year.

### d. Factors that may affect future tax charges

At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £5,523,000 (2019 : £5,406,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the year.

## 6. Distributions

The distributions take account of revenue received on the creation of Shares and revenue deducted on the cancellation of Shares and comprise:

	2020	2019
	£000s	£000s
Final	1,984	2,337
Add: Revenue deducted on cancellation of shares	277	44
Deduct: Revenue received on creation of shares	(362)	(241)
<b>Net distributions for the year</b>	<b>1,899</b>	<b>2,140</b>
<b>Reconciliation of net revenue after taxation to net distributions for the year</b>		
Net revenue after taxation	1,898	2,133
Net equalisation on conversions	1	7
<b>Net distributions for the year</b>	<b>1,899</b>	<b>2,140</b>

# Notes to the Final Report and Financial Statements continued

## 7. Debtors

	2020	2019
	£000s	£000s
Accrued revenue	138	498
Amounts receivable on creation of shares	12	11
Overseas tax recoverable	3	3
Sales awaiting settlement	29	445
Income tax recoverable	3	-
	<b>185</b>	<b>957</b>

## 8. Cash and bank balances

	2020	2019
	£000s	£000s
Cash and bank balances	1,007	3,569
	<b>1,007</b>	<b>3,569</b>

## 9. Other creditors

	2020	2019
	£000s	£000s
Accrued ACD's annual fee	53	60
Amounts payable on cancellation of shares	208	79
Other accrued expenses	42	113
Purchases awaiting settlement	166	275
	<b>469</b>	<b>527</b>

## 10. Related party transactions

The ACD is deemed to be a related party under the definition of Financial Reporting Standard 102, which requires the disclosure of details of material transactions between the subfund and any related party.

Details of any related party transactions occurring during the year including commissions paid and any balances due at the year end are disclosed in the Balance Sheet, the Statement of Change in Net Assets Attributable to Shareholders and Notes 4, 7 and 9 to the financial statements. All creations and cancellations were transacted with the ACD.

# Notes to the Final Report and Financial Statements continued

## 11. Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of net revenue included in the purchase price of all Group 2 shares. In the case of Accumulation shares, it is automatically reinvested in the subfund at the first distribution payment date after the shares were purchased. Being a capital repayment it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## 12. Shareholders' funds

The subfund currently has five share classes: A, C, I, Y and O. The ACD's annual fee on these share classes are as follows:

Class A :	1.25%
Class C :	0.75%
Class I :	0.50%
Class Y :	0.30%
Class O :	0.20%

The net asset value per share and the number of shares in issue are given in the Comparative Tables on page 136 to 138.

The distribution per share is given in the Distribution Table on page 139.

Revenue available for allocation will be allocated between the share classes based on the respective proportionate interests represented by those share classes on a daily basis and taxation is computed by reference to the net revenue after expenses attributable to each class. All share classes have the same rights on winding up.

For the year ended 31 August 2020:

	Class A Shares	Class C Shares	Class I Shares	Class Y Shares	Class O Shares
Opening shares	396,493	31,584,573	25,064,160	2,979	24,929
Shares created	2,906	8,858,792	20,896,683	1,796	294,283
Shares cancelled	(20,131)	(11,786,328)	(4,008,936)	(3,775)	(164,335)
Shares converted	(4,581)	(639,624)	1,080,465	-	-
<b>Closing shares</b>	<b>374,687</b>	<b>28,017,413</b>	<b>43,032,372</b>	<b>1,000</b>	<b>154,877</b>

## 13. Contingent liabilities and commitments

As at 31 August 2020 there were no contingent liabilities (2019: £Nil).

# Notes to the Final Report and Financial Statements continued

## 14. Derivatives and other financial instruments

### a. Currency exposure

A proportion of the net assets and liabilities of the Fund are denominated in currencies other than Sterling, with the effect that the total net assets and total return can be affected by currency movements.

	Monetary Exposure	Non-Monetary Exposure	Total Exposure	Monetary Exposure	Non-Monetary Exposure	Total Exposure
Currency	31 August 2020 £000s	31 August 2020 £000s	31 August 2020 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s
Euro	-	-	-	-	951	951
US Dollar	68	2,613	2,681	-	2,764	2,764

### b. Interest rate risk profile

The subfund did not hold any interest bearing financial instruments other than its cash and bank balances as at the balance sheet date (2019 - same).

### c. Sensitivity analysis

#### Market price sensitivity

The value of the subfund's listed investments, which were exposed to market price risk as at 31 August was as follows:

	2020 £000s	2019 £000s
Listed equity investments held at fair value through profit or loss	92,279	87,125

The following illustrates the sensitivity of the net return and the net assets to an increase or decrease of 20% (2019 - 20%) in the fair values of the subfund's investments. This level of change is considered to be reasonably possible based on observation of market conditions in the year. The sensitivity analysis is based on the impact of a change to the value of the subfund's investments at each balance sheet date.

	2020 20% Increase in fair value £000s	2020 20% Decrease in fair value £000s	2019 20% Increase in fair value £000s	2019 20% Decrease in fair value £000s
<b>Capital Return</b>				
Net gains (losses) on investments at fair value	18,456	(18,456)	17,425	(17,425)

#### Foreign currency risk sensitivity

The following table details the subfund's sensitivity to a 20% increase and decrease in Sterling against the relevant foreign currencies and the resultant impact that any such increase or decrease would have on the net return and net assets. The sensitivity analysis includes all foreign currency denominated items and adjusts their translation at the year end for a 20% change in foreign currency rates.

	2020 20% Increase in Sterling against foreign currencies £000s	2020 20% Decrease in Sterling against foreign currencies £000s	2019 20% Increase in Sterling against foreign currencies £000s	2019 20% Decrease in Sterling against foreign currencies £000s
Euro	-	-	(159)	238
US Dollar	(447)	670	(461)	691
Change in net return and net assets	(447)	670	(620)	929

### d. Leverage

The subfund did not employ significant leverage during the year (2019 - same).

# Notes to the Final Report and Financial Statements continued

## e. Fair value hierarchy

An analysis of the portfolio in accordance with the fair value hierarchy is shown below:

	Assets		Liabilities	
	31 August 2020	31 August 2020	31 August 2019	31 August 2019
	£000s	£000s	£000s	£000s
Level 1: Quoted	92,279	-	87,125	-
Level 2: Observable	-	-	-	-
Level 3: Unobservable	-	-	-	-
	92,279	-	87,125	-

The fair value as at the reporting date has been estimated using the following fair value hierarchy:

### Level (1) Quoted prices for identical instruments in active markets

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

### Level (2) Valuation techniques that use:

Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

### Level (3) Valuation techniques that use:

Inputs that are unobservable (i.e. for which market data is unavailable) for the asset or liability.

When the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate, the fair value is estimated by using an alternative valuation technique. Such valuation techniques will, where possible, maximise the use of observable market data inputs as opposed to non-observable entity determined data inputs.

The Investment Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

## f. Maturity of financial liabilities

All liabilities are due in one year or less or on demand (2019 - same).

## g. Fair value disclosure

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value.

