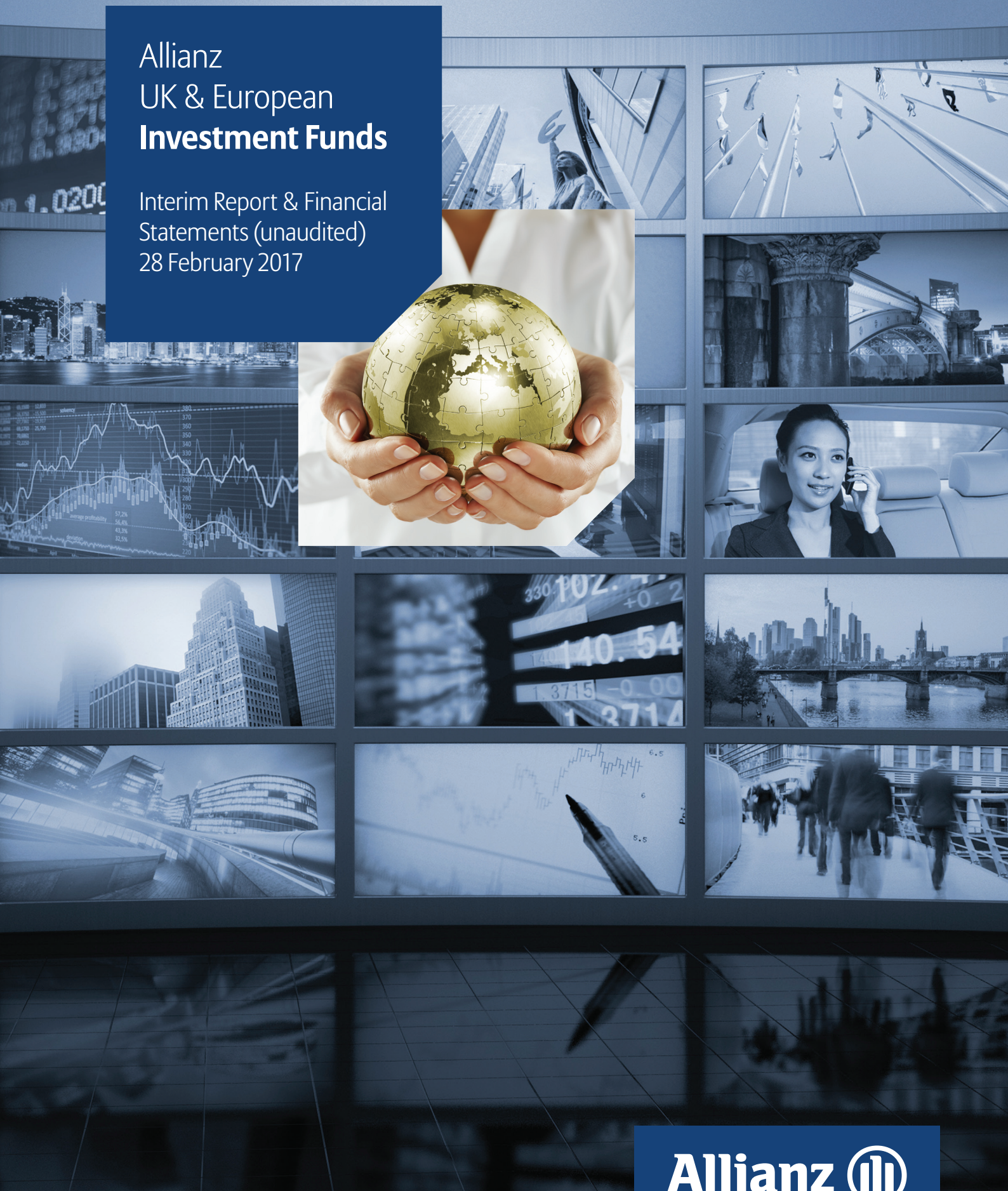


# Allianz UK & European Investment Funds

Interim Report & Financial  
Statements (unaudited)  
28 February 2017



**Allianz**   
Global Investors

Understand. Act.



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# 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 sub-funds, each of which is operated as a distinct fund, with its own portfolio of investments. Each sub-fund 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 sub-fund represents a segregated portfolio of assets and accordingly, the assets of a sub-fund belong exclusively to that sub-fund 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 sub-funds and shall not be available for such purpose.

The sub-funds of the Allianz UK & European Investment Funds are:

Sub-fund	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 Index Fund**	20 June 2002
Allianz UK Mid-Cap Fund	20 June 2002
Allianz UK Unconstrained Fund***	9 February 2004

\*The Allianz UK Growth Fund changed its name to the Allianz UK Opportunities Fund on 13 January 2017.

\*\* The Allianz UK Index fund will be closed on 30 June 2017.

\*\*\* The Allianz UK Unconstrained Fund merged into the Allianz UK Opportunities Fund on 13 April 2017.

## Classes of share within the sub-funds

Each sub-fund 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 sub-fund.

## 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.

No numerical remuneration disclosures are required for Interim Report & Financial Statements.

## Securities Financing Transactions Regulation

The Securities Financing Transactions Regulation, as published by the European Securities and Markets Authority, aims to improve the transparency of the securities financing markets. Disclosures regarding exposure to Securities Financing Transactions (SFTs) or total return swaps will be required on all reports & accounts published after 13 January 2017. During the period to 28 February 2017 and at the balance sheet date, the Company did not use SFTs or total return swaps, as such no disclosure is required.

## Short reports

With effect from 22 November 2016, the FCA requirement to prepare and send out short reports to investors was removed. Investors were advised in their 5 April 2017 statement letter that short forms will not be produced.

## 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  
7 More London Riverside  
London SE1 2RT

### Registrar of Shareholders

International Financial Data Services (UK) Limited  
IFDS House  
St. Nicholas Lane  
Basildon  
Essex SS15 5FS

Authorised and regulated by the Financial Conduct  
Authority

### Depositary

J.P. Morgan Europe Limited  
Chaseside  
Bournemouth BH7 7DA

Authorised by the Prudential Regulation Authority and  
regulated by the Financial Conduct Authority and the  
Prudential Regulation Authority.

