

# Allianz UK & European Investment Funds

**Final Report & Financial Statements**

31 August 2019

**Allianz Global Investors**

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\* 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 2018 (All numbers are in EUR)

Number of employees 1,718

		thereof Risk Taker	thereof Board Member	thereof Other Risk Taker	thereof Employees with Control Function	thereof Employees with Comparable Compensation
Fixed remuneration	152,084,831	8,487,988	1,962,234	1,226,734	405,616	4,893,404
Variable remuneration	119,079,444	28,858,193	12,335,788	4,789,449	323,424	11,409,531
Total remuneration	271,164,275	37,346,181	14,298,022	6,016,183	729,040	16,302,935

### 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 (SFTR)

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 173 and 177.

# 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.

# 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.

## 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 and variable rate government bonds, and the remaining subfunds which predominantly hold equities, have minimal exposure to credit risk.

# Financial Risk Management continued

## 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.

## 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	BNP Paribas	-	1	-	-	-
	JP Morgan	-	1,171	-	-	-
	State Street	-	195	-	-	-
		-	1,367	-	-	-
Allianz Strategic Bond Fund	Barclays	-	2,036	-	1,193	929
	Bofa Securities Europe S.A.	-	429	-	-	-
	BNP Paribas	-	1,739	-	-	-
	Goldman Sachs	-	1,333	-	287	-
	JP Morgan	-	882	609	2,224	698
	Morgan Stanley	146	-	-	-	-
	State Street	-	2,631	-	-	-
	UBS	-	783	-	-	-
		146	9,833	609	3,704	1,627
Allianz Index-Linked Gilt Fund	BNP Paribas	-	4	-	-	-
	JP Morgan	-	30	-	-	-
	State Street	-	72	-	-	-
	UBS	-	7	-	-	-
			-	113	-	-
		146	11,313	609	3,704	1,627



# Financial Risk Management 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					5		
Allianz European Equity Income Fund					5		
Allianz UK Equity Income Fund					5		
Allianz UK Opportunities Fund					5		
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.

# Financial Risk Management 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						VaR limits				Leverage
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	01.09.2018 - 31.08.2019	Delta Normal	99% Confidence, 10 days, 260 days	FTSE Actuaries UK Conventional Gilts All Stocks Index	2.30	3.14	2.63	14.14	7.79
Allianz Index-Linked Gilt Fund	Relative VaR	01.09.2018 - 31.08.2019	Delta Normal	99% Confidence, 10 days, 260 days	FTSE Actuaries UK Government Index-Linked All Stocks Total Return GBP Midday Index	4.12	5.66	2.84	14.14	1.19
Allianz Strategic Bond Fund	Absolute VaR	01.09.2018 - 31.08.2019	Delta Normal	99% Confidence, 10 days, 260 days	N/A	1.01	5.66	2.84	14.14	1.23

# 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 Financial Statements of the subfunds have been prepared on a going concern basis in accordance with FRS 102 and the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the Investment Management 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.

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.

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.

# Collective Notes to the Final Report and Financial Statements continued

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.

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.

## 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.

# 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)	
<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	4.00%
	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.

SP Shares closed on 7 November 2017.

# Comparative Tables

## For the year ended 31 August 2019

	A Shares Accumulation			C Shares Accumulation		
	2019 (p)	2018 (p)	2017 (p)	2019 (p)	2018 (p)	2017 (p)
Opening net asset value per share	1,393.43	1,279.87	1,054.34	231.30	210.66	172.12
Return before operating charges	(6.13)	134.95	244.42	(0.86)	22.44	40.10
Operating charges	(20.21)	(21.39)	(18.89)	(1.66)	(1.80)	(1.56)
Return after operating charges	(26.34)	113.56	225.53	(2.52)	20.64	38.54
Distributions	-	(0.31)	(2.20)	(1.61)	(1.83)	(1.93)
Retained distributions on accumulation shares	-	0.31	2.20	1.61	1.83	1.93
Closing net asset value per share	1,367.09	1,393.43	1,279.87	228.78	231.30	210.66
After direct transaction costs of	(0.60)	(0.71)	(1.41)	(0.10)	(0.12)	(0.23)
<b>Performance</b>						
Return after operating charges	(1.89)%	8.87%	21.39%	(1.09)%	9.80%	22.39%
<b>Other information</b>						
Closing net asset value (£'000)	15,768	22,045	20,510	40,499	35,042	22,547
Closing number of shares	1,153,405	1,582,088	1,602,453	17,701,843	15,150,398	10,703,266
Operating charges	1.61%	1.65%	1.65%	0.79%	0.83%	0.83%
Direct transaction costs	0.05%	0.05%	0.12%	0.05%	0.05%	0.12%
<b>Prices</b>						
Highest share price	1,405.55	1,420.35	1,283.84	234.94	235.75	211.27
Lowest share price	1,113.47	1,204.66	987.84	185.32	199.31	161.60

<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 2019

	S Shares Accumulation			SP Shares Accumulation	
	2019 (p)	2018 (p)	2017 (p)	2018 (p)	2017 (p)
Opening net asset value per share	157.24	142.82	116.32	116.80	100.00
Return before operating charges	(0.54)	15.19	27.16	2.73	17.48
Operating charges	(0.68)	(0.77)	(0.66)	(0.09)	(0.68)
Return after operating charges	(1.22)	14.42	26.50	2.64	16.80
Distributions	(1.53)	(1.68)	(1.71)	-	-
Retained distributions on accumulation shares	1.53	1.68	1.71	-	-
Return to shareholder as a result of class closure	-	-	-	119.44	-
Closing net asset value per share	156.02	157.24	142.82	-	116.80
After direct transaction costs of	(0.07)	(0.08)	(0.16)	-	(0.14)
<b>Performance</b>					
Return after operating charges	(0.78)%	10.10%	22.78%	2.26%	16.80%
<b>Other information</b>					
Closing net asset value (£'000)	75,482	93,411	99,832	-	5
Closing number of shares	48,381,073	59,404,651	66,902,712	-	4,291
Operating charges	0.48%	0.53%	0.52%	-	0.62%
Direct transaction costs	0.05%	0.05%	0.12%	-	0.12%
<b>Prices</b>					
Highest share price	160.13	160.27	143.22	120.18	117.14
Lowest share price	126.11	135.32	109.30	113.78	100.00

<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 SP Accumulation was launched on 13 February 2017 and closed on 7 November 2017.

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 2019

Final Distribution in pence per share

Group 1 Shares purchased prior to 1 September 2018  
 Group 2 Shares purchased on or after 1 September 2018 to 31 August 2019

	Net revenue (p)	Equalisation (p)	Distribution payable 31/10/19 (p)	Distribution paid 31/10/18 (p)
<b>A Shares Accumulation</b>				
Group 1	-	-	-	0.3083
Group 2	-	-	-	0.3083
<b>C Shares Accumulation</b>				
Group 1	1.6132	-	1.6132	1.8332
Group 2	1.0535	0.5597	1.6132	1.8332
<b>S Shares Accumulation</b>				
Group 1	1.5330	-	1.5330	1.6764
Group 2	0.8648	0.6682	1.5330	1.6764

Investors are reminded that distribution is not guaranteed.

# Investment Review

## Performance Summary

Over the one-year period under review, from 1st September 2018 to 31st August 2019, the Fund's 'A' class produced a total return of -0.23% (in GBP). The Fund's benchmark, S&P Europe ex UK Growth Total Return, produced a total return of 7.89% over the period. Allianz Continental European Fund underperformed its benchmark during the recent 12-month period.\*

Both stock selection and sector allocation had a negative effect on performance versus benchmark, with the latter particularly due to the strategy's strong overweight of IT, and reduced or no exposure to the defensive Consumer Staples and Utilities sectors. Stock selection within the Financials sector was though helpful.

On a single stock level, Banca Generali (financial service provider, with its continued focus on optimising new initiatives and acquisitions to grow private banking businesses, and diversifying revenue streams in the traditional asset management industry), Coloplast (leading intimate healthcare brand, performing well with several product launches underway, despite the price cut resulted by French Healthcare Reform) and Sartorius Stedim Biotec (leading pharmaceutical and laboratory equipment supplier, benefiting from its resilient business, especially recurring consumables in Bioprocess segment) were the best contributors to the performance on an active level. Grandvision also outperformed.

On the other hand, shares of Infineon (semiconductor manufacturer, with c.26% revenue exposure to China, suffering continued weakness in the automotive market and initial concerns over the Cypress acquisition), Fresenius (diversified healthcare, suffering from German hospital reforms challenging Helios, 40% of group EPS) and Ambu (pioneering the single-use endoscope market, affected by the surprise exit of the CEO, along with reduced guidance, as Ambu seeks to consolidate their leadership with the right skills and an improved distribution strategy) underperformed the benchmark. Ryanair, Roche and Hexagon also detracted from performance.

\* 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

Continental European equities closed the rollercoaster 12-month period with modest gains (in EUR terms). Eurozone stocks started the year 2019 strongly, rebounding from Q4 global selloff, as sentiment was lifted by signs of improvement in the outlook for the Eurozone economy. In recent months, however, growing fears of a global recession, as well as newsflow surrounding the Trade War, Brexit and Central Bank activity, has led to bouts of risk-off rotations and market weakness in May, July and August. At a sector level, higher yielding defensive sectors, such as Utilities, Consumer Staples and Healthcare, posted the highest returns during the period, while Financials, Real Estate and Energy performed the weakest.

August's economic data continued to indicate the Eurozone economy was facing significant headwinds. Exports between Eurozone countries declined 6.6% in June compared to the same month the previous year, the worst performance since March 2013. Meanwhile, the Eurozone IHS-Markit composite purchasing managers' index climbed slowly to 51.8 in August, after falling to a 66-month low in January.

German equities underperformed the broader Eurozone over the 12 months. Germany's economy contracted 0.1% in the second quarter, its slowest pace of growth in six years. The Bundesbank warned that a recession was possible in the third quarter due to turmoil in the car industry, the US/China trade war and a possible chaotic Brexit. The Zew index of German economic sentiment plunged to -44.1 in August, its worst reading since the Eurozone crisis in 2011, while the Ifo business climate survey slipped to a seven-year low.

Eurozone inflation is still considerably below the European Central Bank's ("ECB's") official target of 2%. For that reason, the ECB has recently announced that it plans to continue and extend its accommodating policy, be it by verbal intervention ("forward guidance") or a cut in the deposit rate in the second half of 2019.

# Investment Review continued

## 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 Ambu (pioneer in the single-use endoscope market, which is set to benefit from the structural shift from multi-use to single use products), Sika (leader in the construction chemicals sector, delivering growth at twice the rate of the market, with capex light business, technology leadership and bolt-on acquisition strategy), Wirecard (high-growth digital payment company, with the 2025 vision implying strong sales and EBITA CAGR of 28%, outpacing the structurally fast growing payment market), Addtech (acquisition led industrial businesses, aiming to grow the top line by low double digits per annum) and Nemetschek (global Building Information Modelling software specialist, taking advantage of the Architecture, Engineering and Construction industry digitalising).

Over the year we sold the holdings in Roche (affected by exposure to biosimilar competition for c.50% of pharma sales, with overall growth lagging peers despite product launches), Julius Baer (financial business, which failed to show strong earnings and profitability growth in a rather favourable market environment), Anheuser-Busch Inbev (brewing group with limited potential growth ahead), Continental (global automotive supplier lacking any near term visibility), Ingenico (global payment service provider, challenged by the integration efforts of the acquisitions they made over the last years), Scout24 (due to concerns about liquidity and strategic direction following the partial takeover from Hellman & Friedman) and Osram (seeing better opportunities in other holdings).

## Outlook

On the whole, the strategy has been resilient to trade issues, with only a few stocks citing trade concerns for earnings disappointments (namely Infineon, Hexagon and SAP). Typically our high quality firms with leadership positions, pricing power and strong management teams are quick to

revisit pricing, cut costs and reallocate resources to reduce any impact. Ironically DSV (global freight and logistics provider) has even been the strongest contributor to performance this year. Active management within the company, plus its recent acquisition of Panalpina, has mitigated any expected trade war effects.

We had expected a more challenged Q2 results season than the market anticipated, despite some help from a weaker Euro, with economic data retreating further recently. Overall, 45% of companies beat EPS estimates by 5% or more, while 20% missed. Although strong results, it is fair to note there were significant cuts to consensus expectations just prior. We are looking further ahead at long term targets and opportunities, where we still see upside, and are encouraged by a number of previously weaker names raising guidance (Infineon, Zalando, Wirecard, Dassault, Ingenico).

The risk of a recession (or at least a sharp pullback) has increased, where the question is whether more expansive monetary policy alone (with only limited fiscal support) will be sufficient to counter the numerous economic and political headwinds that have built at a matured stage of the expansion. In case of a more meaningful economic downturn, our high quality portfolio and sharp focus on structural growth is well positioned and our earnings visibility remains high. While many of our holdings may appear cyclical by label, common characteristics beyond structural drivers include high recurring revenues (often 50-70%), large installed bases with great aftermarket sales, upgrade and cross sales potential, and network effects, whilst being insulated from competition by barriers to entry.

Regarding Brexit, the event remains very dynamic and difficult to position for. Our structural growth approach, looking for resilient companies that can sustain and compound their earnings growth long term, therefore becomes especially relevant – regardless of the Brexit outcome for the Continental European Environment. The strategy does not have direct UK exposure.

We are cautiously optimistic for the time being – the fundamentals and long term growth prospects for our firms remain solid, although we are respectful of the risks that remain, and are keeping a close eye on the resilience of our names. With many Management teams confirming FY guidance despite the more challenging environment, the pressure will be on H2.

# Portfolio Statement

As at 31 August 2019

Holding		Market Value £'000	% of Net Assets
	<b>OVERSEAS EQUITIES - 99.15% (2018 - 98.69%)</b>		
	<b>Belgium - 0.00% (2018 - 1.69%)</b>		
	<b>Denmark - 14.93% (2018 - 12.70%)</b>		
164,376	Ambu	2,334	1.77
42,008	Coloplast	4,099	3.11
69,739	DSV	5,689	4.32
122,926	Novo Nordisk	5,268	4.00
30,090	SimCorp	2,276	1.73
		<b>19,666</b>	<b>14.93</b>
	<b>France - 11.68% (2018 - 12.02%)</b>		
18,824	Dassault Systemes	2,202	1.67
17,387	Legrand	1,013	0.77
14,404	L'Oréal	3,277	2.49
13,608	LVMH Moët Hennessy Louis Vuitton	4,500	3.42
9,255	Sartorius Stedim Biotech	1,177	0.89
70,750	SCOR	2,329	1.77
79,056	SMCP	887	0.67
		<b>15,385</b>	<b>11.68</b>
	<b>Germany - 19.68% (2018 - 22.84%)</b>		
68,365	Fresenius	2,743	2.08
14,499	Fuchs Petrolub Preference Shares	419	0.32
6,754	Henkel Preference Shares	563	0.43
305,972	Infineon Technologies	4,364	3.31
4,510	MTU Aero Engines	1,026	0.78
24,731	Nemetschek	1,082	0.82
2,612	Rational	1,499	1.14
68,594	SAP	6,801	5.16
30,413	Symrise	2,337	1.77
24,915	United Internet	676	0.51
15,458	Wirecard	2,047	1.55
58,494	Zalando	2,381	1.81
		<b>25,938</b>	<b>19.68</b>
	<b>Ireland - 9.33% (2018 - 9.62%)</b>		
61,353	DCC	4,293	3.26
27,730	Kerry	2,708	2.06
11,613	Kingspan A shares	443	0.34
79,934	Kingspan B shares	3,048	2.31
217,234	Ryanair	1,798	1.36
		<b>12,290</b>	<b>9.33</b>
	<b>Italy - 2.37% (2018 - 2.50%)</b>		
91,227	Banca Generali	2,245	1.70
54,658	De' Longhi	880	0.67
		<b>3,125</b>	<b>2.37</b>
	<b>Netherlands - 7.87% (2018 - 6.71%)</b>		
32,274	ASML	5,901	4.48
19,943	TKH	786	0.60
71,885	Unilever	3,676	2.79
		<b>10,363</b>	<b>7.87</b>
	<b>Spain - 5.43% (2018 - 5.82%)</b>		
67,400	Amadeus IT	4,124	3.13
119,330	Industria de Diseno Textil	3,027	2.30
		<b>7,151</b>	<b>5.43</b>
	<b>Sweden - 12.36% (2018 - 11.57%)</b>		
52,855	AddTech	1,187	0.90
209,337	Assa Abloy	3,587	2.72
145,051	Atlas Copco	3,557	2.70
90,570	Elekta	957	0.73
149,085	Epiroc	1,272	0.97
72,926	Hexagon	2,655	2.01
236,590	Hexpol	1,456	1.10
144,232	Trelleborg	1,619	1.23
		<b>16,290</b>	<b>12.36</b>

# Portfolio Statement continued

As at 31 August 2019

Holding		Market Value £'000	% of Net Assets
<b>Switzerland - 15.50% (2018 - 13.22%)</b>			
320	Chocoladefabriken Lindt & Spruengli	1,940	1.47
13,561	Kardex	1,562	1.19
6,501	Partners	4,341	3.29
49,325	Richemont	3,157	2.40
34,806	Sika	4,114	3.12
19,274	Temenos	2,660	2.02
26,820	VAT	2,649	2.01
		<b>20,423</b>	<b>15.50</b>
	Investment assets	130,631	99.15
	Net other assets	1,118	0.85
	<b>Net assets</b>	<b>131,749</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 2018.

# Statement of Total Return

For the year ended 31 August 2019

	Notes	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Income:					
Net capital (losses)/gains	2		(5,410)		12,055
Revenue	3	2,202		2,372	
Expenses	4	(897)		(1,025)	
Interest payable and similar charges		(1)		-	
Net revenue before taxation		1,304		1,347	
Taxation	5	(251)		(159)	
Net revenue after taxation			1,053		1,188
<b>Total return before distributions</b>			<b>(4,357)</b>		<b>13,243</b>
Distributions	6		(1,076)		(1,188)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(5,433)</b>		<b>12,055</b>

# Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 August 2019

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Opening net assets attributable to shareholders		150,498		142,894
Amounts receivable on issue of shares	35,411		33,359	
Amounts payable on cancellation of shares	(49,773)		(39,104)	
		(14,362)		(5,745)
Dilution adjustment		19		15
<b>Change in net assets attributable to shareholders from investment activities (see above)</b>		<b>(5,433)</b>		<b>12,055</b>
Retained distributions on accumulation shares		1,027		1,279
<b>Closing net assets attributable to shareholders</b>		<b>131,749</b>		<b>150,498</b>

Notes to the final report and Financial Statements are from page 24 to 31.

# Balance Sheet

## As at 31 August 2019

	Notes	2019 £000s	2019 £000s	2018 £000s	2018 £000s
<b>Assets:</b>					
Fixed assets:					
Investments			130,631		148,532
Current assets:					
Debtors	7	947		539	
Cash and bank balances	8	1,213		1,588	
<b>Total assets</b>			<b>132,791</b>		<b>150,659</b>
<b>Liabilities:</b>					
Creditors:					
Other creditors	9	(1,042)		(161)	
<b>Total liabilities</b>			<b>(1,042)</b>		<b>(161)</b>
<b>Net assets attributable to shareholders</b>			<b>131,749</b>		<b>150,498</b>

Notes to the final report and Financial Statements are from page 24 to 31.

# 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 12 and 13 of the Collective Notes to the Final Report and Financial Statements.

## 2. Net capital gains

	2019 £000s	2018 £000s
(Losses)/gains on non-derivative securities	(5,317)	12,075
Losses on currency	(91)	(7)
Handling charges	(2)	(13)
<b>Net capital (losses)/gains</b>	<b>(5,410)</b>	<b>12,055</b>

## 3. Revenue

	2019 £000s	2018 £000s
Bank interest	1	-
Overseas dividends - non-taxable	2,202	2,375
Overseas dividends - taxable	(1)	(3)
<b>Total revenue</b>	<b>2,202</b>	<b>2,372</b>



# Notes to the Final Report and Financial Statements continued

## 4. Expenses

	2019	2018
	£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	846	915
Company secretarial costs	1	1
	847	916
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	22	26
Safe custody fees	(11)	36
	11	62
<b>Other expenses:</b>		
Audit fees	8	12
Distribution costs	5	4
Printing costs	2	2
Registration fees	13	13
Taxation advice	-	1
Other expenses	11	15
<b>Total expenses</b>	<b>897</b>	<b>1,025</b>

All expenditure stated above is inclusive of VAT where applicable.

The Audit fee for the year, excluding VAT, was £8,820 (2018 - £8,820).

# Notes to the Final Report and Financial Statements continued

## 5. Taxation

	2019	2018
	£000s	£000s
<b>a. Analysis of the taxation charge for the year:</b>		
Overseas tax suffered	251	159
<b>Total taxation for the year (see Note 5(b))</b>	<b>251</b>	<b>159</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%) (2018 - 20%). The differences are explained below:		
Net revenue before taxation	1,304	1,347
Corporation tax at 20%	261	269
<b>Effects of:</b>		
Overseas dividends - non-taxable	(441)	(475)
Overseas tax suffered	251	159
Surplus allowable expenses arising in the year	180	206
<b>Total taxation charge for the year (see Note 5(a))</b>	<b>251</b>	<b>159</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 £1,207,000 (2018 : £1,027,000) 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:

	2019	2018
	£000s	£000s
Final	1,027	1,279
Add: Revenue deducted on cancellation of shares	188	78
Deduct: Revenue received on creation of shares	(139)	(169)
<b>Net distributions for the year</b>	<b>1,076</b>	<b>1,188</b>
<b>Reconciliation of net revenue after taxation to net distributions for the year</b>		
Net revenue after taxation	1,053	1,188
Net revenue shortfall taken to capital	23	-
<b>Net distributions for the year</b>	<b>1,076</b>	<b>1,188</b>

# Notes to the Final Report and Financial Statements continued

## 7. Debtors

	2019	2018
	£000s	£000s
Accrued revenue	46	33
Amounts receivable on creation of shares	609	191
Overseas tax recoverable	292	315
	<b>947</b>	<b>539</b>

## 8. Cash and bank balances

	2019	2018
	£000s	£000s
Cash and bank balances	1,213	1,588
	<b>1,213</b>	<b>1,588</b>

## 9. Other creditors

	2019	2018
	£000s	£000s
Accrued ACD's annual fee	72	84
Amounts payable on cancellation of shares	848	9
Other accrued expenses	63	68
Purchases awaiting settlement	59	-
	<b>1,042</b>	<b>161</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 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 and 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 2019:

	Class A Shares	Class C Shares	Class S Shares
Opening shares	1,582,088	15,150,398	59,404,651
Shares created	31,716	4,023,769	18,596,263
Shares cancelled	(275,075)	(2,585,795)	(29,619,841)
Shares converted	(185,324)	1,113,471	-
<b>Closing shares</b>	<b>1,153,405</b>	<b>17,701,843</b>	<b>48,381,073</b>

## 13. Contingent liabilities and commitments

As at 31 August 2019 there were no contingent liabilities (2018: £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 2019 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2018 £000s	31 August 2018 £000s	31 August 2018 £000s
Danish Krone	68	19,666	19,734	99	19,117	19,216
Euro	60	69,959	70,019	181	88,776	88,957
Swedish Krona	33	16,290	16,323	9	17,417	17,426
Swiss Franc	132	20,423	20,555	63	19,891	19,954
US Dollar	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 (2018 - 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:

	2019 £000s	2018 £000s
Listed equity investments held at fair value through profit or loss	130,631	148,532

The following illustrates the sensitivity of the net return and the net assets to an increase or decrease of 20% (2018 - 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.

	2019 20% Increase in fair value £000s	2019 20% Decrease in fair value £000s	2018 20% Increase in fair value £000s	2018 20% Decrease in fair value £000s
<b>Capital Return</b>				
Net gains (losses) on investments at fair value	26,126	(26,126)	29,706	(29,706)

#### 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.

	2019 20% Increase in Sterling against foreign currencies £000s	2019 20% Decrease in Sterling against foreign currencies £000s	2018 20% Increase in Sterling against foreign currencies £000s	2018 20% Decrease in Sterling against foreign currencies £000s
Danish Krone	(3,289)	4,933	(3,203)	4,804
Euro	(11,670)	17,505	(14,826)	22,239
Swedish Krona	(2,721)	4,081	(2,904)	4,356
Swiss Franc	(3,426)	5,139	(3,326)	4,988
US Dollar	(1)	2	-	-
<b>Change in net return and net assets</b>	<b>(21,107)</b>	<b>31,660</b>	<b>(24,259)</b>	<b>36,387</b>

# Notes to the Final Report and Financial Statements continued

## d. Leverage

The subfund did not employ significant leverage during the year (2018 - same).

## e. Fair value hierarchy

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

	Assets		Liabilities	
	31 August 2019 £000s	31 August 2019 £000s	31 August 2018 £000s	31 August 2018 £000s
Level 1: Quoted	130,631	-	148,532	-
Level 2: Observable	-	-	-	-
Level 3: Unobservable	-	-	-	-
	<b>130,631</b>	<b>-</b>	<b>148,532</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 (2018 - 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 2019:

	Transaction Value 2019 £000s	Commissions 2019 £000s	2019 %	Taxes 2019 £000s	Taxes 2019 %
<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				
<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>	

	Transaction Value 2018 £000s	Commissions 2018 £000s	2018 %	Taxes 2018 £000s	Taxes 2018 %
<b>Purchases</b>					
Equity instruments (direct)	38,399	8	0.02	60	0.16
Total purchases	38,399	8	0.02	60	0.16
Total purchases including transaction costs	38,467				
<b>Sales</b>					
Equity instruments (direct)	44,489	6	0.01	-	-
Total sales	44,489	6	0.01	-	-
Total sales including transaction costs	44,483				
<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 0.06% (2018 : 0.07%).