# Notes to the Final Report and Financial Statements continued

## 15. Portfolio transaction costs

For the year ended 31 August 2020:

	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2020	2020	2020	2020	2020
	£000s	£000s	%	£000s	%
<b>Purchases</b>					
Equity instruments (direct)	65,789	24	0.04	254	0.39
Total purchases	65,789	24	0.04	254	0.39
Total purchases including transaction costs	66,067				
	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2020	2020	2020	2020	2020
	£000s	£000s	%	£000s	%
<b>Sales</b>					
Equity instruments (direct)	48,399	21	0.04	-	-
Total sales	48,399	21	0.04	-	-
Total sales including transaction costs	48,378				
<b>Total transaction costs as a % of average net assets</b>		<b>0.04%</b>		<b>0.25%</b>	
	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2019	2019	2019	2019	2019
	£000s	£000s	%	£000s	%
<b>Purchases</b>					
Equity instruments (direct)	50,313	22	0.04	198	0.39
Total purchases	50,313	22	0.04	198	0.39
Total purchases including transaction costs	50,533				
	Transaction Value	Commissions	Commissions	Taxes	Taxes
	2019	2019	2019	2019	2019
	£000s	£000s	%	£000s	%
<b>Sales</b>					
Equity instruments (direct)	25,407	11	0.04	-	-
Collective investement schemes	133	-	-	-	-
Total sales	25,540	11	0.04	-	-
Total sales including transaction costs	25,529				
<b>Total transaction costs as a % of average net assets</b>		<b>0.04%</b>		<b>0.24%</b>	

The above analysis covers any direct transaction costs suffered by the subfund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Separately identifiable direct transaction costs (commissions & taxes etc) are attributable to the subfund's purchase and sale of equity shares. Additionally for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions.

Dealing spread costs suffered by the subfund vary considerably for the different asset / instrument types depending on a number of factors including transaction value and market sentiment.

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 1.65% (2019 : 1.73%).

# Fund Information

## Investment Objective and Policy

The investment objective of the Allianz UK Mid-Cap Fund is to achieve capital growth, aiming to outperform the Performance Benchmark, the FTSE 250 (excl. investment trusts) Index Total Return.

The ACD aims to achieve the investment objective by investing in securities listed on the London Stock Exchange although it may invest internationally and in all economic sectors. It is the general intention of the ACD to invest in stocks which constitute the FTSE 250 (excl. investment trusts) Index Total Return.

The ACD may also utilise deposits in the management of the portfolio. The Fund may also invest in collective investment schemes.

## Fund Details

<b>Fund Manager</b>	Andrew Neville	
<b>Benchmark</b>	FTSE 250 (excl. investment trusts) Index Total Return	
<b>Income allocation date</b>	31 August	
<b>Income pay date</b>	31 October	
<b>Launch dates</b>	Fund	20 June 2002
	A Shares	20 June 2002
	C Shares	13 February 2013
	O Shares	3 May 2018
	W Shares	31 January 2019
<b>ISA status</b>	Yes	
<b>Share Classes and types of Shares</b>	A (Accumulation Shares)	
	C (Accumulation Shares)	
	O (Accumulation Shares)	
	W (Accumulation Shares)	
<b>Minimum investment</b>	A Shares	Lump sum £500
		Monthly saving £50
	C Shares	Lump sum £500
		Monthly saving £50
	O Shares	Lump sum £10,000,000 (Available to Approved Investors only)
	W Shares	Lump sum £10,000,000
<b>Initial charge</b>	A Shares	Nil
	C Shares	Nil
	O Shares	Nil
	W Shares	Nil
<b>Annual ACD fee</b>	A Shares	1.50%
	C Shares	0.75%
	O Shares	0.20%*
	W Shares	0.54%

\* 0.20% p.a. minus the additional expense payable in respect of the O Shares.

# Comparative Tables

For the year ended 31 August 2020

	A Shares Accumulation			C Shares Accumulation		
	2020 (p)	2019 (p)	2018 (p)	2020 (p)	2019 (p)	2018 (p)
Opening net asset value per share	4,712.45	5,366.14	4,845.72	4,967.92	5,610.73	5,025.75
Return before operating charges	(84.09)	(577.98)	606.68	(88.10)	(603.45)	629.48
Operating charges	(73.09)	(75.71)	(86.26)	(38.69)	(39.36)	(44.50)
Return after operating charges	(157.18)	(653.69)	520.42	(126.79)	(642.81)	584.98
Distributions	-	(12.15)	-	(6.61)	(54.31)	(33.51)
Retained distributions on accumulation shares	-	12.15	-	6.61	54.31	33.51
Closing net asset value per share	4,555.27	4,712.45	5,366.14	4,841.13	4,967.92	5,610.73
After direct transaction costs of <sup>1</sup>	(9.28)	(11.42)	(8.57)	(9.83)	(11.98)	(8.77)
<b>Performance</b>						
Return after operating charges	(3.34)%	(12.18)%	10.74%	(2.55)%	(11.46)%	11.64%
<b>Other information</b>						
Closing net asset value (£'000)	19,141	21,297	28,631	19,454	21,952	24,977
Closing number of shares	420,186	451,929	533,558	401,861	441,873	445,161
Operating charges	1.63%	1.63%	1.64%	0.81%	0.81%	0.82%
Direct transaction costs	0.20%	0.25%	0.17%	0.20%	0.25%	0.17%
<b>Prices</b>						
Highest share price	5,284.19	5,463.68	5,696.45	5,593.69	5,715.33	5,945.84
Lowest share price	2,944.33	3,939.34	4,755.71	3,118.90	4,129.68	4,934.07

<sup>1</sup> Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the subfund and share class returns before operating charges.

Operating charges represents all operating charges and expenses and is expressed as a percentage of the average net asset value. It includes the annual ACD fee as well as all the administrative expenses including custodial transaction charges incurred by the subfund.

# Comparative Tables continued

For the year ended 31 August 2020

	O Shares Accumulation			W Shares Accumulation	
	2020 (p)	2019 (p)	2018 (p)	2020 (p)	2019 (p)
Opening net asset value per share	90.82	102.08	100.00	108.53	100.00
Return before operating charges	(2.62)	(11.08)	2.16	(1.93)	8.86
Operating charges	(0.17)	(0.18)	(0.08)	(0.56)	(0.33)
Return after operating charges	(2.79)	(11.26)	2.08	(2.49)	8.53
Distributions	-	(1.64)	-	(0.43)	(1.32)
Retained distributions on accumulation shares	-	1.64	-	0.43	1.32
Closing net asset value per share	88.03	90.82	102.08	106.04	108.53
After direct transaction costs of <sup>1</sup>	(0.18)	(0.22)	(0.16)	(0.21)	(0.26)
<b>Performance</b>					
Return after operating charges	(3.07)%	(11.03)%	2.08%	(2.29)%	9.00%
<b>Other information</b>					
Closing net asset value (£'000)	51	31	21	1	1
Closing number of shares	57,799	33,930	20,609	1,000	1,000
Operating charges	0.20%	0.20%	0.20%	0.54%	0.54%
Performance fee	1.48%	-	0.01%	-	-
Direct transaction costs	0.20%	0.25%	0.17%	0.20%	0.25%
<b>Prices</b>					
Highest share price	102.55	103.51	107.50	122.35	112.23
Lowest share price	57.21	75.19	99.34	68.23	98.23

<sup>1</sup> Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the subfund and share class returns before operating charges.