### Investment Advisers

Allianz UK Equity Income Fund, Allianz UK Opportunities  
Fund, Allianz UK Index Fund, Allianz UK Mid-Cap Fund,  
Allianz UK Unconstrained Fund, Allianz Gilt Yield Fund &  
Allianz Strategic Bond 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 sub-funds 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 sub-fund, and can fluctuate according to the movements within the portfolio of investments.

Sub-funds 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.

As at 28 February 2017, none of the sub-funds invested in shares of another sub-fund within the Allianz UK & European Investment Funds range.

With effect from 1 September 2016, the Allianz Gilt Yield Fund and the Allianz Strategic Bond Fund moved to a gross pricing basis. All interest distributions after 6 April 2017 will be paid gross, i.e. without the deduction of income tax.

Following the approval of the proposed scheme of arrangement at an EGM on 11 April 2017, Allianz UK Unconstrained merged into Allianz UK Opportunities on 13 April 2017.

On 30 June 2017, the Allianz UK Index fund will be closed.

Short reports are no longer being produced for the Company. There were no other events that occurred after 28 February 2017 which would require disclosure or adjustments to the financial statements of any of the sub-funds 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 sub-funds. Generally, the ACD will charge a dilution levy where a sub-fund 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.

# Financial Risk Management

The sub-funds 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 and derivatives risk. The risk profile and the policies adopted to manage risk did not change materially during the current and preceding period.

The narrative below explains the different types of risks the sub-funds 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 sub-fund.

The sub-funds 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 sub-funds 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 sub-fund'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 sub-fund 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 sub-fund'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 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 sub-funds, 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 sub-fund suffering a loss.

Outstanding settlements are subject to credit risk. Credit risk is mitigated by a sub-fund through its decision to transact with counterparties of high credit quality. The sub-fund 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 sub-fund. The sub-fund therefore has significant exposure to credit risk.

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

## Interest rate risk

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

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

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

## Financial Risk Management continued

### Derivative risk

Derivatives may be used for the purposes of Efficient Portfolio Management (EPM). EPM restricts the use of derivatives to the reduction of risk, the reduction of cost and the generation of additional capital or revenue with an acceptably low level of risk. EPM transactions must be economically appropriate and the exposure fully covered. The Allianz UK Equity Income Fund may write covered call options up to 20% of the Net Asset Value of the sub-fund (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 sub-fund 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 sub-fund. However, derivatives when used to implement investment policies, may increase volatility of the sub-fund's share price. The Allianz Gilt Yield Fund and Allianz Strategic Bond Fund utilise derivatives to implement the investment policy.

### Counterparty Risk

A sub-fund conducts transactions through or with brokers, clearing houses, market counterparties and other agents.

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

The sub-funds 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 sub-fund'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 sub-fund causing loss to investors. The sub-funds 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

	← Typically lower rewards ← Typically lower risk				Typically higher rewards → Typically higher risk →		
Sub-fund	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 Index Fund					5		
Allianz UK Mid-Cap Fund						6	
Allianz UK Unconstrained Fund					5		

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

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 sub-fund. The categorisation of the sub-fund is not guaranteed and may change in the future. Even the lowest category 1 does not mean a risk-free investment.

## Financial Risk Management continued

### Why is the sub-fund in this category?

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

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

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

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



## 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 Investment Association Statement of Recommended Practice 2014 ("IMA SORP").

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

Additionally, under the requirements of the Collective Investment Schemes sourcebook ("COLL") the ACD has to prepare a long report for each annual accounting period and half-yearly accounting period of the Company.

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

- (i) For each sub-fund:
  - the full financial statements for the annual accounting period 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 Depositary 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 to apply them consistently;
- make judgements and 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 operation for the foreseeable future.

The ACD is required to ensure that the accounts 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 positions of the sub-funds as at the end of that year.

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

- (i) For each sub-fund:
  - 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 sub-fund are set out within the individual Financial Statements for that sub-fund.

# Accounting Policies

## Basis for preparation

With the exception of the Allianz UK Index Fund and the Allianz UK Unconstrained Fund, the financial statements of the sub-funds 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 Association in May 2014 ("IMA SORP"). The financial statements for the Allianz UK Index Fund and the Allianz UK Unconstrained Fund have been prepared on a break-up basis, with all assets and liabilities presented at their fair values and full provisions have been made for all known liabilities and anticipated losses.

All accounting and distribution policies are consistent with the most recent annual financial statements, 31 August 2016.

# Allianz Gilt Yield Fund

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# Fund Information

## Investment Objective and Policy

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

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

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

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

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

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

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

## Status of the Allianz UK & European Investment Funds

It is the intention of the ACD that the Allianz Gilt Yield Fund (the "Fund") will be managed so as to meet the requirements necessary for it to be included in an Individual Savings Account.

## Classes of Share within the sub-funds

There are three classes of share available on the Allianz Gilt Yield Fund, being the 'C', 'I' and 'Y' class.



## Fund Information continued

## Fund Details

Fund Manager	Mike Riddell	
Benchmark	FTSE Actuaries UK Conventional Gilts All Stocks Index	
Underlying Yield to 28 February 2017	C Shares	0.9%
	I Shares	1.1%
	Y Shares	n/a
Distribution Yield to 28 February 2017	C Shares	1.4%
	I Shares	1.4%
	Y Shares	n/a
Income allocation dates	Interim	28 February*
	Final	31 August
Income pay dates	Interim	30 April
	Final	31 October
Launch date	Fund	16 May 2002
	C Shares	16 May 2002
	I Shares	16 May 2002
	Y Shares	20 February 2017
ISA status	Yes (C and I Shares)	
Share Classes and types of Shares	C (Income Shares)	
	I (Income Shares)	
	Y (Accumulation Shares)	
Minimum investment	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)
Initial charge	C Shares	Nil
	I Shares	Nil
	Y Shares	Nil
Annual ACD fee	C Shares	0.50%
	I Shares	0.30%
	Y Shares	0.30%

\* 29 February in a leap year.