# 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	4.00%
	C Shares	Nil
<b>Annual ACD fee</b>	A Shares	1.50%
	C Shares	0.75%

\*29 February in a leap year



# Comparative Tables

## For the year ended 31 August 2019

	A Shares Income			A Shares Accumulation		
	2019 (p)	2018 (p)	2017 (p)	2019 (p)	2018 (p)	2017 (p)
Opening net asset value per share	154.87	164.59	135.44	242.64	248.42	197.64
Return before operating charges	0.07	(0.63)	37.76	0.36	(0.73)	55.48
Operating charges	(3.12)	(4.06)	(3.70)	(4.60)	(5.05)	(4.70)
Return after operating charges	(3.05)	(4.69)	34.06	(4.24)	(5.78)	50.78
Distributions	(5.69)	(5.03)	(4.91)	(9.41)	(8.81)	(7.99)
Retained distributions on accumulation shares	-	-	-	9.41	8.81	7.99
Closing net asset value per share	146.13	154.87	164.59	238.40	242.64	248.42
After direct transaction costs of	(0.10)	(0.15)	(0.16)	(0.16)	(0.23)	(0.23)
<b>Performance</b>						
Return after operating charges	(1.97)%	(2.85)%	25.15%	(1.75)%	(2.33)%	25.69%
<b>Other information</b>						
Closing net asset value (£'000)	3,092	3,981	4,568	17,737	20,375	22,166
Closing number of shares	2,115,658	2,570,929	2,775,529	7,439,853	8,396,970	8,922,603
Operating charges	2.09%	2.56%	2.46%	1.95%	2.09%	2.12%
Direct transaction costs	0.07%	0.10%	0.10%	0.07%	0.10%	0.10%
<b>Prices</b>						
Highest share price	157.42	167.81	166.27	247.10	253.89	249.49
Lowest share price	143.13	148.10	134.20	228.76	224.67	195.89

<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 2019

	C Shares Income			C Shares Accumulation		
	2019 (p)	2018 (p)	2017 (p)	2019 (p)	2018 (p)	2017 (p)
Opening net asset value per share	117.03	123.43	100.74	140.48	142.57	112.39
Return before operating charges	0.11	(0.46)	28.27	0.19	(0.42)	31.69
Operating charges	(0.93)	(2.07)	(1.97)	(1.34)	(1.67)	(1.51)
Return after operating charges	(0.82)	(2.53)	26.30	(1.15)	(2.09)	30.18
Distributions	(5.02)	(3.87)	(3.61)	(5.82)	(5.28)	(4.79)
Retained distributions on accumulation shares	-	-	-	5.82	5.28	4.79
Closing net asset value per share	111.19	117.03	123.43	139.33	140.48	142.57
After direct transaction costs of	(0.07)	(0.11)	(0.12)	(0.09)	(0.13)	(0.13)
<b>Performance</b>						
Return after operating charges	(0.70)%	(2.05)%	26.11%	(0.82)%	(1.47)%	26.85%
<b>Other information</b>						
Closing net asset value (£'000)	1,726	1,552	1,823	4,933	3,473	3,656
Closing number of shares	1,552,714	1,326,351	1,476,963	3,540,867	2,472,088	2,564,098
Operating charges	0.82%	1.73%	1.75%	0.97%	1.20%	1.19%
Direct transaction costs	0.07%	0.10%	0.10%	0.07%	0.10%	0.10%
<b>Prices</b>						
Highest share price	119.07	126.22	124.58	144.19	146.18	143.10
Lowest share price	108.72	111.53	99.89	132.78	129.57	111.44

<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 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 2019

### First Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 September 2018

Group 2 Shares purchased on or after 1 September 2018 to 30 November 2018

	Net revenue (p)	Equalisation (p)	Distribution paid 31/12/18 (p)	Distribution paid 31/12/17 (p)
<b>A Shares Income</b>				
Group 1	1.3264	-	1.3264	0.0975
Group 2	1.1948	0.1316	1.3264	0.0975
<b>A Shares Accumulation</b>				
Group 1	1.8771	-	1.8771	0.4359
Group 2	1.3004	0.5767	1.8771	0.4359
<b>C Shares Income</b>				
Group 1	1.3091	-	1.3091	-
Group 2	1.0274	0.2817	1.3091	-
<b>C Shares Accumulation</b>				
Group 1	1.1425	-	1.1425	0.3068
Group 2	0.4190	0.7235	1.1425	0.3068

### Second Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 December 2018

Group 2 Shares purchased on or after 1 December 2018 to 28 February 2019

	Net revenue (p)	Equalisation (p)	Distribution paid 31/03/19 (p)	Distribution paid 31/03/18 (p)
<b>A Shares Income</b>				
Group 1	-	-	-	0.2843
Group 2	-	-	-	0.2843
<b>A Shares Accumulation</b>				
Group 1	-	-	-	0.7010
Group 2	-	-	-	0.7010
<b>C Shares Income</b>				
Group 1	-	-	-	0.4654
Group 2	-	-	-	0.4654
<b>C Shares Accumulation</b>				
Group 1	-	-	-	0.4433
Group 2	-	-	-	0.4433

### Third Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 March 2019

Group 2 Shares purchased on or after 1 March 2019 to 31 May 2019

	Net revenue (p)	Equalisation (p)	Distribution paid 30/06/19 (p)	Distribution paid 30/06/18 (p)
<b>A Shares Income</b>				
Group 1	3.4393	-	3.4393	4.3128
Group 2	2.8687	0.5706	3.4393	4.3128
<b>A Shares Accumulation</b>				
Group 1	5.7888	-	5.7888	6.8280
Group 2	4.7750	1.0138	5.7888	6.8280

# Distribution Tables continued

## For the year ended 31 August 2019

<b>C Shares Income</b>					
Group 1		2.9054	-	2.9054	3.2117
Group 2		2.3435	0.5619	2.9054	3.2117
<b>C Shares Accumulation</b>					
Group 1		3.5770	-	3.5770	3.9954
Group 2		2.6789	0.8981	3.5770	3.9954
<b>Final Distribution in pence per share</b>					
Group 1	Shares purchased prior to 1 June 2019				
Group 2	Shares purchased on or after 1 June 2019 to 31 August 2019				
		<b>Net revenue (p)</b>	<b>Equalisation (p)</b>	<b>Distribution payable 30/09/19 (p)</b>	<b>Distribution paid 30/09/18 (p)</b>
<b>A Shares Income</b>					
Group 1		0.9222	-	0.9222	0.3397
Group 2		0.4779	0.4443	0.9222	0.3397
<b>A Shares Accumulation</b>					
Group 1		1.7484	-	1.7484	0.8483
Group 2		0.9522	0.7962	1.7484	0.8483
<b>C Shares Income</b>					
Group 1		0.8012	-	0.8012	0.1935
Group 2		0.3602	0.4410	0.8012	0.1935
<b>C Shares Accumulation</b>					
Group 1		1.1023	-	1.1023	0.5365
Group 2		0.4405	0.6618	1.1023	0.5365

Investors are reminded that distribution is not guaranteed.

# Investment Review

## Performance Summary

Over the twelve-month period under review, 1st September 2018 to 31st August 2019, the Fund's 'A' class (Acc) produced a total return of 0.31%. The Fund's benchmark, the MSCI Europe ex UK – Total Return Index, produced a total return of 5.16% over the period.

In a positive 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 Sector Allocation (-3.38%). Selection was negative within Consumer Staples, Energy and Healthcare. The positioning within Utilities as well as within Communication Services (OW) and Information Technology (UW) contributed positively. Stock Selection was also negative (-0.61%) reflecting underperformance of Unibail, TUI, Logista, ING on the one hand, and not owning Nestle, Novartis, Roche on the other hand.

Currency valuation changes were not an issue, as the British Pound ended the reported period flat at 1.10 vs the Euro, having experienced wild volatility swings throughout the year.

What we observed was the market showing a clear preference for defensive growth quality stocks (e.g. Nestle, Novartis, Atlas Copco), with investors buying them at any price. The portfolios' companies with high quality income streams and defensive characteristics were not favoured by the market and underperformed. Strong outperformance by some individual picks (such as Enel, KPN, MunichRe, Iberdrola, Telenor) was not enough to compensate for weakness in other parts of the portfolio.

\* 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

European equities closed a rollercoaster twelve months with robust gains (in GBP terms). Along with other global markets, European stocks dropped sharply in Q4 2018, then rallied back until April-May, then dropped again in May and August amid rising concerns over the intensifying US/China trade dispute. At a Sector level, Utilities delivered double-digit gains. On the less brighter side, Energy stocks fell as oil prices weakened. The real estate sector lost ground too, for a re-nationalization threat in Berlin as well broad-based Retail sector sales weakness rose question marks over valuations as well as sustainability of underlying income streams.

Economic news remained bleak. Euro-zone GDP expanded 0.2% in the second quarter of 2019, half the growth rate in the first three months of the year. There was little improvement in newsflow in the third quarter, with the IHS Markit euro-zone composite Purchasing Managers' Index falling to a six-year low in August. Manufacturing activity moved further into the contraction territory and the downturn also spread to the larger Services sector. In the same month, the European Central Bank (ECB) cut interest rates by 10 basis points and reinstated its bond-buying programme.

Germany's export-driven economy continued to suffer from trade war concerns, with car production in particular slumping amid tighter emissions regulations. After GDP shrank 0.1% in the second quarter of the year, the Bundesbank warned that the German economy might fall into recession in the third quarter of 2019. The Ifo index of business sentiment remained close to the six-year low in August.

Lots of unresolved threats may hamper stock market performance in the remaining months of the year. On top of a broad economic weakness, issues like negative interest rates, rising populism and uncertainty it brings along, growing sovereign indebtedness, looming bad credit problems in some pockets of the economy, re-charged Brexit discussions following the recently held UK election, are all yet to be resolved.

Just like 12 months ago, the negatives seem to barely be able to balance out the positives for now. The portfolio remains structured with caution, as we continue to look for green shoots in economic activity and EPS development to add to positions in riskier parts of the market.

# Investment Review continued

## 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.

In the reported period, we focused on adding to high-quality defensive companies with strong fundamentals and dividend commitment, while balancing this out by increasing exposure to more cyclical names, where valuations were punished more than what economic fundamentals would deem reasonable. As such, we added to Stora Enso, Storebrand, Mowi, Salmar, Mapfre, Telenor and Sanofi. We initiated positions in Engie, Kuehne und Nagel, BASF, Natixis and Credit Agricole to increase cyclicity. We reduced our exposure to oil (ENI), automobile (Daimler), took profits in Deutsche Telekom and Ferrovial.

to seek somewhat more cyclical exposure, which we may become more attractive if it also meets our quality/yield characteristics.

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.

## Outlook

In Europe, political uncertainties (in particular Brexit) and the trade conflict between the US and China continue to affect the markets. The growth slowdown is having an impact, too. In September, the composite PMI dropped to its lowest level since 2012. In fact, UK elections and continued Brexit negotiations may have a major impact on growth. The recent developments, however, give a hope that a no-deal Brexit could be avoided. There is no certainty a Brexit deal can be agreed, though.

German activity seems to be flagging. The disruptions to global trade are weighing on the economy and will probably cause GDP to shrink during the third quarter. Domestic circumstances are better, with the labour market and income developments still healthy.

Overall, expectations are already muted but uncertainties still persist. Hence, we maintain a more defensive positioning. A recovery in global growth, which appears possible thanks to China's stimulus and still robust US growth, could be the trigger

# Portfolio Statement

As at 31 August 2019

Holding		Market Value £'000	% of Net Assets
	<b>OVERSEAS EQUITIES - 88.23% (2018 - 88.92%)</b>		
	<b>Austria - 1.50% (2018 - 0.00%)</b>		
56,362	UNIQA Insurance	411	1.50
		<b>411</b>	<b>1.50</b>
	<b>Belgium - 0.00% (2018 - 1.79%)</b>		
	<b>Finland - 5.37% (2018 - 2.91%)</b>		
65,811	Stora Enso	598	2.17
40,090	UPM-Kymmene	879	3.20
		<b>1,477</b>	<b>5.37</b>
	<b>France - 27.02% (2018 - 22.93%)</b>		
4,078	Air Liquide	467	1.70
13,480	Credit Agricole	128	0.46
62,053	Engie	781	2.84
36,086	Eutelsat Communications	515	1.87
1,542	Imerys	52	0.19
9,173	Klepierre REIT*	230	0.84
52,030	Natixis	168	0.61
54,869	Orange	689	2.51
19,335	Sanofi	1,376	5.01
36,473	SCOR	1,201	4.37
29,011	TOTAL	1,197	4.35
5,756	Unibail-Rodamco-Westfield REIT*	623	2.27
		<b>7,427</b>	<b>27.02</b>
	<b>Germany - 15.67% (2018 - 17.55%)</b>		
5,519	Allianz†	1,006	3.66
15,151	BASF	829	3.02
9,283	Deutsche Telekom	128	0.46
101,020	E.ON	774	2.82
5,827	Muenchener Rueckversicherungs-Gesellschaft	1,153	4.19
137,840	Telefonica Deutschland	289	1.05
15,535	TUI	129	0.47
		<b>4,308</b>	<b>15.67</b>
	<b>Italy - 6.08% (2018 - 8.98%)</b>		
174,000	Enel	1,051	3.83
49,790	Eni	619	2.25
		<b>1,670</b>	<b>6.08</b>
	<b>Luxembourg - 1.79% (2018 - 2.83%)</b>		
1,047	RTL	40	0.14
1,057	SES	14	0.05
32,842	SES (France)	439	1.60
		<b>493</b>	<b>1.79</b>
	<b>Netherlands - 9.01% (2018 - 15.06%)</b>		
25,268	ABN AMRO	373	1.36
71,420	ING	567	2.06
190,020	Koninklijke KPN	496	1.80
45,439	Royal Dutch Shell	1,041	3.79
		<b>2,477</b>	<b>9.01</b>
	<b>Norway - 7.79% (2018 - 2.72%)</b>		
33,444	Mowi	670	2.44
5,363	Salmar	213	0.77
70,694	Storebrand	335	1.22
54,535	Telenor	923	3.36
		<b>2,141</b>	<b>7.79</b>

# Portfolio Statement continued

As at 31 August 2019

Holding		Market Value £'000	% of Net Assets
	<b>Spain - 9.54% (2018 - 11.04%)</b>		
91,312	Iberdrola	779	2.84
66,040	Logista	1,075	3.91
109,371	Mapfre	237	0.86
32,270	Red Electrica	530	1.93
		<b>2,621</b>	<b>9.54</b>
	<b>Switzerland - 4.46% (2018 - 3.11%)</b>		
1,300	Kuehne + Nagel International	156	0.57
13,414	Swiss Re	1,071	3.89
		<b>1,227</b>	<b>4.46</b>
	Investment assets	24,252	88.23
	Net other assets	3,236	11.77
	<b>Net assets</b>	<b>27,488</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.

\*Real Estate Investment Trust.

† This investment is a related party.

Note: Comparative figures show percentages for each category of holding at 31 August 2018.



# Statement of Total Return

For the year ended 31 August 2019

	Notes	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Income:					
Net capital losses	2		(1,216)		(1,450)
Revenue	3	1,324		1,365	
Expenses	4	(494)		(591)	
Interest payable and similar charges		-		-	
Net revenue before taxation		830		774	
Taxation	5	(81)		(67)	
Net revenue after taxation			749		707
<b>Total return before distributions</b>			<b>(467)</b>		<b>(743)</b>
Distributions	6		(1,125)		(1,079)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(1,592)</b>		<b>(1,822)</b>

# Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 August 2019

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Opening net assets attributable to shareholders		29,381		32,213
Amounts receivable on issue of shares	639		563	
Amounts payable on cancellation of shares	(1,855)		(2,460)	
		(1,216)		(1,897)
<b>Change in net assets attributable to shareholders from investment activities (see above)</b>		<b>(1,592)</b>		<b>(1,822)</b>
Retained distributions on accumulation shares		914		887
Unclaimed distributions		1		-
<b>Closing net assets attributable to shareholders</b>		<b>27,488</b>		<b>29,381</b>

Notes to the final report and Financial Statements are from page 43 to 51.

# Balance Sheet

## As at 31 August 2019

	Notes	2019 £000s	2019 £000s	2018 £000s	2018 £000s
<b>Assets:</b>					
Fixed assets:					
Investments			24,252		26,125
Current assets:					
Debtors	7	212		187	
Cash and bank balances	8	3,394		3,263	
<b>Total assets</b>			<b>27,858</b>		<b>29,575</b>
<b>Liabilities:</b>					
Creditors:					
Distribution payable		(32)		(11)	
Other creditors	9	(338)		(183)	
<b>Total liabilities</b>			<b>(370)</b>		<b>(194)</b>
<b>Net assets attributable to shareholders</b>			<b>27,488</b>		<b>29,381</b>

Notes to the final report and Financial Statements are from page 43 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 12 and 13 of the Collective Notes to the Final Report and Financial Statements.

## 2. Net capital gains

	2019 £000s	2018 £000s
Losses on non-derivative securities	(1,236)	(1,376)
Gains/(losses) on currency	14	(48)
Handling charges	6	(26)
<b>Net capital losses</b>	<b>(1,216)</b>	<b>(1,450)</b>

## 3. Revenue

	2019 £000s	2018 £000s
Bank interest	2	-
Overseas dividends - non-taxable	1,244	1,312
Overseas dividends - taxable	78	6
Scrip dividends	-	45
Other income	-	2
<b>Total revenue</b>	<b>1,324</b>	<b>1,365</b>

# Notes to the Final Report and Financial Statements continued

## 4. Expenses

	2019	2018
	£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	375	417
Company secretarial costs	1	1
	376	418
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	5	7
Safe custody fees	(2)	11
	3	18
<b>Other expenses:</b>		
Audit fees	9	12
Distribution costs	14	40
Printing costs	13	9
Registration fees	75	76
Taxation advice	-	1
Other expenses	4	17
	115	155
<b>Total expenses</b>	<b>494</b>	<b>591</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 £9,000 (2018 - £9,800).

# Notes to the Final Report and Financial Statements continued

## 5. Taxation

	2019	2018
	£000s	£000s
<b>a. Analysis of the taxation charge for the year:</b>		
Overseas tax suffered	81	67
<b>Total taxation for the year (see Note 5(b))</b>	<b>81</b>	<b>67</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%) (2018 - 20%). The differences are explained below:		
Net revenue before taxation	830	774
Corporation tax at 20%	166	155
<b>Effects of:</b>		
Overseas dividends - non-taxable	(249)	(263)
Overseas tax suffered	81	67
Surplus allowable expenses arising in the year	85	117
Non taxable scrip dividends in capital	-	(9)
Overseas tax expensed	(2)	-
<b>Total taxation charge for the year (see Note 5(a))</b>	<b>81</b>	<b>67</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 £1,029,000 (2018 : £944,000) 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.

# Notes to the Final Report and Financial Statements continued

## 6. Distributions

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

	2019 £000s	2018 £000s
First Interim	235	49
Second Interim	-	87
Third Interim	682	842
Final	201	96
	<b>1,118</b>	<b>1,074</b>
Add: Revenue deducted on cancellation of shares	9	7
Deduct: Revenue received on creation of shares	(2)	(2)
<b>Net distributions for the year</b>	<b>1,125</b>	<b>1,079</b>

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

Net revenue after taxation	749	707
Expenses taken to capital	375	417
Net equalisation on conversions	1	-
Revenue taken to capital	-	(45)
<b>Net distributions for the year</b>	<b>1,125</b>	<b>1,079</b>

## 7. Debtors

	2019 £000s	2018 £000s
Accrued revenue	36	34
Amounts receivable on creation of shares	5	3
Overseas tax recoverable	89	117
Sales awaiting settlement	82	33
	<b>212</b>	<b>187</b>

## 8. Cash and bank balances

	2019 £000s	2018 £000s
Cash and bank balances	3,394	3,263
	<b>3,394</b>	<b>3,263</b>

# Notes to the Final Report and Financial Statements continued

## 9. Other creditors

	2019	2018
	£000s	£000s
<b>a. Distribution payable</b>		
Net distribution payable	32	11
<b>b. Other creditors</b>		
Accrued ACD's annual fee	30	35
Amounts payable on cancellation of shares	25	9
Other accrued expenses	206	130
Purchases awaiting settlement	77	9
	<b>338</b>	<b>183</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 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:

	2019	2018
	£000s	£000s
Allianz	1,006	993
<b>The value of purchases during the year were:</b>		
Allianz	69	78
<b>The value of sales during the year were:</b>		
Allianz	137	338

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

Class A :	1.50%
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 33 and 34.

The distribution per share is given in the Distribution Table on page 35 and 36.

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 2019:

	Class A Shares Income	Class A Shares Accumulation	Class C Shares Income	Class C Shares Accumulation
Opening shares	2,570,929	8,396,970	1,326,351	2,472,088
Shares created	12,175	31,045	72,970	338,823
Shares cancelled	(158,252)	(401,954)	(245,832)	(286,133)
Shares converted	(309,194)	(586,208)	399,225	1,016,089
Closing shares	2,115,658	7,439,853	1,552,714	3,540,867

## 13. Contingent liabilities and commitments

As at 31 August 2019 there were no contingent liabilities (2018: £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 2019 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2018 £000s	31 August 2018 £000s	31 August 2018 £000s
Euro	923	20,884	21,807	150	24,411	24,561
Norwegian Krone	77	2,141	2,218	73	800	873
Swedish Krona	-	-	-	1	-	1
Swiss Franc	48	1,228	1,276	9	914	923
US Dollar	16	-	16	21	-	21

### 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 (2018 - 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:

	2019 £000s	2018 £000s
Listed equity investments held at fair value through profit or loss	24,252	26,125

The following illustrates the sensitivity of the net return and the net assets to an increase or decrease of 20% (2018 - 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.

	2019 20% Increase in fair value £000s	2019 20% Decrease in fair value £000s	2018 20% Increase in fair value £000s	2018 20% Decrease in fair value £000s
<b>Capital Return</b>				
Net gains (losses) on investments at fair value	4,850	(4,850)	5,225	(5,225)

#### 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.

	2019 20% Increase in Sterling against foreign currencies £000s	2019 20% Decrease in Sterling against foreign currencies £000s	2018 20% Increase in Sterling against foreign currencies £000s	2018 20% Decrease in Sterling against foreign currencies £000s
Euro	(3,635)	5,452	(4,094)	6,140
Norwegian Krone	(370)	555	(146)	218
Swiss Franc	(213)	319	(154)	231
US Dollar	(3)	4	(4)	5
<b>Change in net return and net assets</b>	<b>(4,221)</b>	<b>6,330</b>	<b>(4,398)</b>	<b>6,594</b>

# Notes to the Final Report and Financial Statements continued

## d. Leverage

The subfund did not employ significant leverage during the year (2018 - same).

## e. Fair value hierarchy

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

	Assets		Liabilities	
	31 August 2019 £000s	31 August 2019 £000s	31 August 2018 £000s	31 August 2018 £000s
Level 1: Quoted	24,252	-	26,125	-
Level 2: Observable	-	-	-	-
Level 3: Unobservable	-	-	-	-
	<b>24,252</b>	<b>-</b>	<b>26,125</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 (2018 - 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 2019:

	Transaction Value 2019 £000s	Commissions 2019 £000s	2019 %	Taxes 2019 £000s	Taxes 2019 %
<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 2019 £000s	Commissions 2019 £000s	2019 %	Taxes 2019 £000s	Taxes 2019 %
<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>Total transaction costs as a % of average net assets</b>		<b>0.03%</b>		<b>0.04%</b>	

	Transaction Value 2018 £000s	Commissions 2018 £000s	2018 %	Taxes 2018 £000s	Taxes 2018 %
<b>Purchases</b>					
Equity instruments (direct)	13,642	7	0.05	14	0.10
Total purchases	13,642	7	0.05	14	0.10
Total purchases including transaction costs	13,663				

	Transaction Value 2018 £000s	Commissions 2018 £000s	2018 %	Taxes 2018 £000s	Taxes 2018 %
<b>Sales</b>					
Equity instruments (direct)	16,274	9	0.06	-	-
Total sales	16,274	9	0.06	-	-
Total sales including transaction costs	16,265				
<b>Total transaction costs as a % of average net assets</b>		<b>0.05%</b>		<b>0.05%</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 0.05% (2018: 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 British 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 (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 Riddell	
<b>Benchmark</b>	FTSE Actuaries UK Conventional Gilts All Stocks Index	
<b>Underlying Yield to</b>		
<b>31 August 2019</b>	C Shares	0.63%
	I Shares	0.85%
	Y Shares	0.82%
<b>Distribution Yield to</b>		
<b>31 August 2019</b>	C Shares	0.63%
	I Shares	0.85%
	Y Shares	0.82%
<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
	C Shares	16 May 2002
	I Shares	16 May 2002
	Y Shares	20 February 2017
<b>ISA status</b>	Yes	
<b>Share Classes and types of Shares</b>	C (Income Shares) I (Income Shares) Y (Accumulation Shares)	
<b>Minimum investment</b>	C Shares	Lump sum £500 Monthly saving £50
	I Shares	Lump sum £10,000,000
	Y Shares	Lump sum £100,000,000 (Available to Approved Investors only)
<b>Initial charge</b>	C Shares	Nil
	I Shares	Nil
	Y Shares	Nil
<b>Annual ACD fee</b>	C Shares	0.50%
	I Shares	0.30%
	Y Shares	0.30%

\*29 February in a leap year

# Comparative Tables

For the year ended 31 August 2019

	C Shares Income			I Shares Income		
	2019 (p)	2018 (p)	2017 (p)	2019 (p)	2018 (p)	2017 (p)
Opening net asset value per share	177.25	180.99	189.74	184.55	188.03	196.70
Return before operating charges	22.50	(0.40)	(5.57)	23.48	(0.39)	(5.76)
Operating charges	(0.97)	(0.98)	(0.97)	(0.61)	(0.59)	(0.59)
Return after operating charges	21.53	(1.38)	(6.54)	22.87	(0.98)	(6.35)
Distributions	(2.41)	(2.36)	(2.21)	(2.54)	(2.50)	(2.32)
Closing net asset value per share	196.37	177.25	180.99	204.88	184.55	188.03
After direct transaction costs of	-	-	-	-	-	-
<b>Performance</b>						
Return after operating charges	12.15%	(0.76)%	(3.45)%	12.39%	(0.52)%	(3.23)%
<b>Other information</b>						
Closing net asset value (£'000)	73,267	71,919	92,392	2,128,992	1,568,628	1,318,475
Closing number of shares	37,309,594	40,575,573	51,047,773	1,039,131,588	849,956,874	701,213,749
Operating charges	0.54%	0.55%	0.54%	0.32%	0.32%	0.32%
Direct transaction costs	-	-	-	-	-	-
<b>Prices</b>						
Highest share price	197.68	182.20	189.20	206.27	189.29	196.16
Lowest share price	171.32	172.88	171.64	178.43	179.82	178.07

<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 2019

	Y Shares Accumulation		
	2019 (p)	2018 (p)	2017 (p)
Opening net asset value per share	5,161.26	5,186.97	5,000.00
Return before operating charges	660.55	(10.39)	204.85
Operating charges	(18.27)	(15.32)	(17.88)
Return after operating charges	642.28	(25.71)	186.97
Distributions	(53.99)	(95.75)	-
Retained distributions on accumulation shares	53.99	95.75	-
Closing net asset value per share	5,803.54	5,161.26	5,186.97
After direct transaction costs of	(0.03)	-	-
<b>Performance</b>			
Return after operating charges	12.44%	(0.50)%	3.74%
<b>Other information</b>			
Closing net asset value (£'000)	69	105	24
Closing number of shares	1,196	2,029	468
Operating charges	0.35%	0.35%	0.35%
Direct transaction costs	-	-	-
<b>Prices</b>			
Highest share price	5,805.96	5,231.22	5,200.94
Lowest share price	4,990.14	4,960.47	4,987.19

<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 Y Accumulation was launched on 20 February 2017.