Operating charges represents all operating charges and expenses and is expressed as a percentage of the average net asset value. It includes the annual ACD fee as well as all the administrative expenses including custodial transaction charges incurred by the subfund.

Share Class O Accumulation was launched on 3 May 2018.

Share Class W Accumulation was launched on 31 January 2019.

# Distribution Tables

## For the year ended 31 August 2020

### Final Distribution in pence per share

Group 1                      Shares purchased prior to 1 September 2019

Group 2                      Shares purchased on or after 1 September 2019 to 31 August 2020

	Net revenue (p)	Equalisation (p)	Distribution payable 31/10/20 (p)	Distribution paid 31/10/19 (p)
<b>A Shares Accumulation</b>				
Group 1	-	-	-	12.1539
Group 2	-	-	-	12.1539
<b>C Shares Accumulation</b>				
Group 1	6.6106	-	6.6106	54.3143
Group 2	0.7756	5.8350	6.6106	54.3143
<b>O Shares Accumulation</b>				
Group 1	-	-	-	1.6400
Group 2	-	-	-	1.6400
<b>W Shares Accumulation</b>				
Group 1	0.4280	-	0.4280	1.3220
Group 2	0.4280	-	0.4280	1.3220

Share Class W Accumulation was launched on 31 January 2019.

Investors are reminded that distribution is not guaranteed.

# Investment Review

## Performance Summary

Over the period under review, 1st September 2019 to 31st August 2020, the Fund's 'A' class produced a total return of -9.30%. The Fund's benchmark, the FTSE 250 ex Investment Trust index, produced a total return of -3.34% over the period\*. The key reason(s) for this performance was stock selection, with strong performance from Frontier Developments, Asos and Genus, partially offset by weak performance from Tullow Oil, and Senior. Sector positioning was a moderate contributor, in particular being underweight travel & leisure companies.

\* Source: Allianz Global Investors/Datastream. Fund performance based on midday prices using the mid market price portfolio valuation, net of fees and expenses, with net revenue re-invested in Sterling. Performance per comparative table based on bid market price portfolio valuation at midday on the last day of the accounting period and with related accounting adjustments. Benchmark performance based on midday prices.

## Market Background

For the first half of the period, the focus was largely on domestic issues. For many years there has been high levels of political uncertainty in the UK as a result of difficult Brexit negotiations, a weak minority government, and the revival of far left-wing politics from the Labour party. This high level of political uncertainty depressed economic activity, and investor interest in UK assets. However, political uncertainty was greatly reduced when Boris Johnson not only negotiated a deal with the EU, but also won a resounding majority in the December 2019 general election. This represented a significant decline in uncertainty around Brexit, put an end to a weak minority government, and an end to the near-term concern investors had about the Labour party taking power. As a result, the £ appreciated and domestic outperformed meaningfully. There was for a short period an almost frantic nature to the buying of UK assets, although this quickly dissipated.

This however seems an age away, for the second half of the period was completely dominated by the global coronavirus pandemic. Commentary about a new virus spreading in China started to reach Western markets in January. In hindsight, there was far too little caution. The view was this was a Chinese issue, the virus would disappear like SARS, and death rates were low (this was 'basically the flu'). In part this lack of caution was caused by lack of disclosure from the Chinese government, and calming statements from the WHO.

The turning point came when coronavirus gained a strong foothold in Italy. Suddenly it became a local, rather than

foreign issue. It started to become clear that coronavirus would spread around Europe, especially as people were returning from Skiing holidays in Italy. Furthermore, it became clearer that this virus was more deadly than originally believed. Without a cure / vaccine, and with every country almost certain to become affected, national lockdowns were the only way to halt the spread of the virus.

Previous recessions have typically been slow to develop, sometimes shallow in nature, and there is initially differing views in the market about whether a recession is developing or not. This recession was different; it immediately became apparent to almost every market participant that we were entering a severe recession. Naturally all risk assets were sold off, but the focus was directly impacted sectors (e.g. travel and leisure) and companies which large amounts of debt. However, there were a number of sectors (video games, e-commerce, software companies) which stood to benefit from Coronavirus, and although they too fell initially, they quickly recovered. The pandemic has led to some extreme deviations in sector performances as a result.

## Portfolio Review

The strategy of the Fund is to seek stocks mainly within the benchmark whose prospects we believe are undervalued and to avoid stocks whose prospects we believe are overvalued. We seek to buy and sell stocks based on rigorous fundamental research.

The Fund responded quickly to the onset of Coronavirus, selling positions in Meggitt, National Express, and Rentokil. Meggitt due to its aerospace exposure and high levels of debt, National Express due to its travel exposure and high levels of debt, and Rentokil, due to high debt and exposure to small businesses. Although later in the period, we also sold Senior as we took the view the aerospace market will be one of the slowest to recover.

In hindsight we could have gone further and deeper. We retained positions in Whitbread, Melrose, Accesso, and Hiscox, all of which have been heavily impacted by Coronavirus, and all have been heavy detractors to performance in the period.

Two companies, Frontier Developments, a video games developer, and Asos, an e-commerce company both

# Investment Review continued

outperformed materially given they naturally benefitted from people working and shopping from home. However, both also delivered on their strategy, with Frontier Developments launching successful new games, and Asos improving their margins significantly, which also helped support their share price.

Early in the period, when the domestic environment was improving we started positions in Travis Perkins, a builder merchant, Redrow, a housebuilder, Crest Nicholson, a housebuilder and Bellway, a housebuilder. Although detractors to performance in the period, we retain these positions as the housing market / RMI market appears to be strong post lockdown.

Finally, we sold positions in Entertainment One after it was acquired, Tullow Oil after disappointing production guidance and management change, and Capita after poor results and increasing debt levels.

## Outlook

There are a number of key questions which will shape the direction of equity markets over the coming months. When / if will a vaccine or cure be developed? Will there be a second wave and if so, how severe might it be? What will the shape of any economic recovery look like? What are the structural implications from Coronavirus (future of offices, changing ways we communicate etc.)?

These questions are difficult to answer, and are all related to Coronavirus; hence I expect Coronavirus will continue to drive market direction for some time. The question around a vaccine is probably the most important, because a vaccine will not only give a sense of security for consumers / businesses, it will allow investors to start to think about recovery scenarios / timeframe for heavily impacted Coronavirus stocks. These stocks could have significant recovery potential in this environment, however for now significant uncertainty remains.