With effect from 1 September 2016, the Allianz Gilt Yield Fund moved to a gross pricing basis. All interest distributions after 6 April 2017 will be paid gross, i.e. without the deduction of income tax. Investors are advised to consult with their independent tax advisor to determine the effects to them, if any as a result of this change in UK legislation.

## Fund Information continued

## Net Asset Value

Share Class	Period Ended	Net Asset Value (£000s)	Number of Shares in Issue	Net Asset Value per Share (p)
C Shares	28 February 2017	99,850	55,831,975	178.8
I Shares	28 February 2017	1,120,692	603,810,011	185.6
Y Shares	28 February 2017	5	99	5,050.5

## Operating Charges

Share Class	Year Ended	(%)
C Shares	31 August 2016	0.53
I Shares	31 August 2016	0.32
Y Shares <sup>1</sup>	31 August 2016	n/a

<sup>1</sup> Y shares launched on 20 February 2017. The estimated operating charges as at 28 February 2017 was 0.35%.

Operating Charges represent 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 Fund.

## Summary of Distribution

Share class	Payment date	Net distribution per share (p)
C Shares	31 October 2016	1.1006
	30 April 2017	1.0851
I Shares	31 October 2016	1.1531
	30 April 2017	1.1423
Y Shares <sup>2</sup>	30 April 2017	0.0000

<sup>2</sup> Y Shares launched on 20 February 2017.

Please note: Investors are reminded that the Fund distributes bi-annually.

# Investment Review

## Performance Summary

Over the six-month period under review, from 1 September 2016 to 28 February 2017, the Fund's 'C Inc' class produced a total return of -4.91% and 'I Inc' class produced a total return of -5.03%. The Fund's benchmark, the FTSE Actuaries UK Conventional Gilts All Stocks Index, produced a total return of -4.43% over the period\*.

The key reasons for this underperformance were the Fund's long duration positioning through Q4 2016 and the Fund's exposure to US treasuries (hedged back to GBP), which underperformed gilts following the US election.

## Market Background

Globally, most government bonds saw a rise in yields in early September, as markets moved to price in additional US rate hikes from the Federal Reserve, economic data out of the UK and Eurozone was broadly ahead of expectations, and markets moved to anticipate an era of central bank regime change, focusing on steeper yield curves. This pushed UK government bond yields back up to levels seen before the Bank of England announced its rate cut and QE programme.

October saw renewed downward pressure on global government bonds, driven by the idea that central banks are out of ammunition or have lost their desire to continue with QE/NIRP/ZIRP, the potential for a shift from monetary easing to fiscal easing, and concerns about rising inflation, driven in particular by higher oil prices. The result was a notable bear steepening through October. Gilts did particularly badly during October as announcements around Brexit meant UK assets started to exhibit a risk premium.

November saw the continuation of October's sell off in global government bonds, as the market became concerned over rising inflation and yields, which it anticipated as fiscal policy takes over from monetary policy. Following Trump's electoral victory, US 10-year yields rose about 55 basis points to around 2.4% by the end of November. Relative to US treasuries, UK gilts did better over the month.

The global bond bear market finally tired in December, although UK government bonds came under renewed pressure in January. After months of expectation-beating

economic data releases, UK data started to roll over in February. February was a good month for gilts as a result, with the curve seeing a slight bull flattening move through the month, helped by a more dovish than expected inflation report from the Bank of England, with 30-year gilts falling over 30 basis points on the month.

## Portfolio Review

The Fund's primary drivers of returns are duration and curve positioning, relative value, cross market and inflation.

We increased our short duration position to almost half a year short relative to the benchmark in early September, which helped performance relative to the index as yields rose sharply. On 15th September, immediately after bond market fears over extreme Bank of Japan policy response failed to materialise, the Fund was moved to almost 0.5 years long duration given that gilt yields had retraced to their early August highs.

The Fund also increased its position in 30-Year US Treasuries that had been initiated in mid-August. Fund duration was relatively stable throughout October, remaining slightly long. The Fund maintained its view that inflation breakevens, which were pricing Consumer Price Index to be above 2.5% over the very long term, were far too high and continued with no exposure to inflation-linked gilts in October.

UK and US yields moved higher together in November, led mostly by the US following its election results and concerns over rising inflation pushed yields higher. The Fund's long duration positioning, therefore, hampered returns over the month. November also saw some relative value trades along the yield curve.

The Fund slightly increased its US treasury holdings over the month, as the yield pick-up seemed attractive. Following the US election, treasuries all along the yield curve saw a significant sell off.

The Fund retained its long duration conviction through December, remaining roughly half a year long versus the benchmark throughout the month. The Fund's heavy overweight in the 10-year part of the curve saw curve positioning generate some alpha.

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

## Investment Review continued

In January, while we were concerned that the momentum in 'Trump trades' seemed to continue, we moved short and then long duration between mid-and end-month due to technical supply factors. The auction of the 1 ¾% 2037 and the syndication of the 1 ¾% 2057 both provided opportunities for relative value as these had cheapened on the curve relative to surrounding gilts.

February was a good month for gilts, with the curve seeing a slight bull flattening move through the month. This was led by the 30-year which fell over 30 basis points, but the 10-year also fell 27 basis points. While no inflation-linked positions had been held by the Fund since September, we bought the UK 1/8% Index-Linked Bonds 2065 at syndication following a decent cheapening in the bond ahead of the supply.

### Outlook

On the back of upward revisions for economic growth by the Office for Budget Responsibility, lower financing needs expected by the Debt Management Office for the current fiscal year should lead to a sharp decrease in gilt supply.

We have a lot of sympathy for the Bank of England's outlook that the surprisingly strong UK economic data seen since June 2016 is unsustainable and set to reverse, given that this has been almost entirely driven by a debt-fueled surge in consumer spending. The higher inflation that we are confident we will see through to the end of 2017 is very likely to push real incomes lower, putting a dent in consumer spending. Meanwhile business investment, which is the key to a sustained improvement in UK growth, remains stuck at 2015 levels and with little sign of improvement as we move further into the Brexit process.