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 2019

### Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 September 2018

Group 2 Shares purchased on or after 1 September 2018 to 28 February 2019

	Gross revenue (p)	Equalisation (p)	Distribution paid 30/04/19 (p)	Distribution paid 30/04/18 (p)
<b>C Shares Income</b>				
Group 1	1.1868	-	1.1868	1.1103
Group 2	0.6198	0.5670	1.1868	1.1103
<b>I Shares Income</b>				
Group 1	1.2456	-	1.2456	1.1754
Group 2	0.6560	0.5896	1.2456	1.1754
<b>Y Shares Accumulation</b>				
Group 1	25.0012	-	25.0012	-
Group 2	17.4733	7.5279	25.0012	-

### Final Distribution in pence per share

Group 1 Shares purchased prior to 1 March 2019

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

	Gross revenue (p)	Equalisation (p)	Distribution payable 31/10/19 (p)	Distribution paid 31/10/18 (p)
<b>C Shares Income</b>				
Group 1	1.2271	-	1.2271	1.2525
Group 2	0.6395	0.5876	1.2271	1.2525
<b>I Shares Income</b>				
Group 1	1.2988	-	1.2988	1.3259
Group 2	0.7121	0.5867	1.2988	1.3259
<b>Y Shares Accumulation</b>				
Group 1	28.9867	-	28.9867	95.7517
Group 2	18.0891	10.8976	28.9867	95.7517

Investors are reminded that distribution is not guaranteed.

# Investment Review

## Performance Summary

Over the year under review, 1st September 2018 to 31st August 2019, the Fund's C Inc class produced a total return of 14.02%. The Fund's benchmark, the FTSE All Stocks Total Return (Midday) index, produced a total return of 13.07% over the period\*.

The key reasons for this outperformance were the Fund's long duration positioning through late 2018 and the Fund's exposure to US treasuries and Canadian government bonds (hedged back to GBP), which outperformed gilts over the period. The Fund's relative value strategies added positively to returns. The Fund's large curve flattening position in Q4 2018 was negative for the Fund, while curve positioning was more supportive for returns through 2019.

\* 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 has been impacted to a large degree by the moves in global bond markets. As the market moved from pricing rate hikes to pricing in rate cuts into the US and Eurozone markets, bond yields fell. This pulled gilt yields lower, despite the slightly more positive economic scenario in Q2 2019 following the Brexit extension. Economic data changes have remained in negative territory this year, and despite signs of China's stimulus having a positive effect, this quickly faded and market consensus for forecasting a US recession grew through 2019. At times, UK domestic events have been important for the gilt market, driven by developments in Westminster and expectations of a Brexit outcome.

## Portfolio Review

The fund's central 5 strategies to generate returns are duration, curve positioning, relative value, cross market and inflation.

Given expectations of deteriorating macroeconomic fundamentals, the Fund held a bias to be long duration from September through Q4 2018. From December, we felt that

poor global economic data was priced in to most rate markets, and that the main driving factor for gilts going forward would be growing expectations of a 'soft' or 'no' Brexit scenario, or at least that a 'No-deal' Brexit would be taken off the table. We therefore held a short duration bias from the end of December. The long duration position helped performance in the first leg of the big gilt rally in December, but the decision to move short duration in Q1 was negative for relative performance as the market moved to price a higher chance of a no-deal Brexit, and gilts rallied. We positioned longer duration from Q2 2019, as we expected deteriorating global macro data and moves lower in global government bond yields to pull gilt yields lower, which was positive for returns.

The key position within our curve strategy over the last year was a 10s50s curve flattener through Q4 2018 and into Q1 2019. The gilt curve had slowly steepened through the summer of 2018, but these moves started become violent in October and November. With near record curve steepening, our flattener position moved against us. The 10 year part of the curve became particularly expensive as speculation of a hard Brexit grew. Following a peak at the end of November, the flattener position which we maintained then rallied strongly into late January before moving sideways. As cuts began to be priced into the UK yield curve, we became underweight to the 5 year part of the curve, where the yield on offer was relatively much lower to the very short-end and the 10 year plus area of the curve.

Given expectations for a positive Brexit outcome, we anticipated a rally in sterling and a falling of inflation expectations. Given this, we held no inflation-linked gilts until the end of the period. In August 2019, we added a 20 year inflation-linked gilt, as this area of the breakeven curve was looking relatively attractive, amid our outlook of a growing probability of a hard Brexit outcome. Meanwhile our cross market strategies were positive for returns, as the US, Canada and German government bond positions outperformed, particularly at the short end of the curve where rate hikes were priced out, and then rate cuts were priced in through 2019.

## Outlook

While the political dynamic remains important for the UK economic outlook, it also remains key for UK technicals. The UK government has been running with fiscal headroom over



# Investment Review continued

previous years, and the latest spending promises from the new Prime Minister, particularly around a new election, may contribute to more bond issuance to fund budget deficits (as would automatic economic stabilisers in a recession).

Moreover, an election also opens up the possibility of a Corbyn government, which itself would see higher spending than the current level. Amid a growing global debate about the increased need for fiscal policy, increased issuance appears to be the direction of travel, although late-cycle dynamics and monetary policy would likely continue to be primary drivers of bond yields.

It is worth mentioning that post-2008, the market assumption was the huge increase in gilt supply would cause a huge gilt selloff and bear steepening, but the reality was that the Bank of England's QE programme purchased almost all of the supply. This time around, if sterling is hit by the one-two that is a no-deal Brexit followed by a Corbyn government, then the collapse in GBP might mean that not only would the BoE be unable to do QE, but it might even need to hike rates to defend the currency. This could cause a violent gilt curve bear steepening.

Expectations of a soft Brexit outcome might result in better UK economic growth over the short to medium term, and possibly therefore more UK rate hikes, which would hurt short dated gilts, but longer dated gilts would do better as inflation expectations move lower. A hard Brexit would likely be supportive for gilts given the increased uncertainty and weaker growth, which would mean fewer rate hikes. But if the sterling depreciation is very severe, then it may lead to rate hikes as the BoE tries to prevent inflation soaring. The political situation is dynamic though, and several scenarios remain possible, particularly if an election (or second referendum) were to be called. Outside of the UK, the risks of a US recession next year have been growing.

# Portfolio Statement

As at 31 August 2019

Nominal		Market Value £'000	% of Net Assets
	<b>Sterling Denominated Fixed Rate Government Bonds - 90.96% (2018 - 92.80%)</b>		
£65,250,000	Treasury Inflation Linked 0.125% 10/08/2041	118,007	5.36
£360,000,000	Treasury 0.625% 07/06/2025	366,607	16.65
£91,500,000	Treasury 1.5% 22/07/2047	103,281	4.69
£12,200,000	Treasury 1.625% 22/10/2071	16,065	0.73
£193,000,000	Treasury 1.75% 07/09/2037	222,043	10.08
£85,000,000	Treasury 2.5% 22/07/2065	136,543	6.20
£36,900,000	Treasury 3.5% 22/07/2068	74,977	3.40
£132,000,000	Treasury 3.75% 07/09/2019	132,073	6.00
£56,000,000	Treasury 3.75% 07/09/2020	57,857	2.63
£128,000,000	Treasury 4.25% 07/06/2032	185,890	8.44
£27,000,000	Treasury 4.25% 07/09/2039	43,735	1.98
£123,600,000	Treasury 4.5% 07/12/2042	215,686	9.79
£18,800,000	Treasury 4.75% 07/03/2020	19,207	0.87
£91,500,000	Treasury 4.75% 07/12/2030	134,690	6.11
£116,600,000	Treasury 6% 07/12/2028	176,854	8.03
		<b>2,003,515</b>	<b>90.96</b>
	<b>Sterling Denominated Fixed Rate Corporate Bonds - 0.93% (2018 - 1.20%)</b>		
£20,000,000	Nordic Investment Bank 1.125% 15/12/2023	20,399	0.93
		<b>20,399</b>	<b>0.93</b>
	<b>US Dollar Denominated Fixed Rate Government Bonds - 8.00% (2018 - 5.68%)</b>		
\$75,000,000	Treasury 2.25% 15/08/2027	65,085	2.96
\$65,000,000	Treasury 2.375% 31/01/2023	54,997	2.50
\$60,000,000	Treasury 3.125% 15/11/2028	56,028	2.54
		<b>176,110</b>	<b>8.00</b>
	<b>DERIVATIVES - (0.33)% (2018 - (0.20)%)</b>		
	<b>Sterling Open Futures Contracts - 0.00% (2018 - (0.03)%)</b>		
	<b>Sterling Open Forward Exchange Contracts - 0.00% (2018 - (0.17)%<sup>2</sup>)</b>		
	<b>US Dollar Open Forward Exchange Contracts - (0.33)% (2018 - 0.00)%<sup>2</sup></b>		
	Bought USD 81,683,285 : Sold GBP 65,666,406	1,367	0.06
	Sold USD 295,341,609 : Bought GBP 233,656,412	(8,715)	(0.39)
		<b>(7,348)</b>	<b>(0.33)</b>
	Investment assets <sup>1</sup>	2,192,676	99.56
	Net other assets	9,652	0.44
	<b>Net assets</b>	<b>2,202,328</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 2018.

Please refer to page 66 for details on the credit quality of the portfolio.

# Statement of Total Return

For the year ended 31 August 2019

	Notes	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Income:					
Net capital gains/(losses)	2		218,674		(22,323)
Revenue	3	25,306		20,902	
Expenses	4	(6,086)		(5,083)	
Interest payable and similar charges		(14)		(28)	
Net revenue before taxation		19,206		15,791	
Taxation	5	-		-	
Net revenue after taxation			19,206		15,791
<b>Total return before distributions</b>			<b>237,880</b>		<b>(6,532)</b>
Distributions	6		(24,880)		(20,492)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>213,000</b>		<b>(27,024)</b>

# Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 August 2019

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Opening net assets attributable to shareholders		1,640,652		1,410,891
Amounts receivable on issue of shares	481,620		436,983	
Amounts payable on cancellation of shares	(132,952)		(180,204)	
		348,668		256,779
<b>Change in net assets attributable to shareholders from investment activities (see above)</b>		<b>213,000</b>		<b>(27,024)</b>
Retained distributions on accumulation shares		-		2
Unclaimed distributions		8		4
<b>Closing net assets attributable to shareholders</b>		<b>2,202,328</b>		<b>1,640,652</b>

Notes to the final report and Financial Statements are from page 61 to 69.

# Balance Sheet

As at 31 August 2019

	Notes	2019 £000s	2019 £000s	2018 £000s	2018 £000s
<b>Assets:</b>					
Fixed assets:					
Investments			2,201,391		1,635,503
Current assets:					
Debtors	7	17,102		24,563	
Cash and bank balances	8	8,552		24,194	
<b>Total assets</b>			<b>2,227,045</b>		<b>1,684,260</b>
<b>Liabilities:</b>					
Investment liabilities			(8,715)		(3,301)
Creditors:					
Bank overdrafts	10	(1,056)		-	
Distribution payable		(13,954)		(11,778)	
Other creditors	9	(992)		(28,529)	
<b>Total liabilities</b>			<b>(24,717)</b>		<b>(43,608)</b>
<b>Net assets attributable to shareholders</b>			<b>2,202,328</b>		<b>1,640,652</b>

Notes to the final report and Financial Statements are from page 61 to 69.

# 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 12 and 13 of the Collective Notes to the Final Report and Financial Statements.

## 2. Net capital gains

	2019	2018
	£000s	£000s
Gains/(losses) on non-derivative securities	245,048	(32,474)
(Losses)/gains on derivative securities	(9,928)	2,345
(Losses)/gains on currency	(756)	527
(Losses)/gains on forward currency contracts	(15,690)	7,288
Handling charges	-	(9)
<b>Net capital gains/(losses)</b>	<b>218,674</b>	<b>(22,323)</b>

## 3. Revenue

	2019	2018
	£000s	£000s
Bank interest	22	8
Interest on fixed income securities	26,311	21,444
Returns from bond futures	(1,050)	(550)
Stock lending income	19	-
Capped OCF Rebate - Income	4	-
<b>Total revenue</b>	<b>25,306</b>	<b>20,902</b>

# Notes to the Final Report and Financial Statements continued

## 4. Expenses

	2019	2018
	£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	5,674	4,700
Company secretarial costs	1	1
	5,675	4,701
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	326	252
Safe custody fees	57	85
	383	337
<b>Other expenses:</b>		
Audit fees	9	12
Distribution costs	4	17
Printing costs	3	3
Registration fees	12	12
Taxation advice	-	1
	28	45
<b>Total expenses</b>	<b>6,086</b>	<b>5,083</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 £ 9,000 (2018 - £9,000).

# Notes to the Final Report and Financial Statements continued

## 5. Taxation

	2019	2018
	£000s	£000s
<b>a. Analysis of the taxation charge for the year:</b>		
Corporation tax	-	-
<b>Total taxation for the year (see Note 5(b))</b>	<b>-</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%) (2018 - 20%).		
The differences are explained below:		
Net revenue before taxation	19,206	15,791
Corporation tax at 20%	3,841	3,158
<b>Effects of:</b>		
Indexation relief on index-linked gilts	(158)	(248)
Tax deductible interest distributions	(3,683)	(2,910)
<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 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:

	2019	2018
	£000s	£000s
Interim	11,915	9,430
Final	13,954	11,780
Add: Revenue deducted on cancellation of shares	406	699
Deduct: Revenue received on creation of shares	(1,395)	(1,417)
<b>Net distributions for the year</b>	<b>24,880</b>	<b>20,492</b>
<b>Reconciliation of net revenue after taxation to net distributions for the year</b>		
Net revenue after taxation	19,206	15,791
Add: Capitalised expenses	5,674	4,700
Net equalisation on conversions	-	1
<b>Net distributions for the year</b>	<b>24,880</b>	<b>20,492</b>

# Notes to the Final Report and Financial Statements continued

## 7. Debtors

	2019	2018
	£000s	£000s
Accrued revenue	13,721	10,441
Amounts receivable on creation of shares	3,381	14,122
	<b>17,102</b>	<b>24,563</b>

## 8. Cash and bank balances

	2019	2018
	£000s	£000s
Cash and bank balances	8,552	19,759
Amount held at futures clearing houses and brokers	-	4,435
	<b>8,552</b>	<b>24,194</b>

## 9. Other creditors

	2019	2018
	£000s	£000s
<b>a. Distribution payable</b>		
Net distribution payable	13,954	11,778
<b>b. Other creditors</b>		
Accrued ACD's annual fee	553	433
Amounts payable on cancellation of shares	236	14,989
Other accrued expenses	203	134
Purchases awaiting settlement	-	12,973
	<b>992</b>	<b>28,529</b>

## 10. Bank overdrafts

	2019	2018
	£000s	£000s
Bank overdrafts	1,056	-
<b>Total bank overdrafts</b>	<b>1,056</b>	<b>-</b>



# Notes to the Final Report and Financial Statements continued

## 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 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.

## 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 three share classes: C, I and Y. The ACD's annual fee on these share classes are as follows:

Class C :	0.50%
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 2019:

	Class C Shares	Class I Shares	Class Y Shares
Opening shares	40,575,573	849,956,874	2,029
Shares created	4,129,056	252,671,771	1,140
Shares cancelled	(5,182,904)	(65,618,552)	(1,973)
Shares converted	(2,212,131)	2,121,495	-
<b>Closing shares</b>	<b>37,309,594</b>	<b>1,039,131,588</b>	<b>1,196</b>

## 14. Contingent liabilities and commitments

As at 31 August 2019 there were no contingent liabilities (2018: £Nil).

# Notes to the Final Report and Financial Statements continued

## 15. Derivatives and other financial instruments

The narrative on pages 7 to 9 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 10 for further details.

### a. Currency exposure

As at 31 August 2019 the subfund had no significant exposure to currencies other than Sterling (2018 - same).

### b. Interest rate risk profile

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

Currency	Floating Rate		Fixed Rate		Non-Interest		Total	
	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2018 £000s	31 August 2018 £000s	31 August 2018 £000s	31 August 2018 £000s
Assets	-	2,200,024	1,367	2,201,391	-	1,635,503	-	1,635,503
Liabilities	-	-	(8,715)	(8,715)	-	-	(3,301)	(3,301)

### c. Sensitivity analysis

#### Market price sensitivity

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

	2019 £000s	2018 £000s
Bonds	2,200,024	1,635,503
Open future contracts	-	(450)

The following illustrates the sensitivity of the net return and the net assets to an increase or decrease of 20% (2018 - 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.

	2019 20% Increase in fair value £000s	2019 20% Decrease in fair value £000s	2018 20% Increase in fair value £000s	2018 20% Decrease in fair value £000s
<b>Capital Return</b>				
Net gains (losses) on investments at fair value	440,005	(440,005)	327,011	(327,011)

#### 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 2019, the net asset value was £2,202.3m (2018 - £1,640.7m) (before the deduction of the interest distribution) with a duration of 12.64 year (2018 - 12.60 years).

Thus, for example, an increase of 0.25% in the interest rates would result in a fall of 3.16% or £70.11m (2018 - 3.15% or £51.62m) in the value of the portfolio.

### d. Leverage

The subfund did not employ significant leverage during the year (2018 - same).

# Notes to the Final Report and Financial Statements continued

## e. Fair value hierarchy

	Assets		Liabilities	
	31 August 2019 £000s	31 August 2019 £000s	31 August 2018 £000s	31 August 2018 £000s
Level 1: Quoted	2,179,625	-	1,615,740	(450)
Level 2: Observable	21,766	(8,715)	19,763	(2,851)
Level 3: Unobservable	-	-	-	-
	<b>2,201,391</b>	<b>(8,715)</b>	<b>1,635,503</b>	<b>(3,301)</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 (2018 - 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 and forward exchange contracts. For more details please refer to page 7.

## i. Credit rating

	2019		2018	
	Market Value £000s	% of Net Assets	Market Value £000s	% of Net Assets
Investment Grade	2,200,024	99.89	1,635,503	99.68
Derivatives	(7,348)	(0.33)	(3,301)	(0.20)
Other assets	9,652	0.44	8,450	0.52
<b>Total net assets</b>	<b>2,202,328</b>	<b>100.00</b>	<b>1,640,652</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 2019, all fixed income investments were investment grade (2018- same).

# Notes to the Final Report and Financial Statements continued

## 16. Portfolio transaction costs

For the year ended 31 August 2019:

	Transaction Value 2019 £000s	Commissions 2019 £000s	2019 %	Taxes 2019 £000s	Taxes 2019 %
<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				
<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>	

	Transaction Value 2018 £000s	Commissions 2018 £000s	2018 %	Taxes 2018 £000s	Taxes 2018 %
<b>Purchases</b>					
Debt instruments (direct)	4,324,063	-	-	-	-
Total purchases	4,324,063	-	-	-	-
Total purchases including transaction costs	4,324,063				
<b>Sales</b>					
Debt instruments (direct)	4,044,710	-	-	-	-
Total sales	4,044,710	-	-	-	-
Total sales including transaction costs	4,044,710				
<b>Total transaction costs as a % of average net assets</b>		<b>-</b>		<b>-</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 0.05% (2018 : 0.06%).

# 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)	
	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	2.00%
<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 2019

	E Shares Income		E Shares Accumulation	
	2019 (p)	2018 (p)	2019 (p)	2018 (p)
Opening net asset value per share	101.49	100.00	102.70	100.00
Return before operating charges	21.62	2.83	22.04	2.82
Operating charges	(0.21)	(0.12)	(0.22)	(0.12)
Return after operating charges	21.41	2.71	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	121.26	101.49	124.52	102.70
After direct transaction costs of	-	-	-	-
<b>Performance</b>				
Return after operating charges	21.10%	2.71%	21.25%	2.20%
<b>Other information</b>				
Closing net asset value (£'000)	128,828	60,560	2,466	1,781
Closing number of shares	106,243,889	59,670,174	1,980,014	1,734,326
Operating charges <sup>2</sup>	0.20%	0.20%	0.20%	0.20%
Direct transaction costs	-	-	-	-
<b>Prices</b>				
Highest share price	122.22	105.63	124.71	105.61
Lowest share price	98.84	97.70	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%.

Fund launched on 1st February 2018.

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 2019

	W Shares Income		W Shares Accumulation	
	2019 (p)	2018 (p)	2019 (p)	2018 (p)
Opening net asset value per share	102.62	100.00	102.64	100.00
Return before operating charges	21.61	2.80	22.02	2.82
Operating charges	(0.33)	(0.18)	(0.33)	(0.18)
Return after operating charges	21.28	2.62	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	121	102.62	124.33	102.64
After direct transaction costs of	-	-	-	-
<b>Performance</b>				
Return after operating charges	20.74%	2.62%	21.13%	2.64%
<b>Other information</b>				
Closing net asset value (£'000)	2,324	1	1,639	1,232
Closing number of shares	1,920,739	974	1,318,637	1,200,000
Operating charges <sup>2</sup>	0.30%	0.30%	0.30%	0.30%
Direct transaction costs	-	-	-	-
<b>Prices</b>				
Highest share price	121.96	105.53	124.52	105.56
Lowest share price	99.93	97.68	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%.

Fund launched on 1st February 2018.

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 2019

### Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 September 2018

Group 2 Shares purchased on or after 1 September 2018 to 28 February 2019

	Gross revenue (p)	Equalisation (p)	Distribution paid 30/04/19 (p)	Distribution paid 30/04/18 (p)
<b>E Shares Income</b>				
Group 1	0.8695	-	0.8695	-
Group 2	0.5697	0.2998	0.8695	-
<b>E Shares Accumulation</b>				
Group 1	0.8332	-	0.8332	-
Group 2	0.4874	0.3458	0.8332	-
<b>W Shares Income</b>				
Group 1	2.1296	-	2.1296	-
Group 2	0.5659	1.5637	2.1296	-
<b>W Shares Accumulation</b>				
Group 1	0.8019	-	0.8019	-
Group 2	0.4885	0.3134	0.8019	-

### Final Distribution in pence per share

Group 1 Shares purchased prior to 1 March 2019

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

	Gross revenue (p)	Equalisation (p)	Distribution payable 31/10/19 (p)	Distribution paid 31/10/18 (p)
<b>E Shares Income</b>				
Group 1	0.7739	-	0.7739	1.2168
Group 2	0.3918	0.3821	0.7739	1.2168
<b>E Shares Accumulation</b>				
Group 1	0.7448	-	0.7448	1.2164
Group 2	0.5707	0.1741	0.7448	1.2164
<b>W Shares Income</b>				
Group 1	0.7728	-	0.7728	-
Group 2	0.4237	0.3491	0.7728	-
<b>W Shares Accumulation</b>				
Group 1	0.7117	-	0.7117	1.1647
Group 2	0.3933	0.3184	0.7117	1.1647

Fund launched on 1st February 2018.

Investors are reminded that distribution is not guaranteed.

# Investment Review

## Performance Summary

Over the year under review, from 1st September 2018 to 31st August 2019, the Fund's W Acc class produced a total return of 22.56%. The Fund's benchmark, the FTSE All Stocks Total Return (Midday Index, produced a total return of 20.85% over the period).\*

The primary reason for this outperformance was the fund's yield curve positioning, cross market exposure and long-end breakeven position.

\* 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

We started the period under review with the conviction that UK inflation will edge lower, where the pass-through effects from sterling weakness in 2016-17 were rapidly diminishing, and the recent strengthening in sterling means that UK Core CPI could fall below 1.5% by the end of the year. As commodity prices fell in Q4 2018 and sterling strengthened on positive Brexit news, UK inflation continued to fall. However, UK inflation expectations rose sharply in September and October. The market essentially began pricing in a significant fall in sterling from a negative Brexit outcome, and we held a strong conviction that a hard Brexit outcome during the first half of the period under review was likely to be avoided.

Aside from UK domestic events, gilts were impacted to a large degree by the moves in global bond markets through 2019. As the market moved from pricing rate hikes to pricing in rate cuts into the US and Eurozone markets, bond yields fell. This pulled gilt yields lower, despite the slightly more positive economic scenario in Q2 2019 following the Brexit deadline extension. Economic data changes have remained in negative territory this year, and despite signs of China's stimulus having a positive effect, this quickly faded and market consensus for forecasting a US recession grew through 2019. US and Eurozone inflation expectations plummeted through 2019 to historically low levels, while the UK saw inflation expectations rise due to sterling depreciation expectations discussed above.

## Portfolio Review

The fund's central 5 strategies to generate returns are duration, curve positioning, relative value, cross market and breakevens.

At the start of the period, our duration strategy initially added positively to returns. We held a bias to be long duration, and as financial market volatility picked up, global government bond yields and inflation expectations fell. Following this move in gilts, we moved to a short duration bias, on the basis that our central scenario of avoiding a hard Brexit outcome would contribute to higher index-linked gilt yields. Our short duration bias through to June 2019 hurt performance as index-linked gilt yields continued to fall, however our long duration positioning through the last 2 months of the period under review was positive for relative performance.

In our curve strategy, we generally held an overweight to the belly of the curve which had been looking relatively cheap. At the start of the period, we held a 10s30s curve flattener, and through early 2019 we held an overweight to the short end of the curve. Our yield curve positioning was a significant positive contributor to returns over the period.

We saw several relative value opportunities through the gilt market volatility, which we used to optimize the yield on the portfolio and to gain from normalization of these dislocations.

On our breakeven strategy, we positioned for lower inflation expectations. This was primarily taken through holding a long 50 year conventional gilt position over inflation-linked gilts, which initially hurt performance as inflation expectations rose, but then fell through the latter half of the period, and was therefore supportive for performance.

Our cross market positions through 2018 consisted of a 5% position in Italian inflation-linked gilts, which initially hurt performance as spreads over bunds rose, but then following a budget resolution in November 2018 spreads tightened and the cross market positions added positively to returns through 2019 overall. Around the turn of the year we added some US TIPS, which performed well as US treasuries outperformed inflation-linked gilts.

# Investment Review continued

## Outlook

While the political dynamic remains important for the UK economic outlook, it also remains key for UK technicals. The UK government has been running with fiscal headroom over previous years, and the latest spending promises from the new Prime Minister, particularly around a new election, may contribute to further long-end issuance (as would automatic stabilisers in a recession). Moreover, an election also opens up the possibility of a Corbyn government, which itself would see higher spending than the current level. Amid a growing global debate about the increased need for fiscal policy, increased issuance appears to be the direction of travel, although late-cycle dynamics and monetary policy would likely continue to be primary drivers of bond yields.

It is worth mentioning that post-2008, the market assumption was the huge increase in gilt supply would cause a huge gilt selloff and bear steepening, but the reality was that the Bank of England's QE programme purchased almost all of the supply. This time around, if sterling is hit by the one-two that is a no-deal Brexit followed by a Corbyn government, then the collapse in GBP might mean that not only would the BoE be unable to do QE, but it might even need to hike rates to defend the currency. This could cause a violent gilt curve bear steepening.