# Portfolio Statement

As at 31 August 2020

Holding		Market Value £'000	% of Net Assets
	<b>UNITED KINGDOM EQUITIES - 87.00% (2019 - 89.33%)</b>		
	<b>Aerospace &amp; Defence - 4.22% (2019 - 8.06%)</b>		
218,931	Meggitt	637	1.65
337,697	QinetiQ	995	2.57
		<b>1,632</b>	<b>4.22</b>
	<b>Construction &amp; Materials - 0.00% (2019 - 0.00#%)</b>		
	<b>Electronic &amp; Electrical Equipment - 8.30% (2019 - 6.06%)</b>		
105,899	Oxford Instruments	1,715	4.44
58,500	Spectris	1,492	3.86
		<b>3,207</b>	<b>8.30</b>
	<b>Financial Services - 3.94% (2019 - 5.56%)</b>		
111,572	Intermediate Capital	1,522	3.94
		<b>1,522</b>	<b>3.94</b>
	<b>General Industrials - 1.83% (2019 - 3.30#%)</b>		
690,980	Melrose Industries	707	1.83
		<b>707</b>	<b>1.83</b>
	<b>General Retailers - 5.96% (2019 - 4.44%)</b>		
46,579	ASOS <sup>1</sup>	2,305	5.96
		<b>2,305</b>	<b>5.96</b>
	<b>Household Goods &amp; Home Construction - 7.19% (2019 - 0.00%)</b>		
38,226	Bellway	892	2.31
476,633	Crest Nicholson	917	2.37
219,116	Redrow	968	2.51
		<b>2,777</b>	<b>7.19</b>
	<b>Industrial Engineering - 2.70% (2019 - 2.51%)</b>		
350,000	Rotork	1,042	2.70
		<b>1,042</b>	<b>2.70</b>
	<b>Leisure Goods - 5.26% (2019 - 4.10%)</b>		
90,756	Frontier Developments <sup>1</sup>	2,033	5.26
		<b>2,033</b>	<b>5.26</b>
	<b>Life Insurance - 2.82% (2019 - 2.89%)</b>		
111,509	St. James's Place	1,090	2.82
		<b>1,090</b>	<b>2.82</b>
	<b>Media - 7.78% (2019 - 9.02%)</b>		
311,942	Auto Trader	1,752	4.53
414,325	Moneysupermarket.com	1,254	3.25
		<b>3,006</b>	<b>7.78</b>
	<b>Mining - 4.32% (2019 - 1.77%)</b>		
288,694	KAZ Minerals	1,670	4.32
		<b>1,670</b>	<b>4.32</b>
	<b>Oil &amp; Gas Producers - 0.00% (2019 - 6.34%)</b>		
	<b>Pharmaceuticals &amp; Biotechnology - 5.27% (2019 - 4.95%)</b>		
61,087	Genus	2,037	5.27
		<b>2,037</b>	<b>5.27</b>
	<b>Real Estate Investment &amp; Services - 0.00% (2019 - 0.93%)</b>		
	<b>Real Estate Investment Trusts - 3.32% (2019 - 3.85%)</b>		
45,451	Derwent London REIT	1,285	3.32
		<b>1,285</b>	<b>3.32</b>
	<b>Software &amp; Computer Services - 7.33% (2019 - 6.49%)</b>		
396,012	accesso Technology <sup>1</sup>	1,030	2.66
119,087	Blue Prism <sup>1</sup>	1,804	4.67
		<b>2,834</b>	<b>7.33</b>
	<b>Support Services - 9.94% (2019 - 15.34%)</b>		
94,265	HomeServe	1,225	3.17
213,286	Howden Joinery	1,205	3.12
115,593	Travis Perkins	1,410	3.65
		<b>3,840</b>	<b>9.94</b>
	<b>Travel &amp; Leisure - 6.82% (2019 - 3.72%)</b>		
38,250	Whitbread	967	2.50
43,209	Wizz Air	1,668	4.32
		<b>2,635</b>	<b>6.82</b>

# Portfolio Statement continued

As at 31 August 2020

Holding		Market Value £'000	% of Net Assets
	OVERSEAS EQUITIES - 9.91% (2019 - 8.59%)		
	Bermudian Equities - 2.05% (2019 - 2.41%)		
99,562	Hiscox	792	2.05
		<b>792</b>	<b>2.05</b>
	Canadian Equities - 0.00% (2019 - 3.49%)		
	Ireland Equities - 7.86% (2019 - 2.69%)		
220,947	Grafton	1,740	4.50
59,527	Keywords Studios <sup>1</sup>	1,300	3.36
		<b>3,040</b>	<b>7.86</b>
	Investment assets	37,454	96.91
	Net other assets	1,193	3.09
	<b>Net assets</b>	<b>38,647</b>	<b>100.00</b>

<sup>1</sup> Securities Listed on Alternative Investment Market.

# The classifications and prior year comparatives have been updated, where required, to reflect recent changes in the Industry Classification Benchmark (ICB) standard.

Unless otherwise stated, all investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market.

Note: Comparative figures show percentages for each category of holding at 31 August 2019.

# Statement of Total Return

For the year ended 31 August 2020

	Notes	2020 £000s	2020 £000s	2019 £000s	2019 £000s
Income:					
Net capital losses	2		(1,192)		(6,732)
Revenue	3	380		859	
Expenses	4	(482)		(548)	
Interest payable and similar charges		-		-	
Net (expense)/revenue before taxation		(102)		311	
Taxation	5	(1)		(7)	
Net (expense)/revenue after taxation			(103)		304
<b>Total return before distributions</b>			<b>(1,295)</b>		<b>(6,428)</b>
Distributions	6		(29)		(306)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(1,324)</b>		<b>(6,734)</b>

# Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 August 2020

	2020 £000s	2020 £000s	2019 £000s	2019 £000s
Opening net assets attributable to shareholders		43,281		53,629
Amounts receivable on issue of shares	1,156		1,268	
Amounts payable on cancellation of shares	(4,493)		(5,177)	
		(3,337)		(3,909)
<b>Change in net assets attributable to shareholders from investment activities (see above)</b>		<b>(1,324)</b>		<b>(6,734)</b>
Retained distributions on accumulation shares		27		295
<b>Closing net assets attributable to shareholders</b>		<b>38,647</b>		<b>43,281</b>

Notes to the final report and Financial Statements are from page 164 to 171.

# Balance Sheet

As at 31 August 2020

	Notes	2020 £000s	2020 £000s	2019 £000s	2019 £000s
<b>Assets:</b>					
Fixed assets:					
Investments			37,454		42,380
Current assets:					
Debtors	7	39		342	
Cash and bank balances	8	1,261		845	
<b>Total assets</b>			<b>38,754</b>		<b>43,567</b>
<b>Liabilities:</b>					
Creditors:					
Other creditors	9	(107)		(286)	
<b>Total liabilities</b>			<b>(107)</b>		<b>(286)</b>
<b>Net assets attributable to shareholders</b>			<b>38,647</b>		<b>43,281</b>

Notes to the final report and Financial Statements are from page 164 to 171.

# Notes to the Final Report and Financial Statements

## 1. Accounting Basis and Policies

The applicable accounting policies adopted by the Allianz UK Mid Cap Fund are included on pages 8 to 13 of the Collective Notes to the Final Report and Financial Statements.

## 2. Net capital gains

	2020 £000s	2019 £000s
Losses on non-derivative securities	(1,192)	(6,732)
<b>Net capital losses</b>	<b>(1,192)</b>	<b>(6,732)</b>

## 3. Revenue

	2020 £000s	2019 £000s
Bank interest	-	1
Franked UK dividends	343	812
Overseas dividends - non-taxable	10	30
Unfranked UK dividends	27	16
<b>Total revenue</b>	<b>380</b>	<b>859</b>

# Notes to the Final Report and Financial Statements continued

## 4. Expenses

	2020	2019
	£000s	£000s
<b>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director, and agents of either of them:</b>		
ACD's annual fee	445	505
Company secretarial costs	-	1
	445	506
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	7	8
Safe custody fees	2	1
	9	9
<b>Other expenses:</b>		
Audit fees	11	8
Distribution costs	2	3
Printing costs	(3)	1
Registration fees	18	21
	28	33
<b>Total expenses</b>	<b>482</b>	<b>548</b>

All expenditure stated above is inclusive of VAT where applicable.