As such, we are broadly supportive on UK government bonds, believing it is exceptionally unlikely that the Bank of England will start increasing interest rates in 2018 as is priced in by the market, while we do not see UK inflation becoming unhinged, where we expect inflation to plateau in early 2018 before starting to fall back towards the Bank of England's target.

10 March 2017

The contents of this Investment Review are based on the views of the manager at the time of writing, which may be subject to change.



# Portfolio Statement

As at 28 February 2017

Holding	Market Value £000s	% of Net Assets
<b>Sterling Denominated Fixed Rate Government Bonds 92.34% (2016 - 95.04%)</b>		
£19,650,000 Treasury 0.125% Inflation Linked Bonds 22/11/2065	47,197	3.87
£231,000,000 Treasury 0.5% Bonds 22/7/2022	230,347	18.87
£87,500,000 Treasury 1.5% Bonds 22/7/2026	90,832	7.44
£57,600,000 Treasury 1.5% Gilts 22/7/2047	54,379	4.45
£52,500,000 Treasury 1.75% Bonds 22/7/2057	54,404	4.46
£30,040,000 Treasury 1.75% Gilts 7/9/2037	30,033	2.46
£55,850,000 Treasury 2% Gilts 7/9/2025	60,752	4.98
£7,500,000 Treasury 2% Notes 22/7/2020	7,946	0.65
£9,075,000 Treasury 3.25% Stock 22/1/2044	11,886	0.97
£10,350,000 Treasury 3.5% Notes 22/1/2045	14,222	1.16
£132,700,000 Treasury 4.25% Stock 7/12/2027	174,311	14.28
£13,000,000 Treasury 4.25% Stock 7/6/2032	17,871	1.46
£41,000,000 Treasury 4.25% Stock 7/9/2039	60,003	4.92
£111,500,000 Treasury 4.5% Bonds 7/9/2034	160,580	13.16
£79,000,000 Treasury 4.75% Stock 7/12/2030	112,360	9.21
	<b>1,127,123</b>	<b>92.34</b>
<b>Sterling Denominated Fixed Rate Corporate Bonds 1.49% (2016 - 1.64%)</b>		
£18,200,000 Barclays 1.5% European Medium Term Notes 4/4/2017	<b>18,219</b>	<b>1.49</b>
<b>US Dollar Denominated Fixed Rate Government Bonds 5.93% (2016 - 1.71%)</b>		
\$35,000,000 US Treasury 2.25% Bonds 15/8/2046	23,920	1.96
\$46,000,000 US Treasury 4.75% Notes 15/2/2037	48,425	3.97
	<b>72,345</b>	<b>5.93</b>
<b>DERIVATIVES (0.10)% (2016 - (0.01)%)</b>		
<b>Sterling Open Futures Contracts (0.01)% (2016 - (0.02)%)</b>		
(400) Long Gilt December 2016 Futures	<b>(68)</b>	<b>(0.01)</b>
<b>Sterling Open Forward Exchange Contracts (0.09)% (2016 - 0.01%)</b>		
Bought GBP 73,921,464 : Sold USD 93,446,315	<b>(1,145)</b>	<b>(0.09)</b>

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>US Dollar Open Forward Exchange Contracts 0.00% (2016 - 0.00%)</b>		
Bought USD 3,796,917 : Sold GBP 3,073,545	(23)	0.00
Investment assets <sup>1</sup>	1,216,451	99.66
Net other assets	4,096	0.34
<b>Net assets</b>	<b>1,220,547</b>	<b>100.00</b>

<sup>1</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 2016.

## Statement of Total Return

For the six months to 28 February 2017

	2017 £000s	2017 £000s	2016 £000s	2016 £000s
Income				
Net capital (losses) gains		(59,813)		34,515
Revenue	7,201		8,575	
Expenses	(1,925)		(1,622)	
Interest payable and similar charges	(12)		(5)	
Net revenue before taxation	5,264		6,948	
Taxation	0		0	
Net revenue after taxation		5,264		6,948
Total return before distributions		(54,549)		41,463
Distributions		(7,059)		(8,465)
Change in net assets attributable to shareholders from investment activities		(61,608)		32,998

## Statement of Change in Net Assets Attributable to Shareholders

For the six months to 28 February 2017

	2017 £000s	2017 £000s	2016 £000s	2016 £000s
Opening net assets attributable to shareholders		1,119,446		955,949
Amounts receivable on creation of shares	193,110		71,431	
Less: Amounts payable on cancellation of shares	(30,401)		(128,841)	
		162,709		(57,410)
Dilution levy		0		9
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		(61,608)		32,998
Unclaimed distribution		0		27
Closing net assets attributable to shareholders		1,220,547		931,573

Section 3.30 of the IMA SORP issued in May 2014 requires comparative figures for the above statement. For interim financial statements this will result in the closing comparative net assets not being equal to net assets at the start of the current period.

Please note that the 'Distributions' figure includes 'Revenue received on creation of shares' and 'Revenue deducted on cancellation of shares'.

# Balance Sheet

As at 28 February 2017

	28 February 2017 £000s	28 February 2017 £000s	31 August 2016 £000s	31 August 2016 £000s
<b>Assets</b>				
Fixed assets				
Investments		1,217,687		1,101,479
Current assets				
Debtors	173,827		10,616	
Cash and bank balances	8,852		16,320	
<b>Total other assets</b>		<b>182,679</b>		<b>26,936</b>
<b>Total assets</b>		<b>1,400,366</b>		<b>1,128,415</b>
<b>Liabilities</b>				
Investment liabilities		(1,236)		(229)
Creditors				
Distribution payable on income shares	(7,504)		(8,166)	
Other creditors	(171,079)		(574)	
<b>Total other creditors</b>		<b>(178,583)</b>		<b>(8,740)</b>
<b>Total liabilities</b>		<b>(179,819)</b>		<b>(8,969)</b>
<b>Net assets attributable to shareholders</b>		<b>1,220,547</b>		<b>1,119,446</b>



# Allianz Strategic Bond Fund

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# Fund Information

## Investment Objective and Policy

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

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

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

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

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

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

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

## Status of the Allianz UK & European Investment Funds

It is the intention of the ACD that the Allianz Strategic Bond Fund (the "Fund") will be managed so as to meet the requirements necessary for it to be included in an Individual Savings Account.