Expectations of a soft Brexit outcome might result in better UK economic growth over the short to medium term, and possibly therefore more UK rate hikes, which would hurt short dated gilts, but longer dated gilts would do better as inflation expectations move lower. A hard Brexit would likely be supportive for gilts given the increased uncertainty and weaker growth, which would mean fewer rate hikes. But if the sterling depreciation is very severe, then it may lead to rate hikes as the BoE tries to prevent inflation soaring. The political situation is dynamic though, and several scenarios remain possible, particularly if an election (or second referendum) were to be called. Outside of the UK, the risks of a US recession next year have been growing.

# Portfolio Statement

As at 31 August 2019

Nominal		Market Value £'000	% of Net Assets
<b>Sterling Denominated Fixed Rate Government Bonds - 89.00% (2018 - 95.91%)</b>			
£14,100,000	Treasury Inflation Linked 0.125% 22/03/2024	19,435	14.37
£1,611,000	Treasury Inflation Linked 0.125% 22/03/2026	2,221	1.64
£2,100,000	Treasury Inflation Linked 0.125% 22/03/2029	3,433	2.54
£4,950,000	Treasury Inflation Linked 0.125% 22/11/2036	8,854	6.55
£11,150,000	Treasury Inflation Linked 0.125% 10/08/2041	20,165	14.91
£1,000,000	Treasury Inflation Linked 0.125% 22/03/2046	2,120	1.57
£7,600,000	Treasury Inflation Linked 0.125% 22/11/2056	19,216	14.21
£2,120,000	Treasury Inflation Linked 0.125% 22/03/2058	5,674	4.19
£3,600,000	Treasury Inflation Linked 0.125% 22/11/2065	11,089	8.20
£2,534,000	Treasury Inflation Linked 0.375% 22/03/2062	8,475	6.26
£7,450,000	Treasury Inflation Linked 0.625% 22/03/2040	18,291	13.52
£372,000	Treasury Inflation Linked 2.5% 17/07/2024	1,403	1.04
		<b>120,376</b>	<b>89.00</b>
<b>Euro Denominated Fixed Rate Government Bonds - 7.06% (2018 - 3.32%)</b>			
€700,000	Italy Buoni Poliennali Del Tesoro Inflation Linked 0.1% 15/05/2023	661	0.49
€2,000,000	Italy Buoni Poliennali Del Tesoro Inflation Linked 1.3% 15/05/2028	2,069	1.53
€3,000,000	Italy Buoni Poliennali Del Tesoro Inflation Linked 3.1% 15/09/2026	3,677	2.72
€2,500,000	French Republic Government Inflation Linked Bond 0.1% 25/07/2047	3,141	2.32
		<b>9,548</b>	<b>7.06</b>
<b>US Dollar Denominated Fixed Rate Government Bonds - 3.18% (2018 - 0.00%)</b>			
\$5,000,000	Treasury Inflation Indexed 0.125% 15/04/2022	4,297	3.18
		<b>4,297</b>	<b>3.18</b>
<b>DERIVATIVES - (0.35)% (2018 - 0.00%)</b>			
<b>Sterling Open Futures Contracts - 0.00% (2018 - 0.00%)</b>			
<b>Sterling Interest Rate Swaps - (0.13)% (2018 - 0.00%)</b>			
15,000,000	Pay 3.6% Receive Variable 15/05/2024	(173)	(0.13)
		<b>(173)</b>	<b>(0.13)</b>
<b>Open Forward Exchange Contracts* - (0.22)% (2018 - 0.00%)<sup>2</sup></b>			
	Bought USD5,043,329 for GBP4,036,317 Settlement 18/09/2019	103	0.07
	Sold EUR9,872,021 for GBP8,859,004 Settlement 18/09/2019	(96)	(0.07)
	Sold USD10,293,693 for GBP8,147,737 Settlement 18/09/2019	(300)	(0.22)
		<b>(293)</b>	<b>(0.22)</b>
		<b>(466)</b>	<b>(0.35)</b>
	Investment assets <sup>1</sup>	133,755	98.89
	Net other assets	1,502	1.11
	<b>Net assets</b>	<b>135,257</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 2018.

Please refer to page 85 for details on the credit quality of the portfolio.

# Statement of Total Return

## For the year ended 31 August 2019

	Notes	2019 £000s	2019 £000s	2018* £000s	2018* £000s
Income:					
Net capital gains	2		20,779		306
Revenue	3	1,583		431	
Expenses	4	(202)		(40)	
Interest payable and similar charges		(1)		(1)	
Net revenue before taxation		1,380		390	
Taxation	5	-		-	
Net revenue after taxation			1,380		390
<b>Total return before distributions</b>			<b>22,159</b>		<b>696</b>
Distributions	6		(1,547)		(414)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>20,612</b>		<b>282</b>

\*For the period from 1 February 2018 to 31 August 2018.

# Statement of Change in Net Assets Attributable to Shareholders

## For the year ended 31 August 2019

	2019 £000s	2019 £000s	2018* £000s	2018* £000s
Opening net assets attributable to shareholders		63,574		-
Amounts receivable on issue of shares	63,124		63,296	
Amounts payable on cancellation of shares	(12,104)		(39)	
		51,020		63,257
<b>Change in net assets attributable to shareholders from investment activities (see above)</b>		<b>20,612</b>		<b>282</b>
Retained distributions on accumulation shares		51		35
<b>Closing net assets attributable to shareholders</b>		<b>135,257</b>		<b>63,574</b>

\*For the period from 1 February 2018 to 31 August 2018.

Notes to the final report and Financial Statements are from page 79 to 87.

# Balance Sheet

## As at 31 August 2019

	Notes	2019 £000s	2019 £000s	2018 £000s	2018 £000s
<b>Assets:</b>					
Fixed assets:					
Investments			134,324		63,086
Current assets:					
Debtors	7	463		648	
Cash and bank balances	8	1,947		603	
<b>Total assets</b>			<b>136,734</b>		<b>64,337</b>
<b>Liabilities:</b>					
Investment liabilities			(569)		(2)
Creditors:					
Distribution payable		(837)		(726)	
Other creditors	9	(71)		(35)	
<b>Total liabilities</b>			<b>(1,477)</b>		<b>(763)</b>
<b>Net assets attributable to shareholders</b>			<b>135,257</b>		<b>63,574</b>

Notes to the final report and Financial Statements are from page 79 to 87.

# 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 12 and 13 of the Collective Notes to the Final Report and Financial Statements.

## 2. Net capital gains

	2019 £000s	2018 £000s
Gains on non-derivative securities	21,684	278
(Losses)/gains on derivative securities	(467)	27
Losses on currency	(16)	(3)
(Losses)/gains on forward currency contracts	(419)	5
Handling charges	(3)	(1)
<b>Net capital gains</b>	<b>20,779</b>	<b>306</b>

## 3. Revenue

	2019 £000s	2018 £000s
Bank interest	2	-
Interest on fixed income securities	1,589	440
Returns from bond futures	(8)	(9)
<b>Total revenue</b>	<b>1,583</b>	<b>431</b>

# Notes to the Final Report and Financial Statements continued

## 4. Expenses

	2019	2018
	£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	205	39
ACD rebate*	(54)	(28)
Company secretarial costs	1	1
	152	12
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	18	3
Safe custody fees	4	1
	22	4
<b>Other expenses:</b>		
Audit fees	12	12
Printing costs	2	1
Other expenses	-	-
Distribution costs	14	8
Legal fees	-	3
	28	24
<b>Total expenses</b>	<b>202</b>	<b>40</b>

All expenditure stated above is inclusive of VAT where applicable.

The Audit fee for the year, excluding VAT, was £10,170 (2018 - £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

	2019	2018
	£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 lower than the standard rate of corporation tax in the UK for a subfund of an Open-Ended Investment Company (20%) (2018 - 20%). The differences are explained below:		
Net revenue before taxation	1,380	390
Corporation tax at 20%	276	78
<b>Effects of:</b>		
Indexation relief on index-linked gilts	(586)	(96)
Surplus allowable expenses arising in the year	310	18
<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 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 £328,000 (2018 : £18,000) 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:

	2019	2018
	£000s	£000s
Final	1,728	761
Add: Revenue deducted on cancellation of shares	31	-
Deduct: Revenue received on creation of shares	(212)	(347)
<b>Net distributions for the year</b>	<b>1,547</b>	<b>414</b>

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

Net revenue after taxation	1,380	390
Add: Capitalised ACD fee rebate	(38)	(15)
Expenses taken to capital	205	39
<b>Net distributions for the year</b>	<b>1,547</b>	<b>414</b>

# Notes to the Final Report and Financial Statements continued

## 7. Debtors

	2019	2018
	£000s	£000s
Accrued ACD's fee rebate	9	8
Accrued revenue	109	94
Amounts receivable on creation of shares	345	546
	<b>463</b>	<b>648</b>

## 8. Cash and bank balances

	2019	2018
	£000s	£000s
Cash and bank balances	1,947	581
Amount held at futures clearing houses and brokers	-	22
	<b>1,947</b>	<b>603</b>

## 9. Other creditors

	2019	2018
	£000s	£000s
<b>a. Distribution payable</b>		
Net distribution payable	837	726
<b>b. Other creditors</b>		
Accrued ACD's annual fee	21	11
Other accrued expenses	50	24
	<b>71</b>	<b>35</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 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 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 71 and 72.

The distribution per share is given in the Distribution Table on page 73.

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 2019:

	Class E Shares	Class E Shares	Class W Shares	Class W Shares
Opening shares	59,670,174	1,734,326	974	1,200,000
Shares created	57,095,433	981,221	2,006,494	196,800
Shares cancelled	(10,521,718)	(735,533)	(86,729)	(78,163)
Shares converted				
<b>Closing shares</b>	<b>106,243,889</b>	<b>1,980,014</b>	<b>1,920,739</b>	<b>1,318,637</b>

## 13. Contingent liabilities and commitments

As at 31 August 2019 there were no contingent liabilities (2018: £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 2019 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2018 £000s	31 August 2018 £000s	31 August 2018 £000s
Euro currency	(8,902)	9,548	646	(2,133)	-	(2,133)
US dollar	(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:

Currency	Floating Rate		Fixed Rate	Non-Interest	Total	Floating Rate		Fixed Rate	Non-Interest	Total
	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2018 £000s	31 August 2018 £000s	31 August 2018 £000s	31 August 2018 £000s	31 August 2018 £000s
Assets	-	134,221	103	134,324	-	63,081	5	63,086		
Liabilities	-	-	(569)	(569)	-	-	(2)	(2)		

### c. Sensitivity analysis

#### Market price sensitivity

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

	2019 £000s	2018 £000s
Bonds	134,221	63,081
Interest Rate swaps	(173)	-
Open future contracts	-	(2)

The following illustrates the sensitivity of the net return and the net assets to an increase or decrease of 20% (2018 - 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.

Capital Return	2019		2018	
	20% Increase in fair value £000s	20% Decrease in fair value £000s	20% Increase in fair value £000s	20% Decrease in fair value £000s
Net gains (losses) on investments at fair value	26,810	(26,810)	12,616	(12,616)

#### 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.

Euro	2019		2018	
	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	(108)	161	(5)	(4)
US dollar	2	(2)	-	-
Change in net return and net assets	(106)	159	(5)	(4)

# Notes to the Final Report and Financial Statements continued

## 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 2019, the net asset value was £135.3m (2018 - £63.6m) (before the deduction of the interest distribution) with a duration of 18.57 years (2018 - 18.67 years).

Thus, for example, an increase of 0.25% in the interest rates would result in a fall of 4.64% or £6.28m (2018 - 4.67% or £2.97m) 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 1.19%.

## d. Fair value hierarchy

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

	Assets	Liabilities	Assets	Liabilities
	31 August 2019	31 August 2019	31 August 2018	31 August 2018
	£000s	£000s	£000s	£000s
Level 1: Quoted	134,221	-	63,081	(2)
Level 2: Observable	103	(569)	5	-
Level 3: Unobservable	-	-	-	-
	<b>134,324</b>	<b>(569)</b>	<b>63,086</b>	<b>(2)</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.

## e. Maturity of financial liabilities

All liabilities are due in one year or less or on demand (2018 - same).

## f. 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.

Derivatives are used in the subfund for hedging purposes and/or investment purposes. The main instruments used are money market futures and forward exchange contracts. For more details please refer to page 7.

## g. Credit rating

	2019	2019	2018	2018
	Market Value	% of Net Assets	Market Value	% of Net Assets
	£000s		£000s	
Investment Grade	134,221	99.24	63,081	99.23
Derivatives	(466)	(0.35)	3	-
Other assets	1,502	1.11	490	0.77
<b>Total net assets</b>	<b>135,257</b>	<b>100.00</b>	<b>63,574</b>	<b>100.00</b>

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

# Notes to the Final Report and Financial Statements continued

## 15. Portfolio transaction costs

For the year ended 31 August 2019:

	Transaction Value 2019 £000s	Commissions 2019 £000s	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				
<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>		-		-	

	Transaction Value 2018 £000s	Commissions 2018 £000s	2018 %	Taxes 2018 £000s	Taxes 2018 %
<b>Purchases</b>					
Debt instruments (direct)	117,111	-	-	-	-
Total purchases	117,111	-	-	-	-
Total purchases including transaction costs	117,111				
<b>Sales</b>					
Debt instruments (direct)	54,671	-	-	-	-
Total sales	54,671	-	-	-	-
Total sales including transaction costs	54,671				
<b>Total transaction costs as a % of average net assets</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 0.10% (2018 : 0.09%).

# 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), Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United States of America.

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

<b>Fund Manager</b>	Mike Riddell	
<b>Co Fund Manager</b>	Kacper Brzezniak	
<b>Benchmark</b>	Bloomberg Barclays Global Aggregate hedged to Sterling	
<b>Underlying Yield to</b>		
<b>31 August 2019</b>	A Shares	1.11%
	C Shares	1.76%
	I Shares	1.97%
<b>Distribution Yield to</b>		
<b>31 August 2019</b>	A Shares	1.11%
	C Shares	1.76%
	I Shares	1.97%
<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
	A Shares	16 May 2002
	C Shares	1 April 2005
	I Shares (Inc)	28 July 2016
	I Shares (Acc)	10 April 2019
<b>ISA status</b>	Yes	
<b>Share Classes and types of Shares</b>	A (Income Shares)	C (Income Shares)
	I (Income Shares)	I (Accumulation Shares)
<b>Minimum investment</b>	A Shares	Lump sum £500
		Monthly saving £50
	C Shares	Lump sum £500
		Monthly saving £50
	I Shares (Inc)	Lump sum £10,000,000
	I Shares (Acc)	-
<b>Initial charge</b>	A Class	4.00%
	C Class	Nil
	I Classes	Nil
<b>Annual ACD fee</b>	A Class	1.25%
	C Class	0.60%
	I Classes	0.39%

\*29 February in a leap year

SP Shares closed on 7 November 2017.



# Comparative Tables

For the year ended 31 August 2019

	A Shares Income			C Shares Income		
	2019 (p)	2018 (p)	2017 (p)	2019 (p)	2018 (p)	2017 (p)
Opening net asset value per share	148.52	151.88	155.68	148.95	152.35	156.16
Return before operating charges	23.93	(0.45)	(0.79)	22.87	(0.48)	(0.79)
Operating charges	(2.20)	(2.27)	(2.19)	(1.02)	(1.19)	(1.08)
Return after operating charges	21.73	(2.72)	(2.98)	21.85	(1.67)	(1.87)
Distributions	(2.06)	(0.64)	(0.82)	(3.24)	(1.73)	(1.94)
Closing net asset value per share	170.25	148.52	151.88	170.80	148.95	152.35
After direct transaction costs of	-	-	-	-	-	-
<b>Performance</b>						
Return after operating charges	14.63%	(1.79)%	(1.91)%	14.67%	(1.10)%	(1.20)%
<b>Other information</b>						
Closing net asset value (£'000)	25,215	18,658	24,042	180,085	17,124	26,566
Closing number of shares	14,810,702	12,562,546	15,829,377	105,436,725	11,496,663	17,437,824
Operating charges	1.41%	1.52%	1.45%	0.65%	0.79%	0.71%
Direct transaction costs	-	-	-	-	-	-
<b>Prices</b>						
Highest share price	171.66	152.35	156.31	172.83	153.37	156.81
Lowest share price	145.01	146.89	148.07	145.53	147.63	148.84

<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 2019

	I Shares Income		I Shares Accumulation	
	2019 (p)	2018 (p)	2017 (p)	2019 (p)
Opening net asset value per share	95.77	97.94	100.39	100
Return before operating charges	16.82	(0.32)	(0.51)	8.82
Operating charges	(0.43)	(0.51)	(0.45)	(0.17)
Return after operating charges	16.39	(0.83)	(0.96)	8.65
Distributions	(2.31)	(1.34)	(1.49)	(0.84)
Retained distributions on accumulation shares	-	-	-	0.84
Closing net asset value per share	109.85	95.77	97.94	108.65
After direct transaction costs of	-	-	-	-
<b>Performance</b>				
Return after operating charges	17.11%	(0.85)%	(0.96)%	9.00%
<b>Other information</b>				
Closing net asset value (£'000)	332,226	20,982	69,924	59,298
Closing number of shares	302,440,926	21,908,707	71,396,235	54,576,140
Operating charges	0.42%	0.52%	0.46%	0.45%
Direct transaction costs	-	-	-	-
<b>Prices</b>				
Highest share price	111.27	98.73	100.81	108.86
Lowest share price	93.61	94.99	95.75	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 2019

### Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 September 2018

Group 2 Shares purchased on or after 1 September 2018 to 28 February 2019

	Gross revenue (p)	Equalisation (p)	Distribution paid 30/04/19 (p)	Distribution paid 30/04/18 (p)
<b>A Shares Income</b>				
Group 1	0.9953	-	0.9953	0.4658
Group 2	0.3737	0.6216	0.9953	0.4658
<b>C Shares Income</b>				
Group 1	1.5499	-	1.5499	1.0122
Group 2	0.6988	0.8511	1.5499	1.0122
<b>I Shares Income</b>				
Group 1	1.1046	-	1.1046	0.7592
Group 2	0.9575	0.1471	1.1046	0.7592
<b>I Shares Accumulation</b>				
Group 1	n/a	n/a	n/a	n/a
Group 2	n/a	n/a	n/a	n/a

### Final Distribution in pence per share

Group 1 Shares purchased prior to 1 March 2019

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

	Gross revenue (p)	Equalisation (p)	Distribution payable 31/10/19 (p)	Distribution paid 31/10/18 (p)
<b>A Shares Income</b>				
Group 1	1.0674	-	1.0674	0.1746
Group 2	0.3309	0.7365	1.0674	0.1746
<b>C Shares Income</b>				
Group 1	1.6946	-	1.6946	0.7165
Group 2	0.6211	1.0735	1.6946	0.7165
<b>I Shares Income</b>				
Group 1	1.2045	-	1.2045	0.5800
Group 2	0.5539	0.6506	1.2045	0.5800
<b>I Shares Accumulation</b>				
Group 1	0.8440	-	0.8440	n/a
Group 2	0.2381	0.6059	0.8440	n/a

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 2018 to 31st August 2019, the Fund's 'C Inc' class produced a total return of 18.32%. The Fund's benchmark, the Barclays Global Aggregate Total Return GBP Hedged, produced a total return of 9.36% over the period.\*

The key reasons for this outperformance were primarily our rates and credit strategies.

\* 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

Most risky assets started to come under pressure in October 2018, with December seeing serious stress as US high yield credit spreads widen and equity prices fell aggressively. Oil prices fell, signaling weak global demand growth, and currencies linked to oil production came under pressure.

Not all risky assets performed so poorly in December. Emerging markets were supported by lower interest rate expectations. Following the higher volatility and signs of weaker data, central banks finally reacted to the weaker data by communicating fewer, or no more, rate hikes. Bond markets started pricing in a chance of rate cuts in some cases.

As 2019 progressed, this reversal of fortunes continued. As central banks moved to price in interest rate cuts, financial conditions eased and supported risky asset prices. This easing was permitted due to signs of weakening inflationary pressures, themselves assisted by the sideways movements in global commodity prices. Market implied inflation expectations fell to historical lows, which is atypical for the end of the cycle, when unemployment is low and wage growth normally rises. Meanwhile, Sino-US trade war and Brexit developments bubbled along in the background, sparking periods of volatility but ultimately remaining unresolved. Despite weaker economic data this year, volatility across asset classes remained low, depressed by the easing actions of central banks.

## Portfolio Review

The fund's primary drivers of returns are rates, credit, inflation and foreign exchange.

### Rates

We had been positioned overweight duration, which benefitted the Fund as yields on government bonds dropped globally. In November 2018 we also added a position to express the view that the US yield curve would steepen as interest rate cuts were priced in. This was a key position within our rates strategy, this has added positively to the Fund as the market moved to price out hikes in the US. At this time we also started building up a position in local currency emerging market debt, on the view that lower US interest rates would contribute to a weaker US dollar, and be positive for emerging markets.

We continued to hold a long duration bias through the start of 2019 as economic data remained weak. Around the end of Q1, we became more bearish on bonds and moved very short duration as signs of China's 'Green shoots' sparked optimism for an improvement in global economic data. However, this improvement in Chinese data was short-lived, and we again moved to be long duration in Q2 2019. As global government bonds rallied through the summer of 2019, government bonds appeared more fairly valued and we reduced duration towards neutral.

### Credit

Our Italian government bond position was negative for returns at the start of the period, however following the resolution of the budget debacle, the spreads on Italian government bonds over German bunds fell considerably, contributing positively to fund returns, a position which we held through the end of August 2019. At the start of the period, we had held a large short in US high yield debt, through credit default swaps, which benefitted performance. We took profit on our US high yield short around the turn of the year, however following a tightening of high yield credit spreads and the remaining high leverage in the sector, we re-entered this short credit position in Q2 2019. We added some hard currency emerging market debt positions which performed well, on a similar basis to the local currency EM positions above. The final key trade in this strategy over the period was a long position in a bucket of

# Investment Review continued

Chinese real estate names, which benefitted from the latest round of policy easing and strong property price growth.

the Eurozone but of China, and the global impacts that the Japanification of China would have on the global economy.

## Inflation

We held the view that UK inflation expectations would fall, which was negative through September until the first half of December, as inflation expectations rose. While this position moved back in our favour in early 2019, growing hard Brexit concerns over the remainder of the review period cost the fund. We also held a similar view on Eurozone inflation, which we took profit on as inflation expectations in the Eurozone fell significantly. Following the collapse of inflation expectations in mid-2019, we added some US and core Eurozone inflation-linked bonds, on the view that these inflation expectations had overshot and should rise.

## Foreign Exchange

As we entered 2019, we held some long emerging market FX positions, mainly through leaving our local currency bonds unhedged. We took profit on our EM FX long positions in February and moved short in a select number of EM FX for idiosyncratic reasons. Having been long sterling up to the March Brexit deadline, on the view that a hard Brexit was not going to happen, we then moved short sterling in the summer of 2019, as the new government appeared more likely to allow a hard Brexit to happen. The position was taken through a basket of FX options, which benefitted from weaker sterling and higher implied volatility.

## Outlook

In the US, the 2 year-10 year yield curve finally inverted in August, which has historically been a good indicator of a US recession about 18 months later, and moving into 2020 we recognize that there are clear downside risks to the US economic outlook.