The Audit fee for the year, excluding VAT, was £10,000 (2019 - £8,820).

# Notes to the Final Report and Financial Statements continued

## 5. Taxation

	2020	2019
	£000s	£000s
<b>a. Analysis of the taxation charge for the year:</b>		
Overseas tax suffered	1	7
<b>Total taxation for the year (see Note 5(b))</b>	<b>1</b>	<b>7</b>

### b. Factors affecting taxation charge for the year:

The taxation assessed for the year is higher than the standard rate of corporation tax in the UK for a subfund of an Open-Ended Investment Company (20%) (2019 - 20%).

The differences are explained below:

Net (expense)/revenue before taxation	(102)	311
Corporation tax at 20%	(20)	62
<b>Effects of:</b>		
Overseas dividends - non-taxable	(4)	(8)
Overseas tax suffered	1	7
Surplus allowable expenses arising in the year	91	106
UK dividends not subject to corporation tax	(67)	(160)
<b>Total taxation charge for the year (see Note 5(a))</b>	<b>1</b>	<b>7</b>

OEICs are exempt from tax on capital gains in the UK, therefore capital returns are not included within the reconciliation.

### c. Provision for deferred tax

There is no provision required for deferred taxation at the Balance Sheet date in the current or prior year.

### d. Factors that may affect future tax charges

At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £4,157,000 (2019 : £4,066,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the year.

## 6. Distributions

The distributions take account of revenue received on the creation of Shares and revenue deducted on the cancellation of Shares and comprise:

	2020	2019
	£000s	£000s
Final	27	295
Add: Revenue deducted on cancellation of shares	4	12
Deduct: Revenue received on creation of shares	(2)	(1)
<b>Net distributions for the year</b>	<b>29</b>	<b>306</b>

### Reconciliation of net (expense)/revenue after taxation to net distributions for the year

Net (expense)/revenue after taxation	(102)	304
Net revenue shortfall taken to capital	131	-
Net equalisation on conversions	-	2
<b>Net distributions for the year</b>	<b>29</b>	<b>306</b>

# Notes to the Final Report and Financial Statements continued

## 7. Debtors

	2020	2019
	£000s	£000s
Accrued revenue	26	135
Amounts receivable on creation of shares	13	2
Sales awaiting settlement	-	205
	39	342

## 8. Cash and bank balances

	2020	2019
	£000s	£000s
Cash and bank balances	1,261	845
	1,261	845

## 9. Other creditors

	2020	2019
	£000s	£000s
Accrued ACD's annual fee	32	39
Amounts payable on cancellation of shares	62	22
Other accrued expenses	13	60
Purchases awaiting settlement	-	165
	107	286

## 10. Related party transactions

The ACD is deemed to be a related party under the definition of Financial Reporting Standard 102, which requires the disclosure of details of material transactions between the subfund and any related party.

Details of any related party transactions occurring during the year including commissions paid and any balances due at the year end are disclosed in the Balance Sheet, the Statement of Change in Net Assets Attributable to Shareholders and Notes 4, 7 and 9 to the financial statements. All creations and cancellations were transacted with the ACD.

## 11. Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of net revenue included in the purchase price of all Group 2 shares. In the case of Accumulation shares, it is automatically reinvested in the subfund at the first distribution payment date after the shares were purchased. Being a capital repayment it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

# Notes to the Final Report and Financial Statements continued

## 12. Shareholders' funds

The subfund currently has four share classes: A, C, O and W. The ACD's annual fee on these share classes are as follows:

Class A :	1.50%
Class C :	0.75%
Class O :	0.20%
Class W :	0.54%

The net asset value per share and the number of shares in issue are given in the Comparative Tables on page 155 and 156.

The distribution per share is given in the Distribution Table on page 157.

Revenue available for allocation will be allocated between the share classes based on the respective proportionate interests represented by those share classes on a daily basis and taxation is computed by reference to the net revenue after expenses attributable to each class. All share classes have the same rights on winding up.

For the year ended 31 August 2020:

	Class A Shares	Class C Shares	Class O Shares	Class W Shares
Opening shares	451,929	441,873	33,930	1,000
Shares created	2,823	20,736	41,544	-
Shares cancelled	(31,537)	(63,613)	(17,675)	-
Shares converted	(3,028)	2,865	-	-
Closing shares	420,186	401,861	57,799	1,000

## 13. Contingent liabilities and commitments

As at 31 August 2020 there were no contingent liabilities (2019: £Nil).

# Notes to the Final Report and Financial Statements continued

## 14. Derivatives and other financial instruments

### a. Currency exposure

As at 31 August 2020 the subfund had no significant exposure to currencies other than Sterling (2019 - same).

### b. Interest rate risk profile

The subfund did not hold any interest bearing financial instruments other than its cash and bank balances as at the balance sheet date (2019 - same).

### c. Sensitivity analysis

#### Market price sensitivity

The value of the subfund's investments, which were exposed to market price risk as at 31 August was as follows:

	2020	2019
	£000s	£000s
Listed equity investments held at fair value through profit or loss	37,454	42,380

The following illustrates the sensitivity of the net return and the net assets to an increase or decrease of 20% (2019 - 20%) in the fair values of the subfund's investments. This level of change is considered to be reasonably possible based on observation of market conditions in the year. The sensitivity analysis is based on the impact of a change to the value of the subfund's investments at each balance sheet date.

	2020	2020	2019	2019
	20% Increase in fair value £000s	20% Decrease in fair value £000s	20% Increase in fair value £000s	20% Decrease in fair value £000s
<b>Capital Return</b>				
Net gains (losses) on investments at fair value	7,491	(7,491)	8,476	(8,476)

### Foreign currency risk sensitivity

The subfund does not have significant exposure to currency risk hence no sensitivity analysis has been presented.

### d. Leverage

The subfund did not employ significant leverage during the year (2019 - same).

### e. Fair value hierarchy

An analysis of the portfolio in accordance with the fair value hierarchy is shown below:

	Assets	Liabilities	Assets	Liabilities
	31 August 2020 £000s	31 August 2020 £000s	31 August 2019 £000s	31 August 2019 £000s
Level 1: Quoted	37,454	-	42,380	-
Level 2: Observable	-	-	-	-
Level 3: Unobservable	-	-	-	-
	<b>37,454</b>	<b>-</b>	<b>42,380</b>	<b>-</b>

The fair value as at the reporting date has been estimated using the following fair value hierarchy:

#### Level (1) Quoted prices for identical instruments in active markets

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

#### Level (2) Valuation techniques that use:

Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

#### Level (3) Valuation techniques that use:

Inputs that are unobservable (i.e. for which market data is unavailable) for the asset or liability.

When the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate, the fair value is estimated by using an alternative valuation technique. Such valuation techniques will, where possible, maximise the use of observable market data inputs as opposed to non-observable entity determined data inputs.