## Classes of Share within the sub-funds

There are four classes of share available on the Allianz Strategic Bond Fund, being the 'A', 'C', 'I' and 'SP' class.

## Fund Information continued

## Fund Details

Fund Manager	Mike Riddell			
Benchmark	Barclays Global Aggregate hedged to Sterling			
Underlying Yield to 28 February 2017	A Shares	1.0%	I Shares	1.9%
	C Shares	1.7%	SP Shares	n/a
Distribution Yield to 28 February 2017	A Shares	1.0%	I Shares	1.9%
	C Shares	1.7%	SP Shares	n/a
Income allocation dates	Interim	28 February*		
	Final	31 August		
Income pay dates	Interim	30 April		
	Final	31 October		
Launch dates	Fund	16 May 2002		
	A Shares	16 May 2002		
	C Shares	1 April 2005		
	I Shares	28 July 2016		
	SP Shares	13 February 2017		
ISA status	Yes (A and C Shares)			
Share Classes and types of Shares	A (Income Shares)		C (Income Shares)	
	I (Income Shares)		SP (Income Shares)	
Minimum investment	A Shares	Lump sum £500 Monthly saving £50		
	C Shares	Lump sum £500 Monthly saving £50		
	I Shares	Lump sum £10,000,000		
	SP Shares	Lump Sum £10,000,000 (Available to Approved Investors only)		
Initial charge	A Class	4%	I Class	Nil
	C Class	Nil	SP Class	Nil
Annual ACD fee	A Class	1.25%	I Class	0.39%
	C Class	0.60%	SP Class	0.48%

\*29 February in a leap year

With effect from 1 September 2016, the Allianz Strategic Bond Fund moved to a gross pricing basis. All interest distributions after 6 April 2017 will be paid gross, i.e. without the deduction of income tax. Investors are advised to consult with their independent tax advisor to determine the effects to them, if any, as a result of this change in UK legislation.

## Fund Information continued

## Net Asset Value

Share Class	Period Ended	Net Asset Value (£000s)	Number of Shares in Issue	Net Asset Value per Share (p)
A Shares	28 February 2017	29,926	19,865,087	150.6
C Shares	28 February 2017	23,143	15,316,123	151.1
I Shares	28 February 2017	75,824	78,056,104	97.1
SP Shares	28 February 2017	5	4,943	101.2

## Operating Charges

Share Class	Year Ended	(%)
A Shares	31 August 2016	1.46
C Shares	31 August 2016	0.70
I Shares <sup>1</sup>	31 August 2016	0.53
SP Shares <sup>2</sup>	31 August 2016	n/a

<sup>1</sup>The revised estimated operating charges as at 28 February 2017 was 0.47%

<sup>2</sup>SP Shares launched on 13 February 2017. The estimated operating charges as at 28 February 2017 was 0.60%.

Operating Charges represent 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 Fund.

## Summary of Distribution

Share class	Payment date	Net distribution per share (p)
A Shares	31 October 2016	0.6103
	30 April 2017	0.5481
C Shares	31 October 2016	1.0898
	30 April 2017	1.1200
I Shares	31 October 2016	0.1575
	30 April 2017	0.8332
SP Shares <sup>3</sup>	30 April 2017	0.0000

<sup>3</sup>SP Shares launched on 13 February 2017.

Please note: Investors are reminded that the Fund distributes bi-annually.

# Investment Review

## Performance Summary

Over the six-month period under review, from 1 September 2016 to 28 February 2017, the Fund's 'A Inc' class produced a total return of -2.77% and 'C Inc' class produced a total return of -2.34%. The Fund's benchmark, the Barclays Global Aggregate Total Return GBP Hedged, produced a total return of -2.33% over the period.\*

The key reason for this underperformance was our long duration positioning through Q4 2016, while our FX and credit derivative positions proved a strong positive for portfolio returns.

## Market Background

Government bonds of developed economies generally saw a rise in yields in early September, driven by the European Central Bank (ECB) surprising markets by not extending quantitative easing (QE), and market concerns over the Bank of Japan (BoJ) initiating a period of central bank regime change, with a focus on steepening the yield curve. From mid-September, a less dramatic than expected change by the BoJ, together with the Federal Reserve's decision to maintain rates mid-month rather than hike, saw global government bond yields fall.

October saw a notable bear steepening in government bonds throughout the month, particularly in UK gilts as UK assets started to exhibit a risk premium. Global bonds continued to sell off in November, as the reflation trade increasingly hit headlines. US high yield spreads fell, however, by the end of the month yields were slightly higher than where they started, due to movements in treasuries.

The global bond bear market finally tired in December, and sterling's rally reversed somewhat as December saw a weakening towards the end of the month. The Federal Reserve announced an increase of the federal funds rate in mid-December. A few days earlier, the ECB had announced a tapering (but also a lengthening) of its QE programme. This resumed policy divergence weakened the euro versus the US dollar.

January saw corporate bond markets enjoy a strong rally, with yield spreads on a range of credit derivative indices touching the lowest level since July 2015, while European government bonds sold off. In February bonds rallied, with

the gilt market being particularly strong, as the Bank of England appeared relatively pessimistic over the prospects for UK economic growth. Meanwhile US corporate bond spreads continued falling to worrying low levels, implying very little extra yield for taking on greater credit risk.

## Portfolio Review

The Fund's primary drivers of returns are duration and curve positioning, credit, inflation and FX.