Globally, market volatility remains depressed and credit spreads tight, as risky assets still appear to be underpricing the risk and impact of a US or Eurozone recession. The ECB may have to rely on the continuation of QE for the long-term, with low inflation rates and the chance of a manufacturing-driven Eurozone recession. Over the longer-term, we are fearful not of

# Portfolio Statement

As at 31 August 2019

Nominal		Market Value	% of
		£'000	Net Assets
	<b>Sterling Denominated Fixed Rate Government Bonds - 1.21% (2018 - 14.81%)</b>		
£3,000,000	Treasury 1.625% 22/10/2028	3,337	0.56
£2,150,000	Treasury Inflation Linked 0.125% 10/08/2041	3,888	0.65
		<b>7,225</b>	<b>1.21</b>
	<b>Sterling Denominated Fixed Rate Corporate Debt Securities - 0.00% (2018 - 5.21%)</b>		
	<b>Sterling Denominated Variable Rate Corporate Debt Securities - 0.00% (2018 - 3.11%)</b>		
	<b>Euro Denominated Fixed Rate Government Bonds - 39.63% (2018 - 16.20%)</b>		
€3,000,000	Bundesrepublik Deutschland Bundesanleihe 0.25% 15/02/2029	2,981	0.50
€19,000,000	Deutsche Bundesrepublik Inflation Linked Bond 0.1% 15/04/2023	19,731	3.31
€4,700,000	Deutsche Bundesrepublik Inflation Linked Bond 0.1% 15/04/2046	6,806	1.14
€12,000,000	Deutsche Bundesrepublik Inflation Linked Bond 0.5% 15/04/2030	14,293	2.39
€1,000,000	French Republic Government Bond 3.25% 25/05/2045	1,579	0.26
€850,000	French Republic Government Bond 4% 25/04/2055	1,653	0.28
€13,000,000	French Republic Government Inflation Linked Bond 0.1% 01/03/2029	13,572	2.27
€6,700,000	French Republic Government Inflation Linked Bond 0.1% 25/07/2047	8,419	1.41
€10,000,000	Italy Buoni Poliennali Del Tesoro 1.75% 01/07/2024	9,686	1.62
€10,000,000	Italy Buoni Poliennali Del Tesoro 2% 01/02/2028	9,998	1.68
€15,000,000	Italy Buoni Poliennali Del Tesoro 2.1% 15/07/2026	14,969	2.51
€12,250,000	Italy Buoni Poliennali Del Tesoro 2.2% 01/06/2027	12,376	2.07
€10,200,000	Italy Buoni Poliennali Del Tesoro 2.8% 01/03/2067	10,859	1.82
€7,250,000	Italy Buoni Poliennali Del Tesoro 2.95% 01/09/2038	7,977	1.34
€6,000,000	Italy Buoni Poliennali Del Tesoro 3% 01/08/2029	6,488	1.09
€16,450,000	Italy Buoni Poliennali Del Tesoro 3.35% 01/03/2035	18,779	3.15
€17,000,000	Italy Buoni Poliennali Del Tesoro 3.75% 01/09/2024	17,992	3.01
€10,000,000	Italy Buoni Poliennali Del Tesoro 4% 01/02/2037	12,403	2.08
€6,300,000	Italy Buoni Poliennali Del Tesoro 4.75% 01/09/2044	8,926	1.50
€9,000,000	Italy Buoni Poliennali Del Tesoro 5% 01/08/2034	12,064	2.02
€6,000,000	Italy Buoni Poliennali Del Tesoro 6% 01/05/2031	8,287	1.39
€12,000,000	Italy Buoni Poliennali Del Tesoro Inflation Linked 1.3% 15/05/2028	12,413	2.08
€1,750,000	Kingdom of Belgium Government Bond 2.25% 22/06/2057	2,409	0.40
€2,000,000	Spain Government Bond 0.25% 30/07/2024	1,868	0.31
		<b>236,528</b>	<b>39.63</b>
	<b>Euro Denominated Fixed Rate Corporate Debt Securities - 4.33% (2018 - 2.88%)</b>		
€5,200,000	Abertis Infraestructuras 1.625% 15/07/2029	4,901	0.82
€5,800,000	Aroundtown 1.45% 09/07/2028	5,401	0.90
€5,800,000	Deutsche Telekom 1.375% 05/07/2034	5,608	0.94
€5,700,000	Orange 1.375% 04/09/2049	5,035	0.84
€5,200,000	Vivendi 1.125% 11/12/2028	4,936	0.83
		<b>25,881</b>	<b>4.33</b>
	<b>Euro Denominated Variable Rate Corporate Debt Securities - 0.00% (2018 - 0.87%)</b>		
	<b>Euro Denominated Variable Rate Perpetual Corporate Debt Securities - 0.00% (2018 - 2.29%)</b>		
	<b>US Dollar Denominated Fixed Rate Government Bonds - 20.39% (2018 - 34.78%)</b>		
\$7,500,000	Argentine Republic Government International Bond 6.875% 11/01/2048	2,502	0.42
\$8,900,000	Egypt Government International Bond 8.7002% 01/03/2049	7,950	1.33
\$8,200,000	Lebanon Government International Bond 6.85% 23/03/2027	4,445	0.74
\$7,000,000	Treasury 2.375% 15/05/2029	6,187	1.04
\$25,500,000	Treasury 2.625% 15/02/2029	22,963	3.85
\$8,000,000	Treasury 2.75% 15/11/2042	7,568	1.27
\$6,400,000	Treasury 3% 15/02/2049	6,453	1.08
\$3,500,000	Treasury 4.5% 15/02/2036	4,033	0.68
\$15,000,000	Treasury Inflation Indexed Bonds 0.125% 15/04/2022	12,892	2.16
\$6,000,000	Treasury Inflation Indexed Bonds 0.375% 15/01/2027	5,374	0.90
\$15,000,000	Treasury Inflation Indexed Bonds 0.5% 15/04/2024	12,775	2.14
\$11,500,000	Treasury Inflation Indexed Bonds 0.875% 15/01/2029	10,394	1.74
\$7,200,000	Treasury Inflation Indexed Bonds 1% 15/02/2048	7,237	1.21
\$9,500,000	Treasury Inflation Indexed Bonds 1.75% 15/01/2028	10,927	1.83
		<b>121,700</b>	<b>20.39</b>
	<b>US Dollar Denominated Fixed Rate Corporate Debt Securities - 1.24% (2018 - 1.18%)</b>		
\$7,000,000	Altria 6.2% 14/02/2059	7,398	1.24
		<b>7,398</b>	<b>1.24</b>

# Portfolio Statement continued

As at 31 August 2019

Nominal		Market Value £'000	% of Net Assets
	<b>US Dollar Denominated Variable Rate Perpetual Corporate Debt Securities - 0.00% (2018 - 0.56%)</b>		
	<b>Australian Dollar Denominated Fixed Rate Corporate Debt Securities - 0.10% (2018 - 0.99%)</b>		
AUD1,000,000	International Bank for Reconstruction & Development 2.8% 12/01/2022	576	0.10
		<b>576</b>	<b>0.10</b>
	<b>Canadian Dollar Denominated Fixed Rate Government Bonds - 0.00% (2018 - 2.08%)</b>		
	<b>Chinese Yuan Denominated Fixed Rate Government Bonds - 1.58% (2018 - 0.00%)</b>		
CNH80,000,000	China Government Bond 3.25% 22/11/2028	9,343	1.56
CNH900,000	China Government Bond 3.25% 22/11/2028	105	0.02
		<b>9,448</b>	<b>1.58</b>
	<b>Danish Krone Denominated Fixed Rate Government Bonds - 0.00% (2018 - 2.97%)</b>		
	<b>Japanese Yen Denominated Fixed Rate Government Bonds - 15.21% (2018 - 7.79%)</b>		
¥1,800,000,000	Japan Government Five Year Bond 0.1% 20/03/2024	14,188	2.38
¥2,500,000,000	Japan Government Five Year Bond 0.1% 20/12/2023	19,680	3.30
¥1,000,000,000	Japan Government Forty Year Bond 0.4% 20/03/2056	8,351	1.40
¥250,000,000	Japan Government Thirty Year Bond 0.7% 20/12/2048	2,236	0.37
¥600,000,000	Japan Government Thirty Year Bond 0.8% 20/03/2048	5,486	0.92
¥2,250,000,000	Japan Government Two Year Bond 0.1% 01/06/2021	17,489	2.93
¥3,000,000,000	Japan Government Two Year Bond 0.1% 01/08/2021	23,338	3.91
		<b>90,768</b>	<b>15.21</b>
	<b>Mexican Peso Denominated Fixed Rate Government Bonds - 5.40% (2018 - 0.00%)</b>		
MXN280,000,000	Mexican Bonos 8% 07/11/2047	12,127	2.03
MXN190,000,000	Mexican Bonos 8.5% 31/05/2029	8,569	1.44
MXN254,500,000	Mexican Bonos 8.5% 18/11/2038	11,525	1.93
		<b>32,221</b>	<b>5.40</b>
	<b>Norwegian Krone Denominated Fixed Rate Government Bonds - 4.95% (2018 - 0.00%)</b>		
NOK310,000,000	Norway Government Bond 1.75% 06/09/2029	29,561	4.95
		<b>29,561</b>	<b>4.95</b>
	<b>South African Rand Denominated Fixed Rate Government Bonds - 5.24% (2018 - 0.00%)</b>		
ZAR260,000,000	Republic of South Africa Government Bond 8% 31/01/2030	13,170	2.21
ZAR154,000,000	Republic of South Africa Government Bond 8.75% 28/02/2048	7,413	1.24
ZAR210,000,000	Republic of South Africa Government Bond 8.875% 28/02/2035	10,679	1.79
		<b>31,262</b>	<b>5.24</b>
	<b>Swedish Krona Denominated Fixed Rate Government Bonds - 1.17% (2018 - 0.00%)</b>		
SEK50,000,000	Sweden Government Bond 3.5% 30/03/2039	6,987	1.17
		<b>6,987</b>	<b>1.17</b>
	<b>DERIVATIVES - (3.48)% (2018 - (2.15)%)</b>		
	<b>Sterling Interest Rate Swaps - (0.59)% (2018 - (0.06)%)</b>		
200,000,000	Pay 3.4% Receive Variable 15/05/2021	(1,459)	(0.24)
14,000,000	Receive 3.5% Pay Variable 18/01/2023	-	-
4,000,000	Pay 3.4% Receive Variable 15/03/2024	(80)	(0.01)
13,000,000	Pay 3.5% Receive Variable 15/03/2024	(194)	(0.03)
110,000,000	Pay 3.6% Receive Variable 15/05/2024	(1,266)	(0.21)
14,000,000	Pay 3.5% Receive Variable 18/01/2028	(256)	(0.05)
7,400,000	Pay 3.5% Receive Variable 15/09/2028	(144)	(0.02)
12,000,000	Pay 3.6% Receive Variable 15/06/2029	(190)	(0.03)
		<b>(3,589)</b>	<b>(0.59)</b>
	<b>Sterling Open Futures Contracts - 0.00% (2018 - (0.03)%)</b>		
	<b>Sterling Written Call Options - 0.00% (2018 - 0.03%)</b>		
	<b>Sterling Written Put Option - 0.30% (2018 - 0.00%)</b>		
(150,000,000)	Sterling Put Option 1.05 December 2019	(294)	(0.05)
150,000,000	Sterling Put Option 1.12 December 2019	949	0.16
42,000,000	Sterling Put Option 117 December 2019	287	0.05
30,000,000	Sterling Put Option 1.12 January 2020	292	0.05
18,000,000	Sterling Put Option 1.22 January 2020	513	0.09
		<b>1,747</b>	<b>0.30</b>
	<b>Australian Dollar Open Forward Exchange Contracts - (0.02)% (2018 - 0.02%)<sup>2</sup></b>		
	Sold AUD 21,486,889 : Bought GBP 11,759,975	(108)	(0.02)
		<b>(108)</b>	<b>(0.02)</b>

# Portfolio Statement continued

As at 31 August 2019

Nominal		Market Value £'000	% of Net Assets
	<b>Brazilian Real Open Forward Exchange Contracts - 0.00% (2018 - (0.04)%<sup>2</sup>)</b>		
	Bought BRL 50,776,400 : Sold USD 12,200,000	(28)	-
		(28)	-
	<b>Canadian Dollar Open Forward Exchange Contracts - (0.07)% (2018 - (0.07)%<sup>2</sup>)</b>		
	Sold CAD 14,986,415 : Bought GBP 8,852,606	(406)	(0.07)
		(406)	(0.07)
	<b>Canadian Dollar Open Futures Contracts - 0.00% (2018 - 0.00%)</b>		
	Bank Accept Futures December 2019	(1)	-
		(1)	-
	<b>Chinese Yuan Open Forward Exchange Contracts - (0.09)% (2018 - 0.00%)<sup>2</sup></b>		
	Bought CNH 124,363,476 : Sold USD 18,000,000	(513)	(0.09)
		(513)	(0.09)
	<b>Czech Koruna Interest Rate Swaps - (0.21)% (2018 - 0.00%)</b>		
	Pay 1.7% Receive Variable 04/06/2023	(1,225)	(0.21)
		(1,225)	(0.21)
	<b>Czech Koruna Open Forward Exchange Contracts - 0.02% (2018 - 0.00%)<sup>2</sup></b>		
	Bought CZK 403,854,971 : Sold GBP 14,004,288	132	0.02
		132	0.02
	<b>Euro Interest Rate Swaps - 0.00% (2018 - (0.55)%)</b>		
	<b>Euro Open Forward Exchange Contracts - (0.77)% (2018 - (0.17)%<sup>2</sup>)</b>		
	Bought EUR 4,284,931 : Sold NOK 42,618,756	37	0.01
	Bought EUR 4,917,187 : Sold CZK 128,000,000	(20)	-
	Bought EUR 6,532,673 : Sold GBP 6,023,303	(97)	(0.02)
	Bought EUR 15,000,000 : Sold JPY 1,828,079,400	(509)	(0.09)
	Bought EUR 31,603,607 : Sold USD 35,889,026	(784)	(0.13)
	Sold EUR 150,000 : Bought GBP 134,576	(1)	-
	Sold EUR 310,898,498 : Bought GBP 278,807,799	(3,217)	(0.54)
		(4,591)	(0.77)
	<b>Euro Open Futures Contracts - (0.40)% (2018 - (0.01)%)</b>		
	90 Day Euro Future December 2019	16	-
	Euro 171 PUT FSO December 2019	5	-
	Euro 174.5 PUT FSO October 2019	(25)	-
	Euro 176 PUT FSO October 2019	43	0.01
	Euro-Bono Bond September 2019	(718)	(0.12)
	Euro-Qat September 2019	(1,724)	(0.29)
		(2,403)	(0.40)
35,000,000	<b>Euro Written Call Option - 0.10% (2018 - 0.00%)</b>		
	Euro Call Option 0.9315 January 2020	609	0.10
		609	0.10
100,000,000	<b>Euro Written Put Option - 0.12% (2018 - 0.00%)</b>		
	Euro Put Option 107.5 June 2020	695	0.12
		695	0.12
	<b>Japanese Yen Open Forward Exchange Contracts - (0.25)% (2018 - 0.60%)<sup>2</sup></b>		
	Bought JPY 1,534,406,628 : Sold GBP 11,255,110	593	0.10
	Bought JPY 251,401,780 : Sold EUR 2,076,592	57	0.01
	Sold JPY 5,120,385,422 : Bought GBP 37,397,673	(2,140)	(0.36)
		(1,490)	(0.25)
	<b>Japanese Yen Open Futures Contracts - 0.00% (2018 - (0.01)%)</b>		
	<b>Mexican Peso Open Forward Exchange Contracts - (0.06)% (2018 - 0.00%)<sup>2</sup></b>		
	Bought MXN 262,551,216 : Sold EUR 12,000,000	(178)	(0.03)
	Sold MXN 302,746,171 : Bought GBP 12,174,679	(172)	(0.03)
		(350)	(0.06)
	<b>Norwegian Krone Open Forward Exchange Contracts - 0.01% (2018 - 0.00%)<sup>2</sup></b>		
	Sold NOK 213,389,090 : Bought GBP 19,350,500	75	0.01
		75	0.01



# Portfolio Statement continued

As at 31 August 2019

Nominal		Market Value £'000	% of Net Assets
	<b>Saudi Riyal Open Forward Exchange Contracts - 0.00% (2018 - 0.00%)<sup>2</sup></b>		
	Bought SAR 154,188,700 : Sold USD 41,110,409	(1)	-
		(1)	-
	<b>South African Rand Open Forward Exchange Contracts - 0.00% (2018 - 0.00%)<sup>2</sup></b>		
	Bought ZAR 184,193,878 : Sold EUR 11,000,000	(71)	(0.01)
	Sold ZAR 132,700,995 : Bought GBP 7,184,346	47	0.01
		(24)	-
	<b>South Korean Won Open Forward Exchange Contracts - (0.03)% (2018 - 0.00%)<sup>2</sup></b>		
	Bought KRW 11,587,200,000 : Sold USD 9,804,290	(192)	(0.03)
		(192)	(0.03)
	<b>Swedish Krona Open Forward Exchange Contracts - 0.05% (2018 - 0.01%)<sup>2</sup></b>		
	Bought SEK 131,299,086 : Sold GBP 11,066,221	(78)	(0.01)
	Sold SEK 210,661,668 : Bought GBP 17,978,703	348	0.06
		270	0.05
	<b>US Dollar Credit Default Swaps - (1.09)% (2018 - (1.15)%)</b>		
	Pay 5% Receive Variable 20/06/2024	(6,515)	(1.09)
		(6,515)	(1.09)
	<b>US Dollar Interest Rate Swaps - (0.15)% (2018 - (0.07)%)</b>		
	Receive 1.7% Pay Variable 17/06/2025	698	0.12
	Receive 1.9% Pay Variable 17/06/2025	929	0.15
	Pay 2.2% Receive Variable 17/06/2050	(1,140)	(0.19)
	Pay 2.3% Receive Variable 17/06/2050	(1,373)	(0.23)
		(886)	(0.15)
	<b>US Dollar Open Forward Exchange Contracts - (0.52)% (2018 - (1.08)%<sup>2</sup></b>		
	Bought USD 41,000,000 : Sold GBP 32,549,976	1,097	0.18
	Bought USD 34,651,964 : Sold ZAR 513,559,674	814	0.14
	Bought USD 12,970,646 : Sold BRL 50,665,796	682	0.11
	Bought USD 24,125,782 : Sold MXN 472,705,126	520	0.09
	Bought USD 18,000,000 : Sold CNH 124,363,800	514	0.09
	Bought USD 18,555,576 : Sold EUR 16,404,787	346	0.06
	Bought USD 82,856 : Sold CAD 110,000	-	-
	Bought USD 13,221,331 : Sold PHP 692,159,600	(52)	(0.01)
	Bought USD 9,500,000 : Sold KRW 11,609,000,000	(72)	(0.01)
	Bought USD 41,000,000 : Sold SAR 154,188,700	(89)	(0.02)
	Bought USD 15,158,405 : Sold IDR 219,560,500,000	(241)	(0.04)
	Bought USD 10,700,000 : Sold TRY 64,878,951	(296)	(0.05)
	Sold USD 260,214,346 : Bought GBP 207,248,845	(6,296)	(1.06)
		(3,073)	(0.52)
	<b>US Dollar Open Futures Contracts - 0.01% (2018 - 0.00%)</b>		
400	US 10 Year Note (CBT) December 2019 Futures	82	0.01
		82	0.01
	<b>US Dollar Written Call Options - 0.00% (2018 - 0.39%)</b>		
	<b>US Dollar Written Put Options - 0.16% (2018 - 0.05%)</b>		
60,000,000	US Dollar Put Option 6.81 October 2019	20	-
75,000,000	US Dollar Put Option 104.25 December 2019	660	0.11
60,000,000	US Dollar Put Option 0.924 March 2020	288	0.05
		968	0.16
		(20,817)	(3.48)
	Investment assets <sup>1</sup>	578,738	96.97
	Net other assets	18,086	3.03
	<b>Net assets</b>	<b>596,824</b>	<b>100.00</b>

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

# Statement of Total Return

For the year ended 31 August 2019

	Notes	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Income:					
Net capital gains/(losses)	2		38,797		(2,008)
Revenue	3	5,221		1,708	
Expenses	4	(1,096)		(612)	
Interest payable and similar charges	6	(508)		(386)	
Net revenue before taxation		3,617		710	
Taxation	5	(27)		-	
Net revenue after taxation			3,590		710
<b>Total return before distributions</b>			<b>42,387</b>		<b>(1,298)</b>
Distributions	7		(3,592)		(712)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>38,795</b>		<b>(2,010)</b>

# Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 August 2019

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Opening net assets attributable to shareholders		56,764		120,537
Amounts receivable on issue of shares	525,681		24,630	
Amounts payable on cancellation of shares	(24,904)		(86,469)	
		500,777		(61,839)
Dilution adjustment		11		70
<b>Change in net assets attributable to shareholders from investment activities (see above)</b>		<b>38,795</b>		<b>(2,010)</b>
Retained distributions on accumulation shares		461		-
Unclaimed distributions		16		6
<b>Closing net assets attributable to shareholders</b>		<b>596,824</b>		<b>56,764</b>

Notes to the final report and Financial Statements are from page 100 to 110.

# Balance Sheet

As at 31 August 2019

	Notes	2019 £000s	2019 £000s	2018 £000s	2018 £000s
<b>Assets:</b>					
Fixed assets:					
Investments			610,903		55,611
Current assets:					
Debtors	8	49,847		368	
Cash and bank balances	9	49,570		3,966	
<b>Total assets</b>			<b>710,320</b>		<b>59,945</b>
<b>Liabilities:</b>					
Investment liabilities			(32,165)		(2,493)
Creditors:					
Bank overdrafts	11	(64)		(3)	
Distribution payable		(5,588)		(231)	
Other creditors	10	(75,679)		(454)	
<b>Total liabilities</b>			<b>(113,496)</b>		<b>(3,181)</b>
<b>Net assets attributable to shareholders</b>			<b>596,824</b>		<b>56,764</b>

Notes to the final report and Financial Statements are from page 100 to 110.

# 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 12 and 13 of the Collective Notes to the Final Report and Financial Statements.

## 2. Net capital gains

	2019	2018
	£000s	£000s
Gains/(losses) on non-derivative securities	63,409	(7,014)
(Losses)/gains on derivative securities	(7,687)	935
(Losses)/gains on currency	(205)	445
(Losses)/gains on forward currency contracts	(16,703)	3,642
Handling charges	(17)	(16)
<b>Net capital gains/(losses)</b>	<b>38,797</b>	<b>(2,008)</b>

## 3. Revenue

	2019	2018
	£000s	£000s
Bank interest	29	9
Interest on fixed income securities	5,204	1,690
Returns from bond futures	(12)	(50)
Option Income	-	59
<b>Total revenue</b>	<b>5,221</b>	<b>1,708</b>

# Notes to the Final Report and Financial Statements continued

## 4. Expenses

	2019	2018
	£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	1,017	495
Company secretarial costs	1	1
	1,018	496
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	32	14
Safe custody fees	(3)	16
	29	30
<b>Other expenses:</b>		
Audit fees	12	14
Distribution costs	1	24
Printing costs	5	7
Professional fees	-	6
Registration fees	26	27
Taxation advice	-	1
Other expenses	5	7
	49	86
<b>Total expenses</b>	<b>1,096</b>	<b>612</b>

All expenditure stated above is inclusive of VAT where applicable.

The Audit fee for the year, excluding VAT, was £10,260 (2018 - £10,260).

# Notes to the Final Report and Financial Statements continued

## 5. Taxation

	2019	2018
	£000s	£000s
<b>a. Analysis of the taxation charge for the year:</b>		
Corporation tax	2	-
Double tax relief	(2)	-
Overseas tax suffered	27	-
<b>Total taxation for the year (see Note 5(b))</b>	<b>27</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%) (2018 - 20%).

The differences are explained below:

Net revenue before taxation	3,617	710
Corporation tax at 20%	723	142

### Effects of:

Indexation relief on index-linked gilts	(3)	(115)
Tax deductible interest distributions	(718)	(27)
Double taxation relief	(2)	-
Overseas tax suffered	27	-
<b>Total taxation charge for the year (see Note 5(a))</b>	<b>27</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. Interest payable and similar charges

	2019	2018
	£000s	£000s
Interest	36	12
Premiums on credit default swaps	472	374
<b>Total interest payable and similar charges</b>	<b>508</b>	<b>386</b>

# Notes to the Final Report and Financial Statements continued

## 7. Distributions

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

	2019 £000s	2018 £000s
Interim	685	355
Final	6,049	231
Add: Revenue deducted on cancellation of shares	111	184
Deduct: Revenue received on creation of shares	(3,253)	(58)
<b>Net distributions for the year</b>	<b>3,592</b>	<b>712</b>
<b>Reconciliation of net revenue after taxation to net distributions for the year</b>		
Net revenue after taxation	3,590	710
Net equalisation on conversions	2	2
<b>Net distributions for the year</b>	<b>3,592</b>	<b>712</b>

## 8. Debtors

	2019 £000s	2018 £000s
Accrued revenue	3,161	368
Amounts receivable on creation of shares	6,716	-
Sales awaiting settlement	39,970	-
	<b>49,847</b>	<b>368</b>

## 9. Cash and bank balances

	2019 £000s	2018 £000s
Cash and bank balances	30,146	3,759
Amount held at futures clearing houses and brokers	19,424	207
	<b>49,570</b>	<b>3,966</b>

# Notes to the Final Report and Financial Statements continued

## 10. Other creditors

	2019	2018
	£000s	£000s
<b>a. Distribution payable</b>		
Net distribution payable	5,588	231
<b>b. Other creditors</b>		
Accrued ACD's annual fee	223	36
Amounts payable on cancellation of shares	44	241
Other accrued expenses	131	177
Purchases awaiting settlement	75,281	-
	<b>75,679</b>	<b>454</b>

## 11. Bank overdrafts

	2019	2018
	£000s	£000s
Bank overdrafts	64	3
<b>Total bank overdrafts</b>	<b>64</b>	<b>3</b>

## 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 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.



# Notes to the Final Report and Financial Statements continued

## 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 89 and 90.

The distribution per share is given in the Distribution Table on page 91.

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 2019:

	Class A Shares Income	Class C Shares Income	Class I Shares Income	Class I Shares Accumulation
Opening shares	12,562,546	11,496,663	21,908,707	-
Shares created	4,298,326	95,399,996	299,744,126	54,919,107
Shares cancelled	(1,284,000)	(1,857,382)	(19,779,525)	(342,967)
Shares converted	(766,170)	397,448	567,618	-
Closing shares	14,810,702	105,436,725	302,440,926	54,576,140

## 15. Contingent liabilities and commitments

As at 31 August 2019 there were no contingent liabilities (2018: £Nil).

# Notes to the Final Report and Financial Statements continued

## 16. Derivatives and other financial instruments

The narrative on pages 7 to 9 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 10 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.

Currency	Monetary Exposure	Non-Monetary Exposure	Total Exposure	Monetary Exposure	Non-Monetary Exposure	Total Exposure
	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2018 £000s	31 August 2018 £000s	31 August 2018 £000s
Australian Dollar	(11,859)	576	(11,283)	(556)	564	8
Brazilian Real	24	-	24	2	-	2
Canadian Dollar	(9,258)	-	(9,258)	(1,142)	1,178	36
Chinese yuan	247	9,448	9,695	-	-	-
Czech koruna	8,430	-	8,430	-	-	-
Danish Krone	-	-	-	21	1,687	1,708
Euro	(259,291)	262,410	3,119	(17,890)	12,620	(5,270)
Indonesian rupiah	(12,681)	-	(12,681)	-	-	-
Japanese Yen	(63,139)	90,768	27,629	(4,519)	4,420	(99)
Mexican Peso	(19,884)	32,221	12,337	(1,690)	-	(1,690)
Norwegian krone	(28,666)	29,561	895	-	-	-
Philippine peso	(10,902)	-	(10,902)	-	-	-
Polish zloty	33	-	33	-	-	-
Saudi riyal	-	-	-	-	-	-
South African Rand	(23,886)	31,262	7,376	2	-	2
South Korean won	(15)	-	(15)	-	-	-
Swedish Krona	(6,578)	6,987	409	1,096	-	1,096
Turkish Lira	(9,077)	-	(9,077)	40	-	40
US Dollar	(116,948)	129,098	12,150	(15,597)	20,729	5,132

### b. Interest rate risk profile

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

Currency	Floating Rate	Fixed Rate	Non-Interest	Total	Floating Rate	Fixed Rate	Non-Interest	Total
	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2018 £000s	31 August 2018 £000s	31 August 2018 £000s	31 August 2018 £000s
Assets	-	599,555	11,348	610,903	750	53,577	1,284	55,611
Liabilities	-	-	(32,165)	(32,165)	-	-	(2,493)	(2,493)

# Notes to the Final Report and Financial Statements continued

## c. Sensitivity analysis

### Market price sensitivity

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

	2019 £000s	2018 £000s
Bonds	599,555	54,327
Credit Default swaps	(6,515)	(652)
Interest Rate swaps	(5,700)	(384)
Open future contracts	(2,322)	(23)
Option contracts	4,019	265

The following illustrates the sensitivity of the net return and the net assets to an increase or decrease of 20% (2018 - 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.

	2019 20% Increase in fair value £000s	2019 20% Decrease in fair value £000s	2018 20% Increase in fair value £000s	2018 20% Decrease in fair value £000s
<b>Capital Return</b>				
Net gains (losses) on investments at fair value	117,808	(117,808)	10,707	(10,707)

### 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.

	2019 20% Increase in Sterling against foreign currencies £000s	2019 20% Decrease in Sterling against foreign currencies £000s	2018 20% Increase in Sterling against foreign currencies £000s	2018 20% Decrease in Sterling against foreign currencies £000s
Australian Dollar	1,898	(2,848)	(1)	2
Brazilian Real	1	(1)	0	1
Canadian Dollar	1,611	(2,417)	(6)	9
Chinese Yuan	(1,530)	2,296	-	-
Czech Koruna	(1,223)	1,834	-	-
Danish Krone	-	-	(285)	427
Euro	429	(643)	878	(1,318)
Indonesian Rupiah	2,113	(3,170)	-	-
Japanese Yen	(4,356)	6,535	17	(25)
Mexican Peso	(1,998)	2,997	282	(423)
Norwegian Krone	(162)	243	-	-
Philippine Peso	1,817	(2,725)	-	-
Polish Zloty	(6)	8	-	-
South African Rand	(1,225)	1,838	0	1
South Korean Won	35	(52)	-	-
Swedish Krona	(113)	170	(183)	274
Turkish Lira	1,513	(2,269)	(7)	10
US Dollar	(454)	682	(855)	1,283
<b>Change in net return and net assets</b>	<b>(1,650)</b>	<b>2,478</b>	<b>(160)</b>	<b>241</b>

# Notes to the Final Report and Financial Statements continued

## 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 2019, the net asset value was £596.8m (2018 - £56.8m) (before the deduction of the interest distribution) with a duration of 8.51 years (2018 - 8.71 years).