The Investment Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

# Notes to the Final Report and Financial Statements continued

## f. Maturity of financial liabilities

All liabilities are due in one year or less or on demand (2019 - same).

## g. Fair value disclosure

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value.

## 15. Portfolio transaction costs

For the year ended 31 August 2020:

	Transaction Value 2020 £000s	Commissions 2020 £000s	Commissions 2020 %	Taxes 2020 £000s	Taxes 2020 %
<b>Purchases</b>					
Equity instruments (direct)	16,895	4	0.02	71	0.42
Total purchases	16,895	4	0.02	71	0.42
Total purchases including transaction costs	16,970				
	Transaction Value 2020 £000s	Commissions 2020 £000s	Commissions 2020 %	Taxes 2020 £000s	Taxes 2020 %
<b>Sales</b>					
Equity instruments (direct)	20,710	6	0.03	-	-
Total sales	20,710	6	0.03	-	-
Total sales including transaction costs	20,704				
<b>Total transaction costs as a % of average net assets</b>		<b>0.02%</b>		<b>0.18%</b>	
	Transaction Value 2019 £000s	Commissions 2019 £000s	Commissions 2019 %	Taxes 2019 £000s	Taxes 2019 %
<b>Purchases</b>					
Equity instruments (direct)	25,776	10	0.04	89	0.35
Total purchases	25,776	10	0.04	89	0.35
Total purchases including transaction costs	25,875				
	Transaction Value 2019 £000s	Commissions 2019 £000s	Commissions 2019 %	Taxes 2019 £000s	Taxes 2019 %
<b>Sales</b>					
Equity instruments (direct)	28,565	11	0.04	-	-
Total sales	28,565	11	0.04	-	-
Total sales including transaction costs	28,554				
<b>Total transaction costs as a % of average net assets</b>		<b>0.05%</b>		<b>0.20%</b>	

The above analysis covers any direct transaction costs suffered by the subfund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Separately identifiable direct transaction costs (commissions & taxes etc) are attributable to the subfund's purchase and sale of equity shares. Additionally for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions.

# Notes to the Final Report and Financial Statements continued

Dealing spread costs suffered by the subfund vary considerably for the different asset / instrument types depending on a number of factors including transaction value and market sentiment.

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.28% (2019 : 0.29%).

# Authorised Corporate Director's Report to the Shareholders

REPORT OF THE AUTHORISED CORPORATE DIRECTOR TO  
THE SHAREHOLDERS OF THE Allianz UK & European  
Investment Funds FOR THE YEAR ENDED 31 August 2020.

In accordance with the requirements of the Regulations, we  
hereby certify the report on behalf of Allianz Global Investors  
GmbH, UK Branch.

Birte Trenkner

Tobias Pross

Authorised signatory

Authorised signatory

11 December 2020

# Depository's Report to the Shareholders

REPORT OF THE DEPOSITORY TO THE SHAREHOLDERS OF THE Allianz UK & International Investment Funds ("the Company") for the year ended 30 August 2020.

The Depository must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depository must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depository is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depository must ensure that:

- the Company's cash flows are properly monitored<sup>1</sup> and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM") which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Depository also has a duty to take reasonable care to ensure that Company is managed in accordance with the Regulations and Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depository of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

**State Street Trustees Limited**

Depository

11 December 2020

# Independent Auditors' Report to Shareholders of Allianz UK & European Investment Funds

## Report on the audit of the financial statements

### Opinion

In our opinion, the financial statements of Allianz UK & European Investment Funds (the "Company"):

- give a true and fair view of the financial position of the Company and each of the sub-funds as at 31 August 2020 and of the net revenue/expenses and the net capital gains/losses on the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Allianz UK & European Investment Funds is an Open Ended Investment Company ('OEIC') with 8 sub-funds. The financial statements of the company comprise the financial statements of each of the sub-funds. We have audited the financial statements, included within the Final Report & Financial Statements (the "Annual Report"), which comprise: the balance sheets as at 31 August 2020; the statements of total return and the statements of changes in net assets attributable to shareholders for the year then ended; the distribution tables; the accounting policies (within the Collective Notes to the Final Report and Financial Statements) and the notes to the financial statements.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Emphasis of matter – financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1 to the financial statements which describes the Authorised Corporate Director's reasons why the financial statements of the Allianz European Equity Income Fund and Allianz UK Mid Cap Fund have been prepared on a basis other than going concern.

### Conclusions relating to going concern

With the exception of the circumstances described in the Emphasis of Matter paragraph above regarding the Allianz European Equity Income Fund and the Allianz UK Mid Cap Fund, we have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Authorised Corporate Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Corporate Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's or any of the sub-funds' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's or any of the sub-funds' ability to continue as a going concern.

# Independent Auditors' Report to Shareholders of Allianz UK & European Investment Funds continued

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Corporate Director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

## Authorised Corporate Director's Report

In our opinion, the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Responsibilities for the financial statements and the audit

### Responsibilities of the Authorised Corporate Director for the financial statements

As explained more fully in the Statement of the Authorised Corporate Director's Responsibilities set out on page 7, the Authorised Corporate Director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Corporate Director is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements

that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the company's and each of the sub-funds ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intends to wind up or terminate the company or individual sub-fund, or has no realistic alternative but to do so.

## Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## Use of this report

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# Independent Auditors' Report to Shareholders of Allianz UK & European Investment Funds continued

---

## Other required reporting

### Opinion on matter required by the Collective Investment Schemes sourcebook

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

---

### Collective Investment Schemes sourcebook exception reporting

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh

11 December 2020

# Additional Information

## How will I be kept informed of my investment?

You will receive a full statement of your investments as at 5 April and 5 October sent to you at the end of April and end of October respectively. You can also request a valuation at any time by calling 0800 073 2001.

In addition, the share prices are published on our website at <https://uk.allianzgi.com>

Interim and audited annual long form reports as at 28 February and 31 August can be obtained from our website or by calling the number above.

## Taxation

### Capital gains tax

Investors are only liable to capital gains tax if their total chargeable gains (net of allowable losses) in the year exceed the annual exemption (£12,300 for 2020/2021 year, £12,000 2019/2020 year). If gains in excess of this exemption are realised the excess is taxable at the rate of UK capital gains tax applicable to the investor, being either 10% (18% prior to April 2016) or (for higher & additional rate taxpayers) 20% (28% prior to April 2016).

### Income tax

Distributions, whether they are paid out or accumulated, are treated as income for tax purposes.

### Dividend distributions (Equity Funds)

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

(including that income exempted from tax by virtue of the Dividend Allowance) is counted when determining which income tax rate band is applicable.

### Interest distributions (Bond Funds)

From 6 April 2016, an interest tax-free allowance was introduced. The allowance is dependent on the Income Tax band of the investor, £1,000 (basic rate), £500 (higher rate) and £0 (additional rate).

## Risk warning

Investors are reminded that the value of shares of a subfund and the income from the shares may go down as well as up and is not guaranteed. An investor may not get back the amount he/she has invested. The past is no guide to future performance. Details of the risk factors are published in the full prospectus which may be accessed at [www.allianzglobalinvestors.co.uk](http://www.allianzglobalinvestors.co.uk). Alternatively, call our Investor Services team on 0800 317 573 to request a copy free of charge.