The Fund was short duration to mid-September which benefited performance as bond markets were weak, before moving long mid-month which helped performance. The fund's credit exposure was moved to underweight for the first time post Brexit, as a 12% short position in European financials subordinated credit was entered into. The 6% position in Itraxx Xover that had been in place since the Brexit vote was maintained.

Duration was long versus benchmark in October, which was a drag on returns as yields rose. Our long-held Eurozone curve flattener position was also maintained. The main exception to our curve flattening bias was in the UK, where we initiated an interest rate swap, paying 15y forward. We sold out completely of inflation-linked bonds on the view that inflation-linked bond markets were now fairly priced. Following a further leg higher in market implied inflation rates, towards end of month we used a 10-year inflation swap to express a view that market implied inflation rates in the UK would fall.

The Fund maintained its long duration bias through November, still primarily due to our belief that larger structural trends would keep government bond yields low for a long time, but also due to our lack of conviction in consensus 'trumpflation trades'. We took profit on our 15y forward on the 2nd November as we felt the UK government yield curve had moved sufficiently. We remained long duration through December and January. We reduced our short European Subordinated Financials position, and removed our long European high yield position in December, before doubling up on our ITraxx Sub-Fin position in January to be heavily underweight credit, when we felt the political and financial risks that exist within the Euro area were not priced into the market. January was very active for the fund in the FX space, particularly through the use of options.

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

## Investment Review continued

In February, fund duration was brought down slightly as we decided to take some profit from our duration positioning following the bond rally. Our UK inflation swap performed well, and we added the inflation-linked 1/8% 2065 UK gilt at syndication to take advantage of the substantial cheapening of the bond going into the new supply. We also entered a pay EU inflation swap and a receive US inflation swap, on the view that market-implied inflation in Europe (1.5% per year over the next decade) looked too high relative to market implied inflation in the US (2.2% per year).

### Outlook

We are seeing US Treasuries positioning at a record short, with German bunds also short positioned, while USD and oil speculative positioning is near net long records. Historically, this appears to forecast the future path of the underlying securities, where strong consensus views have been a good indicator to take the opposite view. This suggests a reversal of these moves in the future, which is bearish for the US dollar and oil, and bullish for global government bonds.

Meanwhile, China remains a key risk to the global economy. The Chinese government had helped to support the economy through massive money supply growth, in turn supporting the housing market and the larger economy. As money supply has tightened since July, we have already seen the rest of the economy and particularly China's housing market starting to slow. Base effects from commodities imply global inflation rates peaking in March before falling away markedly, unless we see continued strong commodity price growth.

On the political front, the Global Economic Policy Uncertainty index was at record highs at the start of February. Meanwhile, credit spreads were and continue to be at very low levels. This disparity between current market pricing risk and future uncertainty continues to make us very wary on corporate bonds as an asset class.

10 March 2017

The contents of this Investment Review are based on the views of the manager at the time of writing, which may be subject to change.



# Portfolio Statement

As at 28 February 2017

Holding	Market Value £000s	% of Net Assets
<b>Sterling Denominated Fixed Rate Government Bonds 9.51% (2016 - 8.10%)</b>		
£330,000 Federal National Mortgage Association 5.375% Bonds 7/12/2028	449	0.35
£1,000,000 Mexico (Government) 5.625% Bonds 19/3/2114	956	0.74
£1,200,000 Treasury 0.125% Inflation Linked Bonds 22/11/2065	2,882	2.23
£8,000,000 Treasury 0.5% Bonds 22/7/2022	7,977	6.19
	<b>12,264</b>	<b>9.51</b>
<b>Sterling Denominated Fixed Rate Corporate Debt Securities 8.59% (2016 - 11.50%)</b>		
£200,000 AA Bond 4.2487% Senior European Medium Term Notes 31/7/2043	214	0.17
£350,000 ABP Finance 6.25% Guaranteed European Medium Term Bonds 14/12/2026	451	0.35
£100,000 Affinity Sutton 4.25% European Medium Term Bonds 8/10/2042	127	0.10
£400,000 AIG 5% Guaranteed Senior European Medium Term Bonds 26/4/2023	464	0.36
£100,000 Arkle Master Issuer 3.986% Guaranteed Mortgage Backed Bonds 17/5/2060	101	0.08
£200,000 Arqiva Financing 5.34% European Medium Term Note 30/12/2037	235	0.18
£1,350,000 Aviva 4.375% European Medium Term Notes 12/9/2049	1,331	1.03
£900,000 BASF 1.75% European Medium Term Notes 11/3/2025	914	0.71
£400,000 E.ON International Finance 6% Guaranteed European Medium Term Bonds 30/10/2019	453	0.35
£700,000 Heathrow Funding 7.125% European Medium Term Notes 1/3/2017	700	0.54
£100,000 Holmes Master Issuer 4.009% Guaranteed Mortgage Backed European Medium Term Bonds 15/10/2054	102	0.08
£300,000 Imperial Brands Finance 7.75% Guaranteed European Medium Term Notes 24/6/2019	346	0.27
£300,000 Nationwide Building Society 2.25% European Medium Term Notes 29/4/2022	314	0.24
£900,000 RSA Insurance 5.125% Guaranteed Bonds 10/10/2045	964	0.75
£750,000 Society of Lloyd's 4.75% Subordinated Bonds 30/10/2024	821	0.64
£200,000 Society of Lloyd's 4.875% Bonds 7/2/2047	210	0.16
£400,000 Telecom Italia 6.375% Guaranteed Senior European Medium Term Notes 24/6/2019	438	0.34
£100,000 Telecom Italia 7.375% Guaranteed Senior European Medium Term Notes 15/12/2017	105	0.08
£507,456 Telereal Secured Finance 4.01% Asset Backed Notes 10/12/2033	540	0.42
£300,000 Telereal Securitisation 4.0902% Asset Backed Bonds 10/12/2033	314	0.24
£200,000 Trafford Centre Finance 4.75% Bonds 28/4/2029	220	0.17
£1,000,000 Travis Perkins 4.375% Guaranteed Senior Bonds 15/9/2021	1,045	0.81
£300,000 United Utilities Water 5.75% Guaranteed Senior European Medium Term Bonds 25/3/2022	366	0.28
£100,000 Vodafone 5.375% Guaranteed Senior European Medium Term Notes 5/12/2017	104	0.08
£200,000 Volkswagen Financial Services 2.375% Guaranteed European Medium Term Notes 13/11/2018	204	0.16
	<b>11,083</b>	<b>8.59</b>