Thus, for example, an increase of 0.25% in the interest rates would result in a fall of 2.13% or £12.7m (2018 - 2.18% or £1.2m) 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 1.23% (2018 - 9.65%).

## e. Fair value hierarchy

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

	Assets		Liabilities	
	31 August 2019 £000s	31 August 2019 £000s	31 August 2018 £000s	31 August 2018 £000s
Level 1: Quoted	437,145	(2,443)	38,030	(48)
Level 2: Observable	173,758	(29,722)	17,581	(2,445)
Level 3: Unobservable	-	-	-	-
	<b>610,903</b>	<b>(32,165)</b>	<b>55,611</b>	<b>(2,493)</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 (2018 - 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 7.

## i. Credit rating

	2019		2018	
	Market Value £000s	% of Net Assets	Market Value £000s	% of Net Assets
Investment Grade	467,363	78.31	48,287	85.09
Sub-investment Grade	46,159	7.73	1,954	3.44
Non-rated	86,033	14.41	4,086	7.19
Derivatives	(20,817)	(3.48)	(1,209)	(2.14)
Other assets	18,086	3.03	3,646	6.42
<b>Total net assets</b>	<b>596,824</b>	<b>100.00</b>	<b>56,764</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 2019:

	Transaction Value 2019 £000s	Commissions 2019 £000s	2019 %	Taxes 2019 £000s	Taxes 2019 %
<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				
<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>	

	Transaction Value 2018 £000s	Commissions 2018 £000s	2018 %	Taxes 2018 £000s	Taxes 2018 %
<b>Purchases</b>					
Debt instruments (direct)	168,251	-	-	-	-
Total purchases	168,251	-	-	-	-
Total purchases including transaction costs	168,251				
<b>Sales</b>					
Debt instruments (direct)	223,040	-	-	-	-
Total sales	223,040	-	-	-	-
Total sales including transaction costs	223,040				
<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 0.14% (2018 : 0.22%).

# 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 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	4.00%
	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 2019

	A Shares Income			C Shares Income		
	2019 (p)	2018 (p)	2017 (p)	2019 (p)	2018 (p)	2017 (p)
Opening net asset value per share	297.98*	292.11	265.49	108.77*	106.09	95.89
Return before operating charges	(6.18)	23.84	42.80	(2.22)	8.67	15.53
Operating charges	(3.87)	(4.22)	(3.97)	(0.83)	(1.04)	(0.97)
Return after operating charges	(10.05)	19.62	38.83	(3.05)	7.63	14.56
Distributions	(14.53)	(13.75)*	(12.21)	(5.38)	(4.95)*	(4.36)
Closing net asset value per share	273.40	297.98*	292.11	100.34	108.77*	106.09
After direct transaction costs of <sup>1</sup>	(0.42)	(0.54)*	(0.37)	(0.15)	(0.20)*	(0.13)
<b>Performance</b>						
Return after operating charges	(3.37)%	6.72%	14.63%	(2.80)%	7.19%	15.19%
<b>Other information</b>						
Closing net asset value (£'000)	37,154	59,667*	61,554	9,413	6,967*	7,028
Closing number of shares	13,589,880	20,024,061	21,072,056	9,380,854	6,405,387	6,624,747
Operating charges	1.38%	1.40%	1.41%	0.81%	0.95%	0.95%
Direct transaction costs	0.15%	0.18%*	0.13%	0.15%	0.18%*	0.13%
<b>Prices</b>						
Highest share price	298.65	319.54	299.43	109.05	116.47	108.70
Lowest share price	257.32	282.28	262.17	94.13	102.82	94.72

<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.

\* Prior year figures have been restated due to incorrect publication in 2018.



# Distribution Tables

## For the year ended 31 August 2019

### Interim Distribution in pence per share

Group 1 Shares purchased prior to 1 September 2018

Group 2 Shares purchased on or after 1 September 2018 to 28 February 2019

	Net revenue (p)	Equalisation (p)	Distribution paid 30/04/19 (p)	Distribution paid 30/04/18 (p)
<b>A Shares Income</b>				
Group 1	5.2730	-	5.2730	5.1963
Group 2	3.0633	2.2097	5.2730	5.1963
<b>C Shares Income</b>				
Group 1	1.9914	-	1.9914	1.8609
Group 2	1.0651	0.9263	1.9914	1.8609

### Final Distribution in pence per share

Group 1 Shares purchased prior to 1 March 2019

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

	Net revenue (p)	Equalisation (p)	Distribution payable 31/10/19 (p)	Distribution paid 31/10/18 (p)
<b>A Shares Income</b>				
Group 1	9.2617	-	9.2617	8.5578*
Group 2	5.4819	3.7798	9.2617	8.5578*
<b>C Shares Income</b>				
Group 1	3.3871	-	3.3871	3.0886*
Group 2	2.1359	1.2512	3.3871	3.0886*

\* Prior year figures have been restated due to incorrect publication in 2018.

Investors are reminded that distribution is not guaranteed.

# Investment Review

## Performance Summary

Over the 12 month period under review, ending 31st August 2019, the fund's 'C' class shares produced a total return of -2.7%. The fund's benchmark, the FTSE All Share Total Return Index, produced a total return of 0.4%. The main reason for the underperformance of the fund was stock selection and a result generally of a bias in the fund towards 'value' stocks that are relatively inexpensive, as the divergence between favoured and out-of-favour stocks has continued to widen.\*

\* Source: Allianz Global Investors/Datastream. Fund performance based on midday prices using the mid market price portfolio valuation, net of fees and expenses. 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

Escalating global trade tensions and concerns over the ability of leading central banks to normalise monetary policy, after many years of low rates and quantitative easing, precipitated a great deal of market volatility in the fourth quarter of 2018. The FTSE All-Share index fell by around 10% in the fourth quarter, with mid-sized companies in the FTSE 250 down around 14%, and global developed world markets generally underperforming the UK. In common with previous periods of volatility, markets managed to recoup substantially all of their losses within a few months. Record low bond yields have continued to push asset prices higher, including equities, just as continuing fears of a recession have created ever more divergent valuations between stocks considered to be defensive, relative to those with perceived structural problems or cyclical exposure.

In the UK, politics has continued to drive markets. The 'Brexit discount' on UK assets generally continued to widen relative to international peers, and sterling reached 40-year lows relative to the US dollar towards the end of the period. As the UK market is heavily weighted with foreign earnings exposure, the substantial decline in sterling helped to support markets through a period of heightened 'no-deal' fears over the summer. Domestic companies, and substantially all smaller companies where there is a general perception of domestic exposure, have continued to depreciate in value relative to both the rest of the UK market, and international comparisons.

## 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.

We have continued to reposition the portfolio to where we see good value in the period.

Significant new holdings include British American Tobacco, Inchcape, Ten Entertainment, PZ Cussons, Palace Capital, Norcros, Elegant Hotels, Eurocell, Munich Re, Diversified Gas & Oil, and Stock Spirits Group. What these diverse businesses have in common is a compelling fundamentally-driven investment case and an attractive valuation. Many new holdings contain a relatively high amount of exposure to emerging markets – for example Inchcape, PZ Cussons, BAT, and Stock Spirits – where we see attractive growth prospects and the benefits of international diversification. Eurocell and Norcros both have indirect exposure to the housing and home-improvement market in the UK, and we believe that we can benefit from exposure to structurally high demand for housing whilst bearing a low degree of risk. Munich Re is our only addition of a new non-UK listed holding in the period, where we see attractive exposure to well-positioned reinsurance activities that cannot be easily accessed on the UK market.

We have sold out of our positions in Enel, Coface, FirstGroup, Lloyds, Marks & Spencer, Sainsbury's, Inmarsat, Ashmore, MAN Group, Manx Telecom, Equiniti, and IFG Group. Positions are exited either as a result of a change in investment view, for example Marks & Spencer; or due to the stock appreciating to a full valuation, for example Ashmore and Equiniti.

The fund benefitted from several takeover bids of held stocks in the period – including Greene King and IFG Group – that contributed materially to performance.

# Investment Review continued

## Outlook

The UK economy continued to perform well during the period, especially relative to muted expectations in the context of Brexit uncertainty and a fragile global outlook. Consumer confidence continued to hold up well, real wages are growing, and unemployment has touched record lows. Brexit has continued to weigh on sentiment and valuations however, with fast-changing fears and expectations of a 'no deal' Brexit leading to particularly volatile currency moves over the spring and summer of 2019 in particular.

Predicting both the pathway and final destination of the Brexit process is fraught with difficulty, and it is probably safe only to say that continuing uncertainty is highly likely. However, we continue to take a relatively optimistic view, reflected in our differentiated exposure to UK domestic assets and smaller companies. We judge that the 'worst-case' political outcomes, whether a no-deal Brexit or a change in government to an administration able and willing to enact substantially anti-free-market policies, are more than fully discounted by the extraordinary valuation presented by UK assets. We believe that the domestically exposed assets within our portfolio offer compelling risk-adjusted returns.

We continue to remain under-exposed to high-quality 'defensives' in the portfolio, as we believe the high valuations of these types of stocks are creating significant risks. Many consumer staples – except tobacco – and some industrial companies have become very popular investments on the basis of their perceived economic resilience to recession. We believe that some of these companies may yet prove to be more cyclical in the event of a downturn, and that high valuations add a large element of potential volatility to share prices.

We continue to find a great deal of value in the market. UK investment funds have seen a large and sustained net outflows since 2016, which not only suppresses the overall index price but has created ever more pronounced distortions in individual asset prices. Particularly the discounts applied to smaller companies and companies with perceived domestic exposure. These distortions provide opportunities for outperformance when markets eventually normalise. This period has shown how even if markets remain irrational, we may realise significant value from takeover approaches as others recognise the value in some of our holdings, and are prepared to pay significant premiums to the prevailing market price.

# Portfolio Statement

As at 31 August 2019

Holding		Market Value £'000	% of Net Assets
	<b>UNITED KINGDOM - 94.54% (2018 - 92.78%)</b>		
	<b>Aerospace &amp; Defence - 8.55% (2018 - 6.78%)</b>		
336,287	BAE Systems	1,848	3.97
207,810	Meggitt	1,277	2.74
420,063	Senior	855	1.84
		<b>3,980</b>	<b>8.55</b>
	<b>Banks - 5.99% (2018 - 8.39%)</b>		
805,000	Barclays	1,107	2.38
282,589	HSBC	1,682	3.61
		<b>2,789</b>	<b>5.99</b>
	<b>Beverages - 0.59% (2018 - 0.00%)</b>		
116,222	Stock Spirits	275	0.59
		<b>275</b>	<b>0.59</b>
	<b>Construction &amp; Materials - 7.24% (2018 - 5.25%)</b>		
284,064	Balfour Beatty	614	1.32
250,000	Eurocell	500	1.07
136,000	Keller	888	1.91
250,000	Norcros	537	1.15
412,240	Tyman	835	1.79
		<b>3,374</b>	<b>7.24</b>
	<b>Electricity - 2.38% (2018 - 2.43%)</b>		
96,543	SSE	1,110	2.38
		<b>1,110</b>	<b>2.38</b>
	<b>Electronic &amp; Electrical Equipment - 1.76% (2018 - 1.74%)</b>		
321,774	Morgan Advanced Materials	820	1.76
		<b>820</b>	<b>1.76</b>
	<b>Financial Services - 6.24% (2018 - 9.29%)</b>		
184,635	IG	996	2.14
504,667	Standard Life Aberdeen	1,264	2.71
221,233	TP	645	1.39
		<b>2,905</b>	<b>6.24</b>
	<b>Food &amp; Drug Retailers - 0.00% (2018 - 1.19%)</b>		
	<b>Food Producers - 1.02% (2018 - 2.92%)</b>		
66,351	Tate & Lyle	475	1.02
		<b>475</b>	<b>1.02</b>
	<b>Gas, Water &amp; Multiutilities - 2.21% (2018 - 2.29%)</b>		
134,894	Pennon	1,029	2.21
		<b>1,029</b>	<b>2.21</b>
	<b>General Retailers - 1.58% (2018 - 1.66%)</b>		
126,000	Inchcape	734	1.58
		<b>734</b>	<b>1.58</b>
	<b>Household Goods &amp; Home Construction - 1.49% (2018 - 1.52%)</b>		
67,000	Bovis Homes	692	1.49
		<b>692</b>	<b>1.49</b>
	<b>Life Insurance - 6.46% (2018 - 5.95%)</b>		
408,902	Legal & General	904	1.94
65,932	Prudential	903	1.94
130,000	St. James's Place	1,203	2.58
		<b>3,010</b>	<b>6.46</b>
	<b>Media - 2.28% (2018 - 3.08%)</b>		
48,396	Informa	423	0.91
542,212	ITV	637	1.37
		<b>1,060</b>	<b>2.28</b>
	<b>Mining - 4.40% (2018 - 4.44%)</b>		
113,505	Antofagasta	972	2.09
61,280	BHP	1,078	2.31
		<b>2,050</b>	<b>4.40</b>
	<b>Mobile Telecommunications - 0.00% (2018 - 2.12%)</b>		
	<b>Oil &amp; Gas Producers - 8.70% (2018 - 9.42%)</b>		
192,848	BP	970	2.08
387,471	Diversified Gas & Oil	399	0.86
117,550	Royal Dutch Shell	2,682	5.76
		<b>4,051</b>	<b>8.70</b>

# Portfolio Statement continued

As at 31 August 2019

Holding		Market Value £'000	% of Net Assets
340,000	Personal Goods - 1.53% (2018 - 0.00%) PZ Cussons	714	1.53
		<b>714</b>	<b>1.53</b>
163,970	Pharmaceuticals & Biotechnology - 6.05% (2018 - 6.32%) GlaxoSmithKline	2,816	6.05
		<b>2,816</b>	<b>6.05</b>
250,000	Real Estate Investment & Services - 1.46% (2018 - 0.00%) Palace Capital	682	1.46
		<b>682</b>	<b>1.46</b>
366,899	Real Estate Investment Trusts - 4.41% (2018 - 2.89%) Hammerson REIT	835	1.79
156,037	Land Securities REIT	1,217	2.62
		<b>2,052</b>	<b>4.41</b>
1,024,940	Support Services - 5.57% (2018 - 7.26%) Begbies Traynor <sup>1</sup>	820	1.76
1,121,000	Kin & Carta	895	1.92
344,317	SThree	878	1.89
		<b>2,593</b>	<b>5.57</b>
59,056	Tobacco - 8.11% (2018 - 2.99%) British American Tobacco	1,706	3.66
98,118	Imperial Brands	2,072	4.45
		<b>3,778</b>	<b>8.11</b>
750,000	Travel & Leisure - 6.52% (2018 - 4.85%) Elegant Hotels	518	1.11
84,722	Greene King	712	1.53
257,251	National Express	1,085	2.33
300,000	TEN Entertainment	720	1.55
		<b>3,035</b>	<b>6.52</b>
		<b>44,024</b>	<b>94.54</b>
	OVERSEAS EQUITIES - 7.18% (2018 - 8.60%)		
	France Equities - 0.00% (2018 - 1.06%)		
	Germany Equities - 1.06% (2018 - 0.00%) Muenchener Rueckversicherungs-Gesellschaft	495	1.06
2,503		<b>495</b>	<b>1.06</b>
	Guernsey Equities - 1.29% (2018 - 1.47%) Sirius Real Estate	599	1.29
857,362		<b>599</b>	<b>1.29</b>
	Ireland Equities - 0.00% (2018 - 1.15%) Isle of Man Equities - 1.31% (2018 - 1.82%) GVC	609	1.31
96,839		<b>609</b>	<b>1.31</b>
	Italy Equities - 0.00% (2018 - 1.38%) Jersey Equities - 3.52% (2018 - 1.72%) Man	631	1.35
373,944	WPP	1,009	2.17
104,270		<b>1,640</b>	<b>3.52</b>
		<b>3,343</b>	<b>7.18</b>
	DERIVATIVES - (0.01)% (2018 - 0.00%) UK Written Call Options - (0.01)% (2018 - 0.00%) GlaxoSmithKline Call Options September 2019	(6)	(0.01)
(15)		<b>(6)</b>	<b>(0.01)</b>
	Investment assets <sup>2</sup>	47,361	101.71
	Net other liabilities	(794)	(1.71)
	<b>Net assets</b>	<b>46,567</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 2018.

# Statement of Total Return

For the year ended 31 August 2019

	Notes	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Income:					
Net capital (losses)/gains	2		(4,775)		1,971
Revenue	3	2,781		3,236	
Expenses	4	(702)		(925)	
Interest payable and similar charges		-		(1)	
Net revenue before taxation		2,079		2,310	
Taxation	5	(2)		(23)	
Net revenue after taxation			2,077		2,287
<b>Total return before distributions</b>			<b>(2,698)</b>		<b>4,258</b>
Distributions	6		(2,714)		(3,111)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(5,412)</b>		<b>1,147</b>

# Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 August 2019

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Opening net assets attributable to shareholders		66,634		68,582
Amounts receivable on issue of shares	3,572		7,403	
Amounts payable on cancellation of shares	(18,309)		(10,526)	
		(14,737)		(3,123)
Dilution adjustment		16		-
<b>Change in net assets attributable to shareholders from investment activities (see above)</b>		<b>(5,412)</b>		<b>1,147</b>
Unclaimed distributions		66		28
<b>Closing net assets attributable to shareholders</b>		<b>46,567</b>		<b>66,634</b>

Notes to the final report and Financial Statements are from page 120 to 129.

# Balance Sheet

## As at 31 August 2019

	Notes	2019 £000s	2019 £000s	2018 £000s	2018 £000s
<b>Assets:</b>					
Fixed assets:					
Investments			47,367		67,557
Current assets:					
Debtors	7	590		789	
Cash and bank balances	8	356		415	
<b>Total assets</b>			<b>48,313</b>		<b>68,761</b>
<b>Liabilities:</b>					
Investment liabilities			(6)		(2)
Creditors:					
Distribution payable		(1,576)		(1,911)	
Other creditors	9	(164)		(214)	
<b>Total liabilities</b>			<b>(1,746)</b>		<b>(2,127)</b>
<b>Net assets attributable to shareholders</b>			<b>46,567</b>		<b>66,634</b>

Notes to the final report and Financial Statements are from page 120 to 129.

# 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 12 and 13 of the Collective Notes to the Final Report and Financial Statements.

## 2. Net capital gains

	2019 £000s	2018 £000s
(Losses)/gains on non-derivative securities	(4,725)	1,980
(Losses)/gains on derivative securities	(49)	4
Gains/(losses) on currency	1	(8)
Handling charges	(2)	(5)
<b>Net capital (losses)/gains</b>	<b>(4,775)</b>	<b>1,971</b>

## 3. Revenue

	2019 £000s	2018 £000s
Bank interest	1	-
Franked UK dividends	2,453	3,001
Overseas dividends - non-taxable	141	70
Overseas dividends - taxable	(1)	(1)
Unfranked UK dividends	120	88
Premiums on derivative securities	67	51
Stock dividends	-	24
Underwriting commission	-	3
<b>Total revenue</b>	<b>2,781</b>	<b>3,236</b>



# Notes to the Final Report and Financial Statements continued

## 4. Expenses

	2019	2018
	£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>	637	824
Company secretarial costs	1	1
	638	825
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	9	15
Safe custody fees	2	4
	11	19
<b>Other expenses:</b>		
Audit fees	8	12
Distribution costs	-	16
Printing costs	5	7
Registration fees	37	37
Taxation advice	-	1
Other expenses	3	8
	53	81
<b>Total expenses</b>	<b>702</b>	<b>925</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 £8,820 (2018 - £8,820).

# Notes to the Final Report and Financial Statements continued

## 5. Taxation

	2019	2018
	£000s	£000s
<b>a. Analysis of the taxation charge for the year:</b>		
Overseas tax suffered	2	23
<b>Total taxation for the year (see Note 5(b))</b>	<b>2</b>	<b>23</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%) (2018 - 20%). The differences are explained below:		
Net revenue before taxation	2,079	2,310
Corporation tax at 20%	416	462
<b>Effects of:</b>		
Overseas dividends - non-taxable	(28)	(14)
Non taxable property revenue from UK REITS- non PID	(3)	(2)
Overseas tax suffered	2	23
Stock dividends - non-taxable	-	(5)
UK dividends not subject to corporation tax	(488)	(598)
Surplus allowable expenses arising in the year	103	157
<b>Total taxation charge for the year (see Note 5(a))</b>	<b>2</b>	<b>23</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 £6,247,000 (2018 : £6,144,000) 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.

# Notes to the Final Report and Financial Statements continued

## 6. Distributions

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

	2019 £000s	2018 £000s
Interim	926	1,171
Final	1,575	1,911
Add: Revenue deducted on cancellation of shares	252	124
Deduct: Revenue received on creation of shares	(39)	(96)
<b>Net distributions for the year</b>	<b>2,714</b>	<b>3,111</b>

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

Net revenue after taxation	2,077	2,287
Expenses taken to capital	637	824
<b>Net distributions for the year</b>	<b>2,714</b>	<b>3,111</b>

## 7. Debtors

	2019 £000s	2018 £000s
Accrued revenue	559	655
Amounts receivable on creation of shares	12	112
Overseas tax recoverable	19	22
	<b>590</b>	<b>789</b>

## 8. Cash and bank balances

	2019 £000s	2018 £000s
Cash and bank balances	336	390
Amount held at futures clearing houses and brokers	20	25
	<b>356</b>	<b>415</b>

# Notes to the Final Report and Financial Statements continued

## 9. Other creditors

	2019	2018
	£000s	£000s
<b>a. Distribution payable</b>		
Net distribution payable	1,553	1,911
<b>b. Other creditors</b>		
Accrued ACD's annual fee	46	70
Amounts payable on cancellation of shares	23	83
Other accrued expenses	95	61
	<b>164</b>	<b>214</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 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 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 112.

The distribution per share is given in the Distribution Table on page 113.

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 2019:

	Class A Shares	Class C Shares
Opening shares	20,024,061	6,405,387
Shares created	1,036,092	683,204
Shares cancelled	(6,094,851)	(1,466,615)
Shares converted	(1,375,422)	3,758,878
Closing shares	13,589,880	9,380,854

## 13. Contingent liabilities and commitments

As at 31 August 2019 there were no contingent liabilities (2018: £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 2019 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2018 £000s	31 August 2018 £000s	31 August 2018 £000s
Euro	88	496	584	22	1,626	1,648
Norwegian krone	6	-	6	-	-	-
US dollar	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 (2018 - 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:

	2019 £000s	2018 £000s
Listed equity investments held at fair value through profit or loss	47,367	67,557
UK written call options	(6)	(2)

The following illustrates the sensitivity of the net return and the net assets to an increase or decrease of 20% (2018 - 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.

	2019 20% Increase in fair value £000s	2019 20% Decrease in fair value £000s	2018 20% Increase in fair value £000s	2018 20% Decrease in fair value £000s
<b>Capital Return</b>				
Net gains (losses) on investments at fair value	9,472	(9,472)	13,511	(13,511)

#### 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.

	2019 20% Increase in Sterling against foreign currencies £000s	2019 20% Decrease in Sterling against foreign currencies £000s	2018 20% Increase in Sterling against foreign currencies £000s	2018 20% Decrease in Sterling against foreign currencies £000s
Euro	(97)	146	(275)	412
Norwegian Krone	(1)	1	-	-
US Dollar	(15)	22	-	-
<b>Change in net return and net assets</b>	<b>(113)</b>	<b>169</b>	<b>(275)</b>	<b>412</b>

### d. Leverage

The subfund did not employ significant leverage during the year (2018 - 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 2019 £000s	31 August 2019 £000s	31 August 2018 £000s	31 August 2018 £000s
Level 1: Quoted	47,367	(6)	67,557	(2)
Level 2: Observable	-	-	-	-
Level 3: Unobservable	-	-	-	-
	<b>47,367</b>	<b>(6)</b>	<b>67,557</b>	<b>(2)</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 (2018 - 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 £67,000 (2018 - £51,000).

For more details please refer to page 7.

# Notes to the Final Report and Financial Statements continued

## 15. Portfolio transaction costs

For the year ended 31 August 2019:

	Transaction Value 2019 £000s	Commissions 2019 £000s	2019 %	Taxes 2019 £000s	Taxes 2019 %
<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				
<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>	

	Transaction Value 2018 £000s	Commissions 2018 £000s	2018 %	Taxes 2018 £000s	Taxes 2018 %
<b>Purchases</b>					
Equity instruments (direct)	21,326	12	0.06	100	0.47
Total purchases	21,326	12	0.06	100	0.47
Total purchases including transaction costs	21,438				
<b>Sales</b>					
Equity instruments (direct)	22,761	11	0.05	-	-
Total sales	22,761	11	0.05	-	-
Total sales including transaction costs	22,750				
<b>Total transaction costs as a % of average net assets</b>		<b>0.03%</b>		<b>0.16%</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 0.31% (2018 : 0.22%).