## Complaints

A copy of our leaflet, "Allianz Global Investors Complaints Process", is available on request. Any eligible complainant having any complaint in respect of the Fund should inform Allianz Global Investors in writing of the details of the complaint. This will then be investigated and a reply provided as soon as possible and any appropriate remedial action taken. In addition, eligible complainants will have a right of complaint directly to the Financial Ombudsman Service if he/she is not satisfied with the outcome of the investigation into the complaint. Details of the Financial Services Compensation Scheme established under the Financial Services and Market Act 2000, under which an investor may be entitled to receive compensation if the ACD is unable to meet any of its liabilities to the investor are available on written request from the ACD.

# Additional Information continued

## Telephones

For our mutual protection, calls are recorded and may be used for quality control and training purposes, however, Allianz Global Investors GmbH, UK Branch, reserves the right to use such recordings in the event of a dispute.

# Annex: Securities Financing Transaction Regulations (unaudited)

## Allianz Gilt Yield Fund

Assets involved in each type of Securities Financing Transactions and Total Return Swaps	in GBP	in % of the funds entire assets
Assets involved in Total Return Swaps	-	-
Assets involved in Securities Lending	553,682,608	22.83
Assets involved in Repurchase Agreements	-	-

Top 10 counterparties of each types of Securities Financing Transactions and Total Return Swaps	Gross volume outstanding transactions in GBP	Country where the counterparty is established
for Total Return Swaps	-	-
for Securities Lending		
BNP Paribas SA	228,819,078	FR
Banco Santander SA	194,908,000	ES
JP Morgan Securities Plc	66,864,028	GB
Barclays Bank Plc	51,492,000	GB
Credit Suisse Securities Europe Ltd	10,451,287	GB
Bank of Nova Scotia, London	1,148,215	GB
for Repurchase Agreements / Reverse Repurchase Agreements	-	-

### Settlement and clearing information

Total Return Swaps: bilateral  
 Securities Lending: trilateral  
 Repurchase Agreements / Reverse Repurchase Agreements: bilateral

Maturity tenor of Securities Financing Transactions and Total Return Swaps broken down in maturity buckets	Gross volume outstanding transactions in GBP
for Total Return Swaps	
- less than one day	-
- one day to one week (= 7 days)	-
- one week to one month (= 30 days)	-
- one to three months	-
- three months to one year (= 365 days)	-
- above 1 year	-
- open maturity	-
for Securities Lending	
- open maturity	553,682,608
for Repurchase Agreements / Reverse Repurchase Agreements	
- open maturity	-

Type of collateral received	Market Value in GBP
for Total Return Swaps	
- Cash	-
- Shares	-
- Debt	-

# Annex: Securities Financing Transaction Regulations continued (unaudited)

for Securities Lending	
- Cash	-
- Shares	218,746,827
- Debt	373,661,853
for Repurchase Agreements / Reverse Repurchase Agreements	
- Cash	-
- Shares	-
- Debt	-
<b>Quality of collateral received</b>	Market Value in GBP
for Total Return Swaps	
- AAA (Aaa)	-
- AA+ (Aa1)	-
- AA (Aa2)	-
- AA- (Aa3)	-
- A+ (A1)	-
- A (A2)	-
- A- (A3)	-
- BBB+ (Baa1)	-
- BBB (Baa2)	-
- BBB- (Baa3)	-
for Securities Lending	
- AAA (Aaa)	237,779,359
- AA+ (Aa1)	15,118,796
- AA (Aa2)	50,443,378
- AA- (Aa3)	41,032,342
- A+ (A1)	5,138,506
- A (A2)	8,779,534
- A- (A3)	-
- BBB+ (Baa1)	2,282,642
- BBB (Baa2)	5,843,050
- BBB- (Baa3)	7,244,245
for Repurchase Agreements / Reverse Repurchase Agreements	
- AAA (Aaa)	-
- AA+ (Aa1)	-
- AA (Aa2)	-
- AA- (Aa3)	-
- A+ (A1)	-
- A (A2)	-
- A- (A3)	-

# Annex: Securities Financing Transaction Regulations continued (unaudited)

- BBB+ (Baa1)	-
- BBB (Baa2)	-
- BBB- (Baa3)	-

Currency of collateral received	Market Value in GBP
for Total Return Swaps	
- EUR	-
- USD	-
- GBP	-
- JPY	-
for Securities Lending	
- EUR	259,820,483
- USD	89,905,637
- GBP	134,192,918
- JPY	7,900,559
for Repurchase Agreements / Reverse Repurchase Agreements	
- EUR	-
- USD	-
- GBP	-
- JPY	-

Maturity tenor of collateral received broken down in maturity buckets	Market Value in GBP
for Total Return Swaps	
- less than one day	-
- one day to one week (= 7 days)	-
- one week to one month (= 30 days)	-
- one to three months	-
- three months to one year (= 365 days)	-
- above 1 year	-
- open maturity	-
for Securities Lending	
- open maturity	592,408,680
for Repurchase Agreements / Reverse Repurchase Agreements	
- open maturity	-

Data on return and cost	Return/Costs in GBP	in % of overall returns
for Total Return Swaps		
- Returns for collective investment undertaking		100
- Costs for collective investment undertaking	-	
- Returns for manager of the collective investment undertaking	-	-
- Costs for manager of the collective investment undertaking	-	
- Returns for third parties (e.g. agent lender)	-	-
- Costs for third parties	-	

# Annex: Securities Financing Transaction Regulations continued (unaudited)

for Securities Lending		
- Returns for collective investment undertaking	-	-
- Costs for collective investment undertaking	-	
- Returns for manager of the collective investment undertaking	-	-
- Costs for manager of the collective investment undertaking	-	
- Returns for third parties (e.g. agent lender)	-	-
- Costs for third parties	-	
for Repurchase Agreements / Reverse Repurchase Agreements		
- Returns for collective investment undertaking		100
- Costs for collective investment undertaking	-	
- Returns for manager of the collective investment undertaking	-	-
- Costs for manager of the collective investment undertaking	-	
- Returns for third parties (e.g. agent lender)	-	-
- Costs for third parties	-	
<b>Income for the fund from reinvestment of cash collateral, based on all securities financing transactions and total return swaps</b>		n.a.
<b>Amount of securities and commodities on loan as proportion of total lendable assets defined as excluding cash and cash equivalents</b>		29.15
<b>Ten largest collateral issuers</b>	Market Value in GBP	
for Total Return Swaps		-
for Securities Lending		
Germany, Republic of (Territory)		52,922,762
Great Britain and Northern Ireland, Kingdom of (Territory)		36,542,715
Australia & New Zealand Banking Group Ltd		33,946,506
BNZ International Funding Ltd, London		27,908,371
Westpac Banking Corp		24,982,238
Westpac Securities NZ Ltd, London		22,764,410
Whitbread Plc		20,319,937
Zoom Video Communications Inc		20,199,987
BHP Group Plc		20,199,987
Ocado Group Plc		20,199,962
for Repurchase Agreements / Reverse Repurchase Agreements		-
<b>Reinvested collateral as a % of the collateral received, based on all securities financing transactions and total return swaps</b>		n.a.
<b>Safekeeping of collateral received by the collective investment undertaking as part of Securities Financing Transactions and Total Return Swaps</b>	Number of custodians	1
Zoom Video Communications Inc		592,408,680
<b>Safekeeping of collateral granted by the collective investment undertaking as part of Securities Financing Transactions and Total Return Swaps</b>	Proportion of granted collateral in %	
Safekeeping chosen by collateral receiver		100