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>Sterling Denominated Fixed Rate Perpetual Corporate Debt Securities 0.00% (2016 - 0.00%)</b>		
£319,233 Whitnash 9% Guaranteed Perpetual Notes <sup>1</sup>	0	0.00
<b>Sterling Denominated Variable Rate Corporate Debt Securities 2.39% (2016 - 2.25%)</b>		
£300,000 Greene King Finance Floating Rate Notes 15/3/2036	216	0.17
£100,000 JP Morgan Chase 1.07069% Floating Rate European Medium Term Notes 30/5/2017	100	0.08
£1,100,000 Legal & General 5.5% Subordinated Floating Rate European Medium Term Notes 27/6/2064	1,123	0.87
£1,050,000 NGG Finance 5.625% Floating Rate Notes 18/6/2073	1,157	0.90
£50,081 Residential Mortgage Securities 25 A1 3.56475% Floating Rate Mortgage Backed Securities 16/12/2050	51	0.04
£500,000 Trafford Centre Finance 0.854% Floating Rate Medium Term Notes 28/7/2038	421	0.33
	<b>3,068</b>	<b>2.39</b>
<b>Sterling Denominated Variable Rate Perpetual Corporate Debt Securities 0.00% (2016 - 0.11%)</b>		
<b>Euro Denominated Fixed Rate Government Bonds 13.46% (2016 - 21.16%)</b>		
€ 2,500,000 Bundesrepublik Deutschland 0% Bonds 15/8/2026	2,108	1.64
€ 1,000,000 France (Government) 1.75% Bonds 25/5/2066	765	0.59
€ 3,000,000 Germany (Federal Republic) 2.5% Bonds 4/7/2044	3,506	2.72
€ 3,000,000 Germany (Federal Republic) 4.75% Bonds 4/7/2028	3,844	2.98
€ 1,500,000 Italy (Republic) 0.95% Bonds 15/3/2023	1,257	0.98
€ 6,000,000 Italy (Republic) 1.6% Bonds 1/6/2026	4,931	3.83
€ 1,000,000 Kingdom of Belgium Government 2.25% Bonds 22/6/2057	933	0.72
	<b>17,344</b>	<b>13.46</b>
<b>Euro Denominated Fixed Rate Corporate Debt Securities 5.23% (2016 - 2.33%)</b>		
€ 1,300,000 Accor 1.25% Bonds 25/1/2024	1,102	0.85
€ 1,800,000 ATF Netherlands 2.125% Bonds 13/3/2023	1,559	1.21
€ 1,250,000 AXA 3.375% European Medium Term Notes 6/7/2047	1,078	0.84
€ 650,000 BP Capital Markets 1.117% European Medium Term Note 25/1/2024	568	0.44
€ 1,300,000 Deutsche Telekom International Finance 1.375% European Medium Term Notes 30/1/2027	1,121	0.87
€ 200,000 Fiat Finance & Trade 7% Guaranteed European Medium Term Notes 23/3/2017	171	0.13
€ 900,000 Imerys 1.5% European Medium Term Notes 15/1/2027	765	0.59
€ 450,000 Jaguar Land Rover Automotive 2.2% Bonds 15/1/2024	384	0.30
	<b>6,748</b>	<b>5.23</b>

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>Euro Denominated Fixed Rate Perpetual Corporate Debt Securities</b>		
<b>1.09% (2016 - 1.03%)</b>		
€ 800,000 Groupama 6.375% Perpetual	674	0.52
€ 800,000 Rabobank Nederland 6.625% Perpetual Bonds	737	0.57
	<b>1,411</b>	<b>1.09</b>
<b>Euro Denominated Variable Rate Corporate Debt Securities 0.86%</b>		
<b>(2016 - 0.86%)</b>		
€ 24,718 Berica 0.379% Floating Rate Notes 31/12/2055	21	0.02
€ 1,200,000 Merck 3.375% Variable Rate Bonds 12/12/2074	1,088	0.84
	<b>1,109</b>	<b>0.86</b>
<b>Euro Denominated Variable Rate Perpetual Corporate Debt Securities</b>		
<b>1.69% (2016 - 1.71%)</b>		
€ 1,400,000 NN 4.5% Perpetual Subordinated Floating Rate Notes	1,195	0.93
€ 1,200,000 Total 2.625% Perpetual Floating Rate Notes	983	0.76
	<b>2,178</b>	<b>1.69</b>
<b>US Dollar Denominated Fixed Rate Government Bonds 22.86%</b>		
<b>(2016 - 21.63%)</b>		
\$1,000,000 Abu Dhabi (Government) 3.125% Bonds 3/5/2026	799	0.62
\$1,500,000 Turkey Government International 7.375% Bonds 5/2/2025	1,352	1.05
\$2,000,000 Ukraine (Republic of) 1.471% Notes 29/09/2021	1,574	1.22
\$6,000,000 US Treasury 1.625% Bonds 15/2/2026	4,525	3.51
\$6,000,000 US Treasury 1.75% Bonds 31/12/2020	4,819	3.74
\$11,000,000 US Treasury 1.75% Notes 15/5/2023	8,635	6.70
\$4,400,000 US Treasury 2% Bonds 15/11/2026	3,412	2.65
\$4,000,000 US Treasury 5% Notes 15/5/2037	4,341	3.37
	<b>29,457</b>	<b>22.86</b>
<b>US Dollar Denominated Fixed Rate Corporate Debt Securities 4.96%</b>		
<b>(2016 - 3.35%)</b>		
\$2,000,000 AT&T 5.7% Bonds 1/3/2057	1,658	1.29
\$400,000 California Resources 5% Bonds 15/1/2020	272	0.21
\$1,500,000 Ecopetrol 5.875% Bonds 28/5/2045	1,088	0.84
\$1,600,000 Petroleos Mexicanos 6.875% Bonds 4/8/2026	1,408	1.09
\$1,500,000 Petroleum of Trinidad & Tobago 9.75% Bonds 14/8/2019	1,287	1.00
\$750,000 Vodafone 6.15% Guaranteed Senior Bonds 27/2/2037	688	0.53
	<b>6,401</b>	<b>4.96</b>