# 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 £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 (Available to Approved Investors only)
<b>Initial charge</b>	A Shares	4.00%
	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 2019

	A Shares Accumulation			C Shares Accumulation		
	2019 (p)	2018 (p)	2017 (p)	2019 (p)	2018 (p)	2017 (p)
Opening net asset value per share	6,112.04	5,596.84	4,671.31	144.18	131.39	109.08
Return before operating charges	(360.94)	596.52	1,000.07	(8.52)	14.04	23.41
Operating charges	(79.06)	(81.32)	(74.54)	(1.15)	(1.25)	(1.10)
Return after operating charges	(440.00)	515.20	925.53	(9.67)	12.79	22.31
Distributions	(117.98)	(89.21)	(67.32)	(3.51)	(2.77)	(1.86)
Retained distributions on accumulation shares	117.98	89.21	67.32	3.51	2.77	1.86
Closing net asset value per share	5,672.04	6,112.04	5,596.84	134.51	144.18	131.39
After direct transaction costs of <sup>1</sup>	(16.27)	(15.83)	(12.95)	(0.38)	(0.37)	(0.30)
<b>Performance</b>						
Return after operating charges	(7.20)%	9.21%	19.81%	(6.71)%	9.73%	20.45%
<b>Other information</b>						
Closing net asset value (£'000)	22,489	28,983	29,875	42,484	32,461	30,685
Closing number of shares	396,493	474,188	533,771	31,584,573	22,513,642	23,353,502
Operating charges	1.37%	1.38%	1.43%	0.85%	0.90%	0.90%
Direct transaction costs	0.28%	0.27%	0.25%	0.28%	0.27%	0.25%
<b>Prices</b>						
Highest share price	6,208.89	6,325.49	5,641.54	146.51	149.05	132.42
Lowest share price	5,344.61	5,460.20	4,705.28	126.29	128.44	109.88

<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 2019

	I Shares Accumulation			Y Shares Accumulation		
	2019 (p)	2018 (p)	2017 (p)	2019 (p)	2018 (p)	2017 (p)
Opening net asset value per share	110.69	100.47	100.00	5,951.79	5,392.40	5,000.00
Return before operating charges	(6.55)	10.81	1.01	(350.61)	582.40	413.37
Operating charges	(0.56)	(0.59)	(0.54)	(22.48)	(23.01)	(20.97)
Return after operating charges	(7.11)	10.22	0.47	(373.09)	559.39	392.40
Distributions	(3.01)	(2.88)	-	(171.94)	(203.40)	-
Retained distributions on accumulation shares	3.01	2.88	-	171.94	203.40	-
Closing net asset value per share	103.58	110.69	100.47	5,578.70	5,951.79	5,392.40
After direct transaction costs of <sup>1</sup>	(0.29)	(0.29)	(0.25)	(15.91)	(15.49)	(13.03)
<b>Performance</b>						
Return after operating charges	(6.42)%	10.17%	0.47%	(6.27)%	10.37%	7.85%
<b>Other information</b>						
Closing net asset value (£'000)	25,961	10,401	518	166	256	84
Closing number of shares	25,064,160	9,396,984	515,839	2,979	4,308	1,565
Operating charges <sup>2</sup>	0.54%	0.54%	0.54%	0.40%	0.40%	0.40%
Direct transaction costs	0.28%	0.27%	0.25%	0.28%	0.27%	0.25%
<b>Prices</b>						
Highest share price	112.51	114.33	101.23	6,050.38	6,145.13	5,433.20
Lowest share price	97.05	98.39	96.79	5,220.91	5,284.59	4,950.53

<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.

Share Class 'I' Accumulation was launched on 1 June 2017.

Share Class 'Y' Accumulation was launched on 20 February 2017.

# Comparative Tables continued

For the year ended 31 August 2019

	O Shares Accumulation	
	2019 (p)	2018 (p)
Opening net asset value per share	100.88	100
Return before operating charges	(6.04)	0.95
Operating charges	(0.19)	(0.07)
Performance fee	-	-
Return after operating charges	(6.23)	0.88
Distributions	(3.82)	-
Retained distributions on accumulation shares	3.82	-
Closing net asset value per share	94.65	100.88
After direct transaction costs of	(0.27)	(0.27)
<b>Performance</b>		
Return after operating charges	(6.18)%	1.00%
<b>Other information</b>		
Closing net asset value (£'000)	24	1
Closing number of shares	24,929	1,000
Operating charges <sup>2</sup>	0.20%	0.00%
Performance fee	-	-
Direct transaction costs	0.28%	0.27%
<b>Prices</b>		
Highest share price	102.47	103.94
Lowest share price	88.47	100.00

<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 2019

Final Distribution in pence per share

Group 1 Shares purchased prior to 1 September 2018

Group 2 Shares purchased on or after 1 September 2018 to 31 August 2019

	Net revenue (p)	Equalisation (p)	Distribution payable 31/10/19 (p)	Distribution paid 31/10/18 (p)
<b>A Shares Accumulation</b>				
Group 1	117.9803	-	117.9803	89.2148
Group 2	76.7915	41.1888	117.9803	89.2148
<b>C Shares Accumulation</b>				
Group 1	3.5083	-	3.5083	2.7688
Group 2	2.2571	1.2512	3.5083	2.7688
<b>I Shares Accumulation</b>				
Group 1	3.0112	-	3.0112	2.8758
Group 2	2.1345	0.8767	3.0112	2.8758
<b>Y Shares Accumulation</b>				
Group 1	171.9355	-	171.9355	203.4025
Group 2	82.0488	89.8867	171.9355	203.4025
<b>O Shares Accumulation</b>				
Group 1	3.8170	-	3.8170	N/A
Group 2	2.0075	1.8095	3.8170	N/A

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

Investors are reminded that distribution is not guaranteed.

# Investment Review

## Performance Summary

Over the 12 month period under review, ending 31st August 2019, the fund's 'C' class shares produced a total return of -6.6%. The fund's benchmark, the FTSE All Share Total Return Index, produced a total return of 0.4%. The main reason for the underperformance was stock selection and a result generally of a bias towards 'value' and small cap stocks that are attractively valued but nevertheless continued to underperform the wider market.\*

\* 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

We noted in last year's annual review that it had been 'another volatile year' with market gyrations resulting from the various instabilities of politics and economics, both domestic (Brexit) and foreign (trade war). The broad themes of this period are much the same, but deserve a good deal more emphasis as they have become more extreme and are beginning to have a more profound impact on markets.

Escalating global trade tensions and concerns over the ability of leading central banks to normalise monetary policy precipitated a great deal of market volatility in the fourth quarter of 2018. The FTSE All-Share index fell by around 10% in the fourth quarter, with mid-sized companies in the FTSE 250 down around 14%. In common with previous periods of volatility, markets managed to recoup substantially all of their losses within a six month period. Record low bond yields have continued to push asset prices higher, including equities, just as continuing fears of a potential recession in several key markets have created ever more divergent valuations between stocks considered to be defensive, relative to those with perceived structural problems or cyclical exposure.

In the UK, politics continued to drive the markets, especially with regard to the stock prices of domestically-orientated companies and smaller companies. The 'Brexit discount' on UK assets continued to widen relative to international peers, and sterling reached 40 year lows relative to the US dollar towards the end of the period. As the UK stock market is heavily dependent on foreign earnings, the substantial decline in sterling helped to support markets through a period of heightened 'no-deal' fears over the summer. Domestic companies, and substantially all smaller companies where

there is a general and blanket perception of domestic exposure, have continued to depreciate in value relative to both the rest of the UK market, and international comparisons.

## 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.

After two strong years of 5%+ outperformance versus the FTSE All Share index, last year was more challenging for the Fund. Over longer time periods the Fund has delivered a compelling risk-adjusted return that is significantly ahead of both the index and the UK All Companies peer-group.

Stock selection was mixed. There were a number of significant positive contributors, in particular companies that were subject to M&A activity such as IFG Group and Fuller Smith & Turner and the Fund's two holdings in the gold sector which benefited from a cyclical upswing in the industry. The biggest negative contributor was Goals Soccer Centres, a long term turnaround situation, where the unexpected disclosure of past malpractice by former employees, in particular in relation to VAT payments, forced the Board to suspend the shares whilst they attempt to resolve the situation.

Portfolio activity during the period reflected ongoing divergence of valuations across the market as we recycled capital into more attractive value opportunities.

The Fund added notable new holdings in British American Tobacco, increasing the overall exposure to the tobacco sector which we believe is materially undervalued, and Ocean Outdoor, Fuller Smith & Turner and Norcross, all domestically oriented businesses where we see long-term growth potential at attractive valuations.

# Investment Review continued

Significant complete sales included IFG Group, following a takeover approach, and GVC which was sold on governance concerns. The Fund also exited both BP and Royal Dutch Shell following a valuation re-rating.

may realise significant value from takeover approaches as non-market actors recognise the value in some of our holdings, and are prepared to pay significant premiums to the prevailing market price.

## Outlook

The UK economy continued to perform relatively robustly when compared to muted expectations in the context of Brexit uncertainty and a fragile global outlook. Brexit has continued to weigh on sentiment and valuations however, with fast-changing fears and expectations of a 'no deal' Brexit leading to particularly volatile currency moves over the Spring and Summer of 2019 in particular.

Predicting both the pathway and final destination of the Brexit process is fraught with difficulty, and it is probably safe only to say that continuing uncertainty is highly likely. However, we continue to take a relatively optimistic view, reflected in the Fund's differentiated exposure to UK domestic assets and smaller companies. We judge that the 'worst-case' political outcomes, whether a chaotic no-deal Brexit or a change to a more left wing Government, are more than fully discounted by the extraordinary valuation opportunity presented by UK assets. We believe that the domestically exposed assets within our portfolio offer compelling risk-adjusted returns that have the potential to drive significant outperformance for the Fund over the coming years.

The Fund remains resolutely under-exposed to 'quality defensives', where record high valuations are creating significant risks that are underappreciated by the market. We believe that their defensiveness is illusory for investors, in part because many have business models that are not as defensive as widely believed, but more importantly because valuation risk is so high to start with.

Elsewhere we continue to find a great deal of value in the market. UK equity funds have seen large and sustained net outflows since 2016, which not only suppresses the overall index but has created ever more pronounced distortions in individual asset prices, for example the discounts applied to smaller companies and the pessimism surrounding the perception of domestic exposure. These distortions provide opportunities for outperformance when markets eventually normalise. This period has shown how even if markets remain irrational, we



# Portfolio Statement

As at 31 August 2019

Holding		Market Value £'000	% of Net Assets
	<b>UNITED KINGDOM EQUITIES - 87.62% (2018 - 78.74%)</b>		
	<b>Aerospace &amp; Defence - 3.67% (2018 - 4.18%)</b>		
230,000	Meggitt	1,414	1.55
950,000	Senior	1,934	2.12
		<b>3,348</b>	<b>3.67</b>
	<b>Construction &amp; Materials - 13.93% (2018 - 10.01%)</b>		
880,000	Balfour Beatty	1,901	2.09
950,000	Eurocell	1,900	2.08
275,000	Keller	1,796	1.97
1,250,000	Melrose Industries	2,252	2.47
1,030,141	Norcros	2,215	2.43
1,300,000	Tyman	2,632	2.89
		<b>12,696</b>	<b>13.93</b>
	<b>Financial Services - 6.64% (2018 - 9.73%)</b>		
380,000	IG	2,051	2.25
900,000	Standard Life Aberdeen	2,255	2.47
600,001	TP	1,748	1.92
		<b>6,054</b>	<b>6.64</b>
	<b>Gas, Water &amp; Multiutilities - 1.20% (2018 - 1.55%)</b>		
143,802	Pennon	1,097	1.20
		<b>1,097</b>	<b>1.20</b>
	<b>General Retailers - 0.74% (2018 - 2.27%)</b>		
302,386	DFS Furniture	671	0.74
		<b>671</b>	<b>0.74</b>
	<b>Household Goods &amp; Home Construction - 0.16% (2018 - 0.00%)</b>		
3,000,000	Eve Sleep <sup>1</sup>	144	0.16
		<b>144</b>	<b>0.16</b>
	<b>Life Insurance - 3.66% (2018 - 0.00%)</b>		
360,000	St. James's Place	3,332	3.66
		<b>3,332</b>	<b>3.66</b>
	<b>Media - 4.66% (2018 - 1.65%)</b>		
170,000	Informa	1,486	1.63
440,000	Ocean Outdoor	2,764	3.03
		<b>4,250</b>	<b>4.66</b>
	<b>Mining - 3.47% (2018 - 2.13%)</b>		
22,000,000	Pan African Resources <sup>1</sup>	3,164	3.47
		<b>3,164</b>	<b>3.47</b>
	<b>Oil &amp; Gas Producers - 2.67% (2018 - 4.65%)</b>		
1,010,647	Diversified Gas & Oil <sup>1</sup>	1,041	1.14
1,250,000	Serica Energy <sup>1</sup>	1,395	1.53
		<b>2,436</b>	<b>2.67</b>
	<b>Oil Equipment, Services &amp; Distribution - 1.55% (2018 - 2.21%)</b>		
5,895,000	Enteq Upstream <sup>1</sup>	1,415	1.55
		<b>1,415</b>	<b>1.55</b>
	<b>Pharmaceuticals &amp; Biotechnology - 0.00% (2018 - 1.12%)</b>		
	<b>Real Estate Investment &amp; Services - 10.11% (2018 - 9.46%)</b>		
25,000,000	Countrywide	1,131	1.24
735,000	Helical	2,580	2.83
1,075,000	Palace Capital	2,935	3.22
1,769,819	U & I	2,566	2.82
		<b>9,212</b>	<b>10.11</b>
	<b>Real Estate Investment Trusts - 4.70% (2018 - 2.55%)</b>		
650,000	Hammerson	1,480	1.62
360,000	Land Securities	2,807	3.08
		<b>4,287</b>	<b>4.70</b>
	<b>Support Services - 15.11% (2018 - 15.22%)</b>		
1,950,000	Begbies Traynor <sup>1</sup>	1,560	1.71
2,200,000	Capita	2,773	3.04
3,400,000	Driver <sup>1</sup>	1,802	1.98
1,250,000	Empresaria <sup>1</sup>	763	0.84
900,000	Ince <sup>1</sup>	1,215	1.33
350,000	Howden Joinery	1,892	2.08
1,900,000	Kin & Carta	1,516	1.67
880,000	SThree	2,244	2.46
		<b>13,765</b>	<b>15.11</b>

# Portfolio Statement continued

As at 31 August 2019

Holding		Market Value £'000	% of Net Assets
	<b>Tobacco - 7.49% (2018 - 3.22%)</b>		
90,000	British American Tobacco	2,600	2.85
200,000	Imperial Brands	4,223	4.64
		<b>6,823</b>	<b>7.49</b>
	<b>Travel &amp; Leisure - 7.86% (2018 - 8.79%)</b>		
2,300,000	Elegant Hotels <sup>1</sup>	1,587	1.74
750,000	Firstgroup	970	1.07
218,700	Fuller Smith & Turner	2,439	2.68
4,300,000	Goals Soccer Centres <sup>1</sup>	-	-
900,000	TEN Entertainment	2,160	2.37
		<b>7,156</b>	<b>7.86</b>
		<b>79,850</b>	<b>87.62</b>
	<b>OVERSEAS EQUITIES - 7.99% (2018 - 17.76%)</b>		
	<b>Guernsey Equities - 3.15% (2018 - 3.95%)</b>		
7,256,654	Better Capital PCC 2012	581	0.64
25,000,000	Mercantile Ports and Logistics <sup>1</sup>	325	0.36
2,800,000	Sirius Real Estate	1,957	2.15
		<b>2,863</b>	<b>3.15</b>
	<b>Ireland Equities - 1.04% (2018 - 4.17%)</b>		
115,000	Ryanair	951	1.04
		<b>951</b>	<b>1.04</b>
	<b>Isle of Man Equities - 0.00% (2018 - 1.95%)</b>		
	<b>Netherlands Equities - 0.00% (2018 - 2.71%)</b>		
	<b>Singapore Equities - 3.62% (2018 - 3.10%)</b>		
6,000,000	Capital Drilling	3,300	3.62
		<b>3,300</b>	<b>3.62</b>
	<b>United Arab Emirates Equities - 0.18% (2018 - 1.88%)</b>		
2,174,727	Gulf Marine Services	161	0.18
		<b>161</b>	<b>0.18</b>
		<b>7,275</b>	<b>7.99</b>
	Investment assets	87,125	95.61
	Net other assets	3,999	4.39
	<b>Net assets</b>	<b>91,124</b>	<b>100.00</b>

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

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 2018.

# Statement of Total Return

For the year ended 31 August 2019

	Notes	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Income:					
Net capital (losses)/gains	2		(7,178)		5,002
Revenue	3	2,900		1,950	
Expenses	4	(767)		(716)	
Interest payable and similar charges		-		-	
Net revenue before taxation		2,133		1,234	
Taxation	5	-		(14)	
Net revenue after taxation			2,133		1,220
<b>Total return before distributions</b>			<b>(5,045)</b>		<b>6,222</b>
Distributions	6		(2,140)		(1,223)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(7,185)</b>		<b>4,999</b>

# Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 August 2019

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Opening net assets attributable to shareholders		72,102		61,162
Amounts receivable on issue of shares	28,316		10,471	
Amounts payable on cancellation of shares	(4,446)		(5,855)	
		23,870		4,616
<b>Change in net assets attributable to shareholders from investment activities (see above)</b>		<b>(7,185)</b>		<b>4,999</b>
Retained distributions on accumulation shares		2,337		1,325
<b>Closing net assets attributable to shareholders</b>		<b>91,124</b>		<b>72,102</b>

Notes to the final report and Financial Statements are from page 141 to 148.

# Balance Sheet

## As at 31 August 2019

	Notes	2019 £000s	2019 £000s	2018 £000s	2018 £000s
<b>Assets:</b>					
Fixed assets:					
Investments			87,125		69,575
Current assets:					
Debtors	7	957		325	
Cash and bank balances	8	3,569		2,475	
<b>Total assets</b>			<b>91,651</b>		<b>72,375</b>
<b>Liabilities:</b>					
Creditors:					
Other creditors	9	(527)		(273)	
<b>Total liabilities</b>			<b>(527)</b>		<b>(273)</b>
<b>Net assets attributable to shareholders</b>			<b>91,124</b>		<b>72,102</b>

Notes to the final report and Financial Statements are from page 141 to 148.

# 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 12 and 13 of the Collective Notes to the Final Report and Financial Statements.

## 2. Net capital gains

	2019 £000s	2018 £000s
(Losses)/gains on non-derivative securities	(7,183)	5,007
Gains on currency	4	1
Handling charges	1	(6)
<b>Net capital (losses)/gains</b>	<b>(7,178)</b>	<b>5,002</b>

## 3. Revenue

	2019 £000s	2018 £000s
Bank interest	2	-
Franked UK dividends	2,428	1,767
Overseas dividends - non-taxable	357	144
Overseas dividends - taxable	(2)	4
Unfranked UK dividends	115	32
Underwriting commission	-	3
<b>Total revenue</b>	<b>2,900</b>	<b>1,950</b>

# Notes to the Final Report and Financial Statements continued

## 4. Expenses

	2019	2018
	£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	690	635
Company secretarial costs	1	1
ACD rebate*	(3)	(6)
	688	630
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	15	14
Safe custody fees	2	4
	17	18
<b>Other expenses:</b>		
Audit fees	8	12
Distribution costs	10	6
Printing costs	3	2
Registration fees	43	43
Taxation advice	-	1
Other expenses	(2)	4
	62	68
<b>Total expenses</b>	<b>767</b>	<b>716</b>

All expenditure stated above is inclusive of VAT where applicable.

The Audit fee for the year, excluding VAT, was £8,820 (2018 - £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

	2019	2018
	£000s	£000s
<b>a. Analysis of the taxation charge for the year:</b>		
Overseas tax suffered	-	14
<b>Total taxation for the year (see Note 5(b))</b>	<b>-</b>	<b>14</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%) (2018 - 20%). The differences are explained below:		
Net revenue before taxation	2,133	1,234
Corporation tax at 20%	427	247
<b>Effects of:</b>		
Overseas dividends - non-taxable	(71)	(29)
Overseas tax suffered	-	14
Surplus allowable expenses arising in the year	130	135
UK dividends not subject to corporation tax	(486)	(351)
Non taxable property revenue from UK REITS- non PID	-	(2)
<b>Total taxation charge for the year (see Note 5(a))</b>	<b>-</b>	<b>14</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 £5,406,000 (2018 : £5,276,000) 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:

	2019	2018
	£000s	£000s
Final	2,337	1,325
Add: Revenue deducted on cancellation of shares	44	52
Deduct: Revenue received on creation of shares	(241)	(154)
<b>Net distributions for the year</b>	<b>2,140</b>	<b>1,223</b>
<b>Reconciliation of net revenue after taxation to net distributions for the year</b>		
Net revenue after taxation	2,133	1,220
Net equalisation on conversions	7	-
Undistributed revenue brought forward	-	3
<b>Net distributions for the year</b>	<b>2,140</b>	<b>1,223</b>

# Notes to the Final Report and Financial Statements continued

## 7. Debtors

	2019	2018
	£000s	£000s
Accrued revenue	498	297
Amounts receivable on creation of shares	11	21
Overseas tax recoverable	3	3
Sales awaiting settlement	445	-
Accrued ACD's fee rebate	-	4
	<b>957</b>	<b>325</b>

## 8. Cash and bank balances

	2019	2018
	£000s	£000s
Cash and bank balances	3,569	2,475
	<b>3,569</b>	<b>2,475</b>

## 9. Other creditors

	2019	2018
	£000s	£000s
Accrued ACD's annual fee	60	57
Amounts payable on cancellation of shares	79	155
Other accrued expenses	113	61
Purchases awaiting settlement	275	-
	<b>527</b>	<b>273</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 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 131 and 133.

The distribution per share is given in the Distribution Table on page 134.

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 2019:

	Class A Shares	Class C Shares	Class I Shares	Class Y Shares	Class O Shares
Opening shares	474,188	22,513,642	9,396,984	4,308	1,000
Shares created	3,110	8,907,975	15,586,178	1,151	31,519
Shares cancelled	(30,536)	(1,546,605)	(461,378)	(2,480)	(7,590)
Shares converted	(50,269)	1,709,561	542,376	-	-
Closing shares	396,493	31,584,573	25,064,160	2,979	24,929

## 13. Contingent liabilities and commitments

As at 31 August 2019 there were no contingent liabilities (2018: £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.

Currency	Monetary Exposure	Non-Monetary Exposure	Total Exposure	Monetary Exposure	Non-Monetary Exposure	Total Exposure
	31 August 2019 £000s	31 August 2019 £000s	31 August 2019 £000s	31 August 2018 £000s	31 August 2018 £000s	31 August 2018 £000s
Euro	-	951	951	-	-	-
US Dollar	-	2,764	2,764	54	-	54

### 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 (2018 - 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:

	2019 £000s	2018 £000s
Listed equity investments held at fair value through profit or loss	87,125	69,575

The following illustrates the sensitivity of the net return and the net assets to an increase or decrease of 20% (2018 - 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.

	2019 20% Increase in fair value £000s	2019 20% Decrease in fair value £000s	2018 20% Increase in fair value £000s	2018 20% Decrease in fair value £000s
<b>Capital Return</b>				
Net gains (losses) on investments at fair value	17,425	(17,425)	13,915	(13,915)

#### 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.

	2019 20% Increase in Sterling against foreign currencies £000s	2019 20% Decrease in Sterling against foreign currencies £000s	2018 20% Increase in Sterling against foreign currencies £000s	2018 20% Decrease in Sterling against foreign currencies £000s
Euro	(159)	238	-	-
US Dollar	(461)	691	(9)	14
<b>Change in net return and net assets</b>	<b>(620)</b>	<b>929</b>	<b>(9)</b>	<b>14</b>

# Notes to the Final Report and Financial Statements continued

## d. Leverage

The subfund did not employ significant leverage during the year (2018 - same).

## e. Fair value hierarchy

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

	Assets		Liabilities	
	31 August 2019	31 August 2019	31 August 2018	31 August 2018
	£000s	£000s	£000s	£000s
Level 1: Quoted	87,125	-	69,575	-
Level 2: Observable		-	-	-
Level 3: Unobservable		-	-	-
	<b>87,125</b>	<b>-</b>	<b>69,575</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 (2018 - 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 2019:

	Transaction Value 2019 £000s	Commissions 2019 £000s	2019 %	Taxes 2019 £000s	Taxes 2019 %
<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				
<b>Sales</b>					
Equity instruments (direct)	25,407	11	0.04	-	-
Collective investement schemes	1.33	-	-	-	-
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>	

	Transaction Value 2018 £000s	Commissions 2018 £000s	2018 %	Taxes 2018 £000s	Taxes 2018 %
<b>Purchases</b>					
Equity instruments (direct)	38,099	19	0.05	146	0.38
Total purchases	38,099	19	0.05	146	0.38
Total purchases including transaction costs	38,264				
<b>Sales</b>					
Equity instruments (direct)	27,327	14	0.05	-	-
Collective investement schemes	330	-	-	-	-
Total sales	27,657	14	0.05	-	-
Total sales including transaction costs	27,643				
<b>Total transaction costs as a % of average net assets</b>		<b>0.05%</b>		<b>0.22%</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 1.73% (2018 : 1.56%).

# 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	4.00%
	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 2019

	A Shares Accumulation			C Shares Accumulation		
	2019 (p)	2018 (p)	2017 (p)	2019 (p)	2018 (p)	2017 (p)
Opening net asset value per share	5,366.14	4,845.72	4,351.39	5,610.73	5,025.75	4,475.86
Return before operating charges	(577.98)	606.68	570.40	(603.45)	629.48	589.41
Operating charges	(75.71)	(86.26)	(76.07)	(39.36)	(44.50)	(39.52)
Return after operating charges	(653.69)	520.42	494.33	(642.81)	584.98	549.89
Distributions	(12.15)	-	(6.49)	(54.31)	(33.51)	(45.96)
Retained distributions on accumulation shares	12.15	-	6.49	54.31	33.51	45.96
Closing net asset value per share	4,712.45	5,366.14	4,845.72	4,967.92	5,610.73	5,025.75
After direct transaction costs of	(11.42)	(8.57)	(13.38)	(11.98)	(8.77)	(13.82)
<b>Performance</b>						
Return after operating charges	(12.18)%	10.74%	11.36%	(11.46)%	11.64%	12.29%
<b>Other information</b>						
Closing net asset value (£'000)	21,297	28,631	28,883	21,952	24,977	22,045
Closing number of shares	451,929	533,558	596,049	441,873	445,161	438,647
Operating charges	1.63%	1.64%	1.67%	0.81%	0.82%	0.84%
Direct transaction costs	0.25%	0.17%	0.29%	0.25%	0.17%	0.29%
<b>Prices</b>						
Highest share price	5,463.68	5,696.45	4,904.89	5,715.33	5,945.84	5,075.79
Lowest share price	3,939.34	4,755.71	4,243.46	4,129.68	4,934.07	4,371.22

<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 2019

	O Shares Accumulation		W Shares Accumulation
	2019 (p)	2018 (p)	2019 (p)
Opening net asset value per share	102.08	100.00	100.00
Return before operating charges	(11.08)	2.16	8.86
Operating charges	(0.18)	(0.08)	(0.33)
Return after operating charges	(11.26)	2.08	8.53
Distributions	(1.64)	-	(1.32)
Retained distributions on accumulation shares	1.64	-	1.32
Closing net asset value per share	90.82	102.08	108.53
After direct transaction costs of	(0.22)	(0.16)	(0.26)
<b>Performance</b>			
Return after operating charges	(11.03)%	2.08%	9.00%
<b>Other information</b>			
Closing net asset value (£'000)	31	21	1
Closing number of shares	33,930	20,609	1,000
Operating charges	0.20%	0.20%	0.54%
Performance fee	-	0.01%	-
Direct transaction costs	0.25%	0.17%	0.25%
<b>Prices</b>			
Highest share price	103.51	107.50	112.23
Lowest share price	75.19	99.34	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 2019

Final Distribution in pence per share

Group 1 Shares purchased prior to 1 September 2018

Group 2 Shares purchased on or after 1 September 2018 to 31 August 2019

	Net revenue (p)	Equalisation (p)	Distribution payable 31/10/19 (p)	Distribution paid 31/10/18 (p)
<b>A Shares Accumulation</b>				
Group 1	12.1539	-	12.1539	-
Group 2	11.5972	0.5567	12.1539	-
<b>C Shares Accumulation</b>				
Group 1	54.3143	-	54.3143	33.5072
Group 2	44.3932	9.9211	54.3143	33.5072
<b>O Shares Accumulation</b>				
Group 1	1.6400	-	1.6400	N/A
Group 2	1.6391	0.0009	1.6400	N/A
<b>W Shares Accumulation</b>				
Group 1	1.3220	-	1.3220	N/A
Group 2	1.3220	-	1.3220	N/A

Share Class O Accumulation was launched on 3 May 2018.