# Annex: Securities Financing Transaction Regulations (unaudited)

## Allianz Strategic Bond Fund

Assets involved in each type of Securities Financing Transactions and Total Return Swaps	in GBP	in % of the funds entire assets
Assets involved in Total Return Swaps	-	-
Assets involved in Securities Lending	49,336,082	2.13
Assets involved in Repurchase Agreements	-	-

Top 10 counterparties of each types of Securities Financing Transactions and Total Return Swaps	Gross volume outstanding transactions in GBP	Country where the counterparty is established
for Total Return Swaps	-	-
for Securities Lending		
Barclays Bank Plc	28,125,141	GB
RBC Europe Ltd	10,429,526	GB
Credit Suisse Securities Europe Ltd	3,678,498	GB
Merrill Lynch International	2,996,650	GB
Standard Chartered Bank	1,636,517	GB
Morgan Stanley & Co International Plc	1,211,069	GB
BNP Paribas SA	723,509	FR
Goldman Sachs International	535,172	GB
for Repurchase Agreements / Reverse Repurchase Agreements	-	-

### Settlement and clearing information

Total Return Swaps: bilateral  
 Securities Lending: trilateral  
 Repurchase Agreements / Reverse Repurchase Agreements: bilateral

Maturity tenor of Securities Financing Transactions and Total Return Swaps broken down in maturity buckets	Gross volume outstanding transactions in GBP
for Total Return Swaps	
- less than one day	-
- one day to one week (= 7 days)	-
- one week to one month (= 30 days)	-
- one to three months	-
- three months to one year (= 365 days)	-
- above 1 year	-
- open maturity	-
for Securities Lending	
- open maturity	49,336,082
for Repurchase Agreements / Reverse Repurchase Agreements	
- open maturity	-

Type of collateral received	Market Value in GBP
for Total Return Swaps	
- Cash	-
- Shares	-

# Annex: Securities Financing Transaction Regulations continued (unaudited)

- Debt	-
for Securities Lending	
- Cash	-
- Shares	-
- Debt	54,675,225
for Repurchase Agreements / Reverse Repurchase Agreements	
- Cash	-
- Shares	-
- Debt	-
<b>Quality of collateral received</b>	<b>Market Value in GBP</b>
for Total Return Swaps	
- AAA (Aaa)	-
- AA+ (Aa1)	-
- AA (Aa2)	-
- AA- (Aa3)	-
- A+ (A1)	-
- A (A2)	-
- A- (A3)	-
- BBB+ (Baa1)	-
- BBB (Baa2)	-
- BBB- (Baa3)	-
for Securities Lending	
- AAA (Aaa)	22,010,039
- AA+ (Aa1)	801,856
- AA (Aa2)	9,974,497
- AA- (Aa3)	1,541,458
- A+ (A1)	1,135,772
- A (A2)	17,890,699
- A- (A3)	766,716
- BBB+ (Baa1)	-
- BBB (Baa2)	-
- BBB- (Baa3)	554,187
for Repurchase Agreements / Reverse Repurchase Agreements	
- AAA (Aaa)	-
- AA+ (Aa1)	-
- AA (Aa2)	-
- AA- (Aa3)	-
- A+ (A1)	-
- A (A2)	-
- A- (A3)	-
- BBB+ (Baa1)	-
- BBB (Baa2)	-

# Annex: Securities Financing Transaction Regulations continued (unaudited)

- BBB- (Baa3)	-
---------------	---

  

Currency of collateral received	Market Value in GBP
for Total Return Swaps	
- EUR	-
- USD	-
- GBP	-
- JPY	-
for Securities Lending	
- EUR	45,256,500
- USD	3,551,577
- GBP	3,591,074
- JPY	1,031,388
for Repurchase Agreements / Reverse Repurchase Agreements	
- EUR	-
- USD	-
- GBP	-
- JPY	-

  

Maturity tenor of collateral received broken down in maturity buckets	Market Value in GBP
for Total Return Swaps	
- less than one day	-
- one day to one week (= 7 days)	-
- one week to one month (= 30 days)	-
- one to three months	-
- three months to one year (= 365 days)	-
- above 1 year	-
- open maturity	-
for Securities Lending	
- open maturity	54,675,225
for Repurchase Agreements / Reverse Repurchase Agreements	
- open maturity	-

  

Data on return and cost	Return/Costs in GBP	in % of overall returns
for Total Return Swaps		
- Returns for collective investment undertaking		100
- Costs for collective investment undertaking	-	
- Returns for manager of the collective investment undertaking	-	-
- Costs for manager of the collective investment undertaking	-	
- Returns for third parties (e.g. agent lender)	-	-
- Costs for third parties	-	
for Securities Lending		
- Returns for collective investment undertaking	-	-

# Annex: Securities Financing Transaction Regulations continued (unaudited)

- Costs for collective investment undertaking	-	
- Returns for manager of the collective investment undertaking	-	-
- Costs for manager of the collective investment undertaking	-	
- Returns for third parties (e.g. agent lender)	-	-
- Costs for third parties	-	
for Repurchase Agreements / Reverse Repurchase Agreements		
- Returns for collective investment undertaking		100
- Costs for collective investment undertaking	-	
- Returns for manager of the collective investment undertaking	-	-
- Costs for manager of the collective investment undertaking	-	
- Returns for third parties (e.g. agent lender)	-	-
- Costs for third parties	-	
<b>Income for the fund from reinvestment of cash collateral, based on all securities financing transactions and total return swaps</b>		n.a.
<b>Amount of securities and commodities on loan as proportion of total lendable assets defined as excluding cash and cash equivalents</b>		3.01
<b>Ten largest collateral issuers</b>	Market Value in GBP	
for Total Return Swaps		-
for Securities Lending		
Germany, Republic of (Territory)		14,902,652
Spain, Kingdom of (Territory)		14,705,082
France, Republic of (Territory)		9,530,143
European Investment Bank		2,222,224
United States of America, Republic of (Territory)		1,809,578
Chile, Republic of (Territory)		1,489,361
Ireland, Republic of (Territory)		1,442,314
Nykredit Realkredit as		1,244,685
Great Britain and Northern Ireland, Kingdom of (Territory)		1,239,084
Japan, Empire of (Territory)		1,031,388
for Repurchase Agreements / Reverse Repurchase Agreements		-
<b>Reinvested collateral as a % of the collateral received, based on all securities financing transactions and total return swaps</b>		n.a.
<b>Safekeeping of collateral received by the collective investment undertaking as part of Securities Financing Transactions and Total Return Swaps</b>	Number of custodians	1
Nykredit Realkredit as		54,675,225
<b>Safekeeping of collateral granted by the collective investment undertaking as part of Securities Financing Transactions and Total Return Swaps</b>	Proportion of granted collateral in %	
Safekeeping chosen by collateral receiver		100

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

Phone: 0800 317 573

Fax: 020 7638 3508

[www.allianzglobalinvestors.co.uk](http://www.allianzglobalinvestors.co.uk)