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 2018 to 31st August 2019, the Fund's C class produced a total return of -11.45%. The Fund's benchmark, the FTSE 250 ex Investment Trust index, produced a total return of -4.98% over the period.\*

The key reason(s) for this underperformance was stock selection, with weak performance from Accesso Technologies, Blue Prism, Asos and Keywords. Sector positioning also negatively impacted performance, primarily due to an overweight position in industrials and technologies, and underweight positions in real estate.

\* 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

To understand the movements in the UK midcap market during the period, and the noticeable increase in volatility, we largely have to look overseas. Therefore, the market background discussion will center on US and Global Markets.

Throughout the period, global equity markets showed elevated levels of nervousness and volatility. The major contributing factors were increasing levels of political uncertainty, and a worsening outlook for economic growth.

With respect to political uncertainty, the trade war between the US and China was the main concern. As the two largest economies in the world, any deterioration in economic growth brought about by increasing tariffs, is likely to have a detrimental impact on other economies and companies. Performance of equity markets in the period was noticeably correlated to changes on sentiment on this topic.

In addition, investors were also concerned about the outlook for economic growth. This was most noticeable in Europe and China, given trade wars (as well as other factors), have impacted important sectors and business confidence. There was also signs of slowing growth in the US economy, albeit from elevated levels. Given the lateness of the economic cycle, global markets are especially sensitive to any signs that the economic environment is slowing.

Global equity markets responded quickly to signs of an economic slowdown. Performance in Q418 was very weak, with low liquidity stocks, high valuation, small-cap, and cyclical sectors like industrials and technology worst affected. In contrast there was a rotation into cheap, but defensive companies, as well as sectors that benefit from lower interest rates like utilities and real estate. The market movements in Q4 implied we were about to enter a recession in the near term.

In response to slowing economic growth and turbulent global markets, central banks across the globe ceased measures that would be associated with strong economies, and started to take measures more commonly seen in slowing economies, such a reducing interest rates.

Low inflation, and falling interest rates led to significant declines in government bond yields. Low government bond yields, and high levels of economic and political uncertainty led to a strong outperformance of companies with high quality and defensive growth characteristics. The valuation premium for these type of companies against the wider market reached levels not seen in decades.

The UK also experienced slower economic growth as the period progressed. There is increasing signs that capital allocation decisions by companies are being deferred as we get close to completing negotiations. In addition, the UK economy was impacted by weaker economic growth in its main trading partners.

## 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 performance was disappointing this period. In particular, four companies, all off-benchmark, and highly valued performed poorly. These companies were Accesso Technologies, Blue Prism, Asos and Keywords. They have all performed well over recent years, but were heavily sold off in the period. With Accesso Technologies the market was concerned about increased investment and high capitalisation of costs, with Blue Prism it was concerned about increased

# Investment Review continued

competition, and with Keywords it was concerned about disruption in the video game market related to the success of a new video game called 'Fortnite'. Asos also performed poorly after they announced tough end-markets and increased investment. Whilst we continue to hold all these positions, we reduced position sizes early in the period.

In the period we sold positions in Superdry; an apparel retailer, NCC; a cyber security consultant, First Derivatives; a technology and consultant company and Spirax-Sarco; an industrial company focusing on steam technologies. We also sold positions in RPC after it was acquired. We also sold Indivior after a poor launch of a key product, and a series of poor litigation results.

We started positions in Moneysupermarket; a price comparison website, Derwent London and Helical Bar; two London focused office companies, Howden Joinery; a leading kitchen manufacturer, National Express; a bus & rail company, St James Place; an investment advice platform, Meggitt; an aerospace after-market company, Rentokil; a global pest control company; Hiscox; a leading retail insurance company, and Rotork; a manufacturer of actuators.

In the period, we also bought, and subsequently sold Rightmove after a strong share price performance.

## Outlook

Whilst we believe that many of the political issues (which so concern the market now) will eventually be resolved, we are mindful that the global economic recovery is quite mature, and the economic outlook is more uncertain than a year ago. The length of the remainder of the economic cycle will in part be driven by the outcome of these political issues, as well as the magnitude of fiscal and monetary support by central banks. Visibility on both of these factors are limited.

As a result of high levels of political and economic uncertainty, equity markets have become increasingly volatile, with wide dispersions in performance across countries, sectors and investment styles. Markets can swing from greed (seeking to take on high risk assets), to fear (seeking low risk assets) extremely quickly. Trying to profit from these swings in sentiment is not part of our investment process. We seek to run a balanced portfolio in this environment.

However, given the lateness of the economic cycle we are keen to avoid too much exposure to companies whose shares are illiquid, whose end-markets are extremely cyclical, or where the balance sheet carries large amount of debt.

# Portfolio Statement

As at 31 August 2019

Holding		Market Value £'000	% of Net Assets
	<b>UNITED KINGDOM EQUITIES - 89.33% (2018 - 87.06%)</b>		
	<b>Aerospace &amp; Defence - 8.06% (2018 - 4.92%)</b>		
313,087	Meggitt	1,924	4.45
767,352	Senior	1,563	3.61
		<b>3,487</b>	<b>8.06</b>
	<b>Construction &amp; Materials - 2.59% (2018 - 3.58%)</b>		
623,301	Melrose Industries	1,123	2.59
		<b>1,123</b>	<b>2.59</b>
	<b>Electronic &amp; Electrical Equipment - 6.06% (2018 - 6.25%)</b>		
98,181	Oxford Instruments	1,273	2.94
58,500	Spectris	1,348	3.12
		<b>2,621</b>	<b>6.06</b>
	<b>Financial Services - 5.56% (2018 - 4.35%)</b>		
179,391	Intermediate Capital	2,406	5.56
		<b>2,406</b>	<b>5.56</b>
	<b>General Industrials - 0.71% (2018 - 6.20%)</b>		
66,037	Vesuvius	309	0.71
		<b>309</b>	<b>0.71</b>
	<b>General Retailers - 4.44% (2018 - 4.93%)</b>		
78,987	ASOS <sup>1</sup>	1,923	4.44
		<b>1,923</b>	<b>4.44</b>
	<b>Industrial Engineering - 2.51% (2018 - 2.52%)</b>		
350,000	Rotork	1,086	2.51
		<b>1,086</b>	<b>2.51</b>
	<b>Leisure Goods - 4.10% (2018 - 3.25%)</b>		
173,773	Frontier Developments <sup>1</sup>	1,776	4.10
		<b>1,776</b>	<b>4.10</b>
	<b>Life Insurance - 2.89% (2018 - 0.00%)</b>		
135,000	St. James's Place	1,250	2.89
		<b>1,250</b>	<b>2.89</b>
	<b>Media - 9.02% (2018 - 4.79%)</b>		
339,254	Auto Trader	1,806	4.17
560,000	Moneysupermarket.com	2,098	4.85
		<b>3,904</b>	<b>9.02</b>
	<b>Mining - 1.77% (2018 - 2.71%)</b>		
191,000	KAZ Minerals	767	1.77
		<b>767</b>	<b>1.77</b>
	<b>Oil &amp; Gas Producers - 6.34% (2018 - 4.69%)</b>		
456,165	Diversified Gas & Oil	470	1.09
1,127,911	Tullow Oil	2,274	5.25
		<b>2,744</b>	<b>6.34</b>
	<b>Personal Goods - 0.00% (2018 - 2.30%)</b>		
	<b>Pharmaceuticals &amp; Biotechnology - 4.95% (2018 - 8.67%)</b>		
82,087	Genus	2,142	4.95
		<b>2,142</b>	<b>4.95</b>
	<b>Real Estate Investment &amp; Services - 0.93% (2018 - 0.00%)</b>		
115,000	Helical	404	0.93
		<b>404</b>	<b>0.93</b>
	<b>Real Estate Investment Trusts - 3.85% (2018 - 0.00%)</b>		
52,451	Derwent London REIT	1,667	3.85
		<b>1,667</b>	<b>3.85</b>
	<b>Software &amp; Computer Services - 6.49% (2018 - 19.87%)</b>		
201,012	accesso Technology <sup>1</sup>	1,809	4.18
107,151	Blue Prism <sup>1</sup>	999	2.31
		<b>2,808</b>	<b>6.49</b>
	<b>Support Services - 15.34% (2018 - 8.03%)</b>		
975,000	Capita	1,229	2.84
203,338	HomeServe	2,350	5.43
330,729	Howden Joinery	1,788	4.13
280,000	Rentokil Initial	1,269	2.94
		<b>6,636</b>	<b>15.34</b>

# Portfolio Statement continued

As at 31 August 2019

		Market Value	% of
		£'000	Net Assets
	Travel & Leisure - 3.72% (2018 - 0.00%)		
381,891	National Express	1,610	3.72
		<u>1,610</u>	<u>3.72</u>
		<u>38,663</u>	<u>89.33</u>
	OVERSEAS EQUITIES - 8.59% (2018 - 9.52%)		
	Bermudian Equities - 2.41% (2018 - 0.00%)		
67,000	Hiscox	1,041	2.41
		<u>1,041</u>	<u>2.41</u>
	Canadian Equities - 3.49% (2018 - 3.42%)		
257,596	Entertainment One	1,511	3.49
		<u>1,511</u>	<u>3.49</u>
	Ireland Equities - 2.69% (2018 - 6.10%)		
72,946	Keywords Studios <sup>1</sup>	1,165	2.69
		<u>1,165</u>	<u>2.69</u>
	Investment assets	42,380	97.92
	Net other assets	901	2.08
	<b>Net assets</b>	<b>43,281</b>	<b>100.00</b>

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

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 2018.

# Statement of Total Return

For the year ended 31 August 2019

	Notes	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Income:					
Net capital (losses)/gains	2		(6,732)		5,449
Revenue	3	859		760	
Expenses	4	(548)		(668)	
Interest payable and similar charges		-		-	
Net revenue before taxation		311		92	
Taxation	5	(7)		-	
Net revenue after taxation			304		92
<b>Total return before distributions</b>			<b>(6,428)</b>		<b>5,541</b>
Distributions	6		(306)		(149)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(6,734)</b>		<b>5,392</b>

# Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 August 2019

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Opening net assets attributable to shareholders		53,629		50,928
Amounts receivable on issue of shares	1,268		2,398	
Amounts payable on cancellation of shares	(5,177)		(5,238)	
		(3,909)		(2,840)
<b>Change in net assets attributable to shareholders from investment activities (see above)</b>		<b>(6,734)</b>		<b>5,392</b>
Retained distributions on accumulation shares		295		149
<b>Closing net assets attributable to shareholders</b>		<b>43,281</b>		<b>53,629</b>

Notes to the final report and Financial Statements are from page 159 to 165.

# Balance Sheet

## As at 31 August 2019

	Notes	2019 £000s	2019 £000s	2018 £000s	2018 £000s
<b>Assets:</b>					
Fixed assets:					
Investments			42,380		51,794
Current assets:					
Debtors	7	342		986	
Cash and bank balances	8	845		1,047	
<b>Total assets</b>			<b>43,567</b>		<b>53,827</b>
<b>Liabilities:</b>					
Creditors:					
Other creditors	9	(286)		(198)	
<b>Total liabilities</b>			<b>(286)</b>		<b>(198)</b>
<b>Net assets attributable to shareholders</b>			<b>43,281</b>		<b>53,629</b>

Notes to the final report and Financial Statements are from page 159 to 165.

# 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 12 and 13 of the Collective Notes to the Final Report and Financial Statements.

## 2. Net capital gains

	2019 £000s	2018 £000s
(Losses)/gains on non-derivative securities	(6,732)	5,453
Handling charges	-	(4)
<b>Net capital (losses)/gains</b>	<b>(6,732)</b>	<b>5,449</b>

## 3. Revenue

	2019 £000s	2018 £000s
Bank interest	1	-
Franked UK dividends	812	760
Overseas dividends - non-taxable	30	-
Unfranked UK dividends	16	-
<b>Total revenue</b>	<b>859</b>	<b>760</b>

# Notes to the Final Report and Financial Statements continued

## 4. Expenses

	2019	2018
	£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	505	615
Company secretarial costs	1	1
	506	616
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	8	11
Safe custody fees	1	3
	9	14
<b>Other expenses:</b>		
Audit fees	8	12
Distribution costs	3	2
Printing costs	1	1
Registration fees	21	21
Taxation advice	-	1
Other expenses	-	1
	33	38
<b>Total expenses</b>	<b>548</b>	<b>668</b>

All expenditure stated above is inclusive of VAT where applicable.

The Audit fee for the year, excluding VAT, was £8,820 (2018 - £8,820).



# Notes to the Final Report and Financial Statements continued

## 5. Taxation

	2019	2018
	£000s	£000s
<b>a. Analysis of the taxation charge for the year:</b>		
Overseas tax suffered	7	-
<b>Total taxation for the year (see Note 5(b))</b>	<b>7</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%) (2018 - 20%).

The differences are explained below:

Net revenue before taxation	311	92
Corporation tax at 20%	62	18
<b>Effects of:</b>		
Overseas dividends - non-taxable	(8)	-
Overseas tax suffered	7	-
Surplus allowable expenses arising in the year	106	134
UK dividends not subject to corporation tax	(160)	(152)
<b>Total taxation charge for the year (see Note 5(a))</b>	<b>7</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 £4,066,000 (2018 : £3,960,000) 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:

	2019	2018
	£000s	£000s
Final	295	149
Add: Revenue deducted on cancellation of shares	12	7
Deduct: Revenue received on creation of shares	(1)	(7)
<b>Net distributions for the year</b>	<b>306</b>	<b>149</b>

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

Net revenue after taxation	304	92
Net revenue shortfall taken to capital	-	57
Net equalisation on conversions	2	-
<b>Net distributions for the year</b>	<b>306</b>	<b>149</b>

# Notes to the Final Report and Financial Statements continued

## 7. Debtors

	2019	2018
	£000s	£000s
Accrued revenue	135	67
Amounts receivable on creation of shares	2	192
Overseas tax recoverable	-	6
Sales awaiting settlement	205	721
	<b>342</b>	<b>986</b>

## 8. Cash and bank balances

	2019	2018
	£000s	£000s
Cash and bank balances	845	1,047
	<b>845</b>	<b>1,047</b>

## 9. Other creditors

	2019	2018
	£000s	£000s
Accrued ACD's annual fee	39	52
Amounts payable on cancellation of shares	22	107
Other accrued expenses	60	39
Purchases awaiting settlement	165	-
	<b>286</b>	<b>198</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 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 150 and 151.

The distribution per share is given in the Distribution Table on page 152.

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 2019:

	Class A Shares	Class C Shares	Class O Shares	Class W Shares
Opening shares	533,558	445,161	20,609	-
Shares created	12,979	13,320	14,321	1,000
Shares cancelled	(41,191)	(67,535)	(1,000)	-
Shares converted	(53,417)	50,927	-	-
Closing shares	451,929	441,873	33,930	1,000

## 13. Contingent liabilities and commitments

As at 31 August 2019 there were no contingent liabilities (2018: £Nil).

# Notes to the Final Report and Financial Statements continued

## 14. Derivatives and other financial instruments

### a. Currency exposure

As at 31 August 2019 the subfund had no significant exposure to currencies other than Sterling (2018 - 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 (2018 - 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:

	2019 £000s	2018 £000s
Listed equity investments held at fair value through profit or loss	42,380	51,794

The following illustrates the sensitivity of the net return and the net assets to an increase or decrease of 20% (2018 - 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.

	2019 20% Increase in fair value £000s	2019 20% Decrease in fair value £000s	2018 20% Increase in fair value £000s	2018 20% Decrease in fair value £000s
<b>Capital Return</b>				
Net gains (losses) on investments at fair value	8,476	(8,476)	10,359	(10,359)

### 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 (2018 - same).

### e. Fair value hierarchy

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

	Assets		Liabilities	
	31 August 2019 £000s	31 August 2019 £000s	31 August 2018 £000s	31 August 2018 £000s
Level 1: Quoted	42,380	-	51,794	-
Level 2: Observable	-	-	-	-
Level 3: Unobservable	-	-	-	-
	<b>42,380</b>	<b>-</b>	<b>51,794</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 (2018 - 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 2019:

	Transaction Value 2019 £000s	Commissions 2019 £000s	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				
<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>	

	Transaction Value 2018 £000s	Commissions 2018 £000s	2018 %	Taxes 2018 £000s	Taxes 2018 %
<b>Purchases</b>					
Equity instruments (direct)	26,197	12	0.05	60	0.23
Total purchases	26,197	12	0.05	60	0.23
Total purchases including transaction costs	26,269				
<b>Sales</b>					
Equity instruments (direct)	31,431	13	0.04	-	-
Total sales	31,431	13	0.04	-	-
Total sales including transaction costs	31,418				
<b>Total transaction costs as a % of average net assets</b>		<b>0.06%</b>		<b>0.11%</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 0.29% (2018 : 0.27%).

# 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 2019.

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

05 December 2019

# Depository's Report to the Shareholders

REPORT OF THE DEPOSITORY TO THE SHAREHOLDERS OF THE Allianz UK & European Investment Funds ("the Company") for the year ended 31 August 2019.

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 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

05 December 2019

# Independent auditors' report to the Shareholders of Allianz UK & European Investment Funds

## Report on the audit of the financial statements

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### Opinion

In our opinion, Allianz UK & European Investment Funds' financial statements:

- give a true and fair view of the financial position of the Company and each of the sub-funds as at 31 August 2019 and of the net revenue 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 (the "company") 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 2019; the statements of total return and the statements of change 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 for each of the sub-funds.

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### 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.

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### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the sub-funds business and the wider economy.



# Independent auditors' report to the 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 to the Shareholders

In our opinion, the information given in the Authorised Corporate Director's Report to the Shareholders 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 11, 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 the Shareholders of Allianz UK & European Investment Funds continued

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## 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.

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### 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

05 December 2019

# Additional Information

## How will I be kept informed of my investment?

You will receive interim and annual short form reports as at 28 February and 31 August, respectively. You will also 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 (£12,000 for 2019/2020 year, £11,700 for 2018/2019). If gains in excess of this exemption are realised the excess is taxable at the rate of UK capital gains tax applicable to the investor, being either 10% or (for higher & additional rate taxpayers) 20%.

### 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

<b>Assets involved in each type of Securities Financing Transactions and Total Return Swaps as at 31 August 2019</b>	in GBP	in % of the funds entire assets
Assets involved in Total Return Swaps	-	-
Assets involved in Securities Lending	335,950,945.25	15.15
Assets involved in Repurchase Agreements	-	-

<b>Top 10 counterparties of each types of Securities Financing Transactions and Total Return Swaps</b>	Gross volume outstanding transactions in GBP	Country where the counterparty is established
for Total Return Swaps	-	-
for Securities Lending	-	-
BNP Paribas SA	174,543,000.00	FR
Banco Santander SA	161,407,945.25	ES
for Repurchase Agreements / Reverse Repurchase Agreements	-	-

### Settlement and clearing information

Total Return Swaps: bilateral  
 Securities Lending: trilateral  
 Repurchase Agreements / Reverse Repurchase Agreements: bilateral

<b>Maturity tenor of Securities Financing Transactions and Total Return Swaps broken down in maturity buckets</b>	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	335,950,945.25
for Repurchase Agreements / Reverse Repurchase Agreements	-
- open maturity	-

<b>Type of collateral received</b>	Market Value in GBP
for Total Return Swaps	-
- Cash	-
- Shares	-
- Debt	-
for Securities Lending	-
- Cash	43,747,332.13
- Shares	127,474,963.21
- Debt	183,651,548.38

# Annex: Securities Financing Transaction Regulations (unaudited)

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)	3,986,443.80
- AA+ (Aa1)	33,284,802.74
- AA (Aa2)	21,848,764.45
- AA- (Aa3)	-
- A+ (A1)	12,509,498.81
- A (A2)	35,267,933.72
- A- (A3)	18,615,717.10
- BBB+ (Baa1)	22,376,036.53
- BBB (Baa2)	43,694,244.74
- BBB- (Baa3)	14,937,788.70
for Repurchase Agreements / Reverse Repurchase Agreements	
- AAA (Aaa)	-
- AA+ (Aa1)	-
- AA (Aa2)	-
- AA- (Aa3)	-
- A+ (A1)	-
- A (A2)	-
- A- (A3)	-
- BBB+ (Baa1)	-
- BBB (Baa2)	-
- BBB- (Baa3)	-

# Annex: Securities Financing Transaction Regulations (unaudited)

Currency of collateral received	Market Value in GBP
for Total Return Swaps	
- EUR	-
- USD	-
- GBP	-
- JPY	-
for Securities Lending	
- EUR	147,194,738.72
- USD	109,622,052.69
- GBP	88,155,623.45
- JPY	-
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	354,873,843.72
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	0	0
- Costs for manager of the collective investment undertaking	-	
- Returns for third parties (e.g. agent lender)	0	0
- Costs for third parties (e.g. agent lender)	-	
for Securities Lending		
- Returns for collective investment undertaking	0	0
- Costs for collective investment undertaking	-	
- Returns for manager of the collective investment undertaking	0	0

# Annex: Securities Financing Transaction Regulations (unaudited)

- Costs for manager of the collective investment undertaking	-	
- Returns for third parties (e.g. agent lender)	0	0
- Costs for third parties (e.g. agent lender)	-	
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	0	0
- Costs for manager of the collective investment undertaking	-	
- Returns for third parties (e.g. agent lender)	0	0
- Costs for third parties (e.g. agent lender)	-	

**Income for the fund from reinvestment of cash collateral, based on all securities financing transactions and total return swaps** n.a.

**Amount of securities and commodities on loan as proportion of total lendable assets defined as excluding cash and cash equivalents** 0.00%

<b>Ten largest collateral issuers</b>	Market Value in GBP
for Total Return Swaps	-
for Securities Lending	
French Republic (Territory)	21,848,764.45
Apple Inc	20,298,246.80
Pfizer Inc	19,986,463.88
innogy Finance BV	19,687,812.00
Volvo Treasury AB	15,344,333.66
Enel Finance International NV	13,670,420.07
Teck Resources Ltd	12,816,163.70
GlaxoSmithKline Capital Plc	8,374,063.44
Knorr-Bremse AG	6,460,842.53
WPP Finance 2010	6,087,638.76
for Repurchase Agreements / Reverse Repurchase Agreements	-

**Reinvested collateral as a % of the collateral received, based on all securities financing transactions and total return swaps** 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
State Street Bank and Trust Company		354,873,843.72

<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 as at 31 August 2019**

	in GBP	in % of the funds entire assets
Assets involved in Total Return Swaps	-3,588,524.44	0.00
Assets involved in Securities Lending	-	-
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		
Barclays Bank Plc	-143,741.45	GB
JPMorgan Chase & Co	-189,811.80	US
Merrill Lynch International	-530,066.89	GB
BNP Paribas SA	-1,265,872.30	FR
BofA Securities Europe SA	-1,459,032.00	FR
for Securities Lending	-	-
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	-3,588,524.44
- open maturity	-
for Securities Lending	
- open maturity	-
for Repurchase Agreements / Reverse Repurchase Agreements	
- open maturity	-

### Type of collateral received

	Market Value in GBP
for Total Return Swaps	
- Cash	-
- Shares	-
- Debt	-
for Securities Lending	
- Cash	-

# Annex: Securities Financing Transaction Regulations (unaudited)

- Shares	-
- Debt	1,037,055.82
for Repurchase Agreements / Reverse Repurchase Agreements	
- Cash	-
- Shares	-
- Debt	-

Quality of collateral received	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)	315.08
- AA+ (Aa1)	1,036,730.86
- AA (Aa2)	9.88
- AA- (Aa3)	-
- A+ (A1)	-
- A (A2)	-
- A- (A3)	-
- BBB+ (Baa1)	-
- BBB (Baa2)	-
- BBB- (Baa3)	-
for Repurchase Agreements / Reverse Repurchase Agreements	
- AAA (Aaa)	-
- AA+ (Aa1)	-
- AA (Aa2)	-
- AA- (Aa3)	-
- A+ (A1)	-
- A (A2)	-
- A- (A3)	-
- BBB+ (Baa1)	-
- BBB (Baa2)	-
- BBB- (Baa3)	-

Currency of collateral received Market Value in GBP

# Annex: Securities Financing Transaction Regulations (unaudited)

for Total Return Swaps	
- EUR	-
- USD	-
- GBP	-
- JPY	-
for Securities Lending	
- EUR	515,459.17
- USD	521,596.65
- GBP	-
- JPY	-
for Repurchase Agreements / Reverse Repurchase Agreements	
- EUR	-
- USD	-
- GBP	-
- JPY	-

<b>Maturity tenor of collateral received broken down in maturity buckets</b>	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	1,037,055.82
for Repurchase Agreements / Reverse Repurchase Agreements	
- open maturity	-

<b>Data on return and cost</b>	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	0	0
- Costs for manager of the collective investment undertaking	-	
- Returns for third parties (e.g. agent lender)	0	0
- Costs for third parties (e.g. agent lender)	-	
for Securities Lending		
- Returns for collective investment undertaking	0	0
- Costs for collective investment undertaking	-	
- Returns for manager of the collective investment undertaking	0	0
- Costs for manager of the collective investment undertaking	-	

# Annex: Securities Financing Transaction Regulations (unaudited)

- Returns for third parties (e.g. agent lender)	0	0
- Costs for third parties (e.g. agent lender)	-	
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	0	0
- Costs for manager of the collective investment undertaking	-	
- Returns for third parties (e.g. agent lender)	0	0
- Costs for third parties (e.g. agent lender)	-	
<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>		0.00%
<b>Ten largest collateral issuers</b>		Market Value in GBP
for Total Return Swaps		-
for Securities Lending		
Federal National Mortgage Association		521,596.65
Austria, Republic of (Territory)		515,134.21
Germany, Federal Republic of (Territory)		211.47
Netherlands, Kingdom of the (Territory)		103.61
French Republic (Territory)		9.88
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
State Street Bank and Trust Company		1,037,055.82
<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

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