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>US Dollar Denominated Variable Rate Perpetual Corporate Debt Securities 0.54% (2016 - 0.53%)</b>		
\$740,000 Rabobank Nederland 11% Guaranteed Perpetual Subordinated Floating Rate Bonds	697	0.54
<b>Australian Dollar Denominated Fixed Rate Government Bonds 2.08% (2016 - 2.30%)</b>		
AUD 5,000,000 Australia (Commonwealth) 3% Bonds 21/3/2047	2,685	2.08
<b>Australian Dollar Denominated Fixed Rate Corporate Debt Securities 0.96% (2016 - 0.00%)</b>		
AUD 2,000,000 International Bank for Reconstruction & Development 2.8% Medium Term Notes 12/1/2022	1,240	0.96
<b>Canadian Dollar Denominated Fixed Rate Government Bonds 2.00% (2016 - 2.03%)</b>		
CAD 3,000,000 Canada (Government) 5.75% Debentures 1/6/2029	2,579	2.00
<b>Danish Krone Denominated Fixed Rate Government Bonds 6.07% (2016 - 4.05%)</b>		
DKK 60,000,000 Denmark (Kingdom) 1.75% Bonds 15/11/2025	7,824	6.07
<b>Japanese Yen Denominated Fixed Rate Government Bonds 6.20% (2016 - 4.81%)</b>		
JPY 200,000,000 Japan (Government) 0.1% Bonds 20/6/2021	1,452	1.13
JPY 100,000,000 Japan (Government) 0.2% Bonds 20/6/2036	666	0.52
JPY 600,000,000 Japan (Government) 0.4% Bonds 20/3/2056	3,636	2.82
JPY 300,000,000 Japan (Government) 0.4% Bonds 20/9/2025	2,228	1.73
	7,982	6.20
<b>Mexican Peso Denominated Fixed Rate Government Bonds 5.69% (2016 - 6.01%)</b>		
MXN 125,000,000 Mexico (Government) 8.5% Bonds 13/12/2018	5,171	4.01
MXN 50,000,000 Mexico (Government) 8.5% Bonds 31/5/2029	2,163	1.68
	7,334	5.69
<b>New Zealand Dollar Denominated Fixed Rate Government Bonds 2.64% (2016 - 1.47%)</b>		
NZD 7,000,000 New Zealand (Government) 2.75% Bonds 15/4/2037	3,408	2.64
<b>Singapore Dollar Denominated Fixed Rate Government Bonds 0.00% (2016 - 3.28%)</b>		

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>DERIVATIVES (1.10)% (2016 - (3.60)%)</b>		
<b>Sterling Open Forward Exchange Contracts (1.75)% (2016 - (3.99)%)</b>		
Bought GBP 6,302,615 : Sold AUD 10,525,000	(196)	(0.15)
Bought GBP 2,660,374 : Sold CAD 4,418,000	(19)	(0.02)
Bought GBP 45,896,690 : Sold EUR 54,238,372	(431)	(0.33)
Bought GBP 7,977,748 : Sold JPY 1,161,475,988	(367)	(0.28)
Bought GBP 7,360,542 : Sold MXN 190,679,999	(285)	(0.22)
Bought GBP 3,547,896 : Sold NZD 6,275,759	(97)	(0.08)
Bought GBP 4,142,383 : Sold SEK 47,283,360	(78)	(0.06)
Bought GBP 46,879,403 : Sold USD 59,323,074	(775)	(0.60)
Bought GBP 255,000 : Sold ZAR 4,340,470	(11)	(0.01)
	<b>(2,259)</b>	<b>(1.75)</b>
<b>Sterling Open Futures Contracts 0.00% (2016 - (0.02)%)</b>		
(60) Long Gilt Future June 2017	(6)	0.00
<b>Sterling Interest Rate Swaps 0.01% (2016 - 0.00%)</b>		
25,000,000 Receive 0.9% Pay Variable 31/10/2020	54	0.04
10,000,000 Pay Variable Receive 3.4625% 15/10/2026	(33)	(0.03)
	<b>21</b>	<b>0.01</b>
<b>Australian Dollar Open Forward Exchange Contracts 0.03% (2016 - 0.06%)</b>		
Bought AUD 2,250,000 : Sold GBP 1,355,308	34	0.03
<b>Canadian Dollar Open Forward Exchange Contracts 0.00% (2016 - 0.00%)</b>		
Bought CAD 292,615 : Sold GBP 180,000	(3)	0.00
<b>Euro Credit Default Swaps 0.66% (2016 - 0.61%)</b>		
€ 10,000,000 iTraxx Europe Crossover 5% 20/6/2021	426	0.33
€ 10,000,000 iTraxx Europe Crossover 5% 20/6/2021	426	0.33
	<b>852</b>	<b>0.66</b>
<b>Euro Open Forward Exchange Contracts 0.03% (2016 - 0.00%)</b>		
Bought EUR 5,200,000 : Sold AUD 7,195,365	20	0.02
Bought EUR 7,000,000 : Sold CAD 9,774,258	51	0.04
Bought EUR 14,556,559 : Sold GBP 12,466,291	(33)	(0.03)
	<b>38</b>	<b>0.03</b>
<b>Euro Open Futures Contracts 0.01% (2016 - (0.19)%)</b>		
24 Euro- Buxl Future March 2017	99	0.08
(36) Euro- Oat Future March 2017	(90)	(0.07)
	<b>9</b>	<b>0.01</b>

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>Euro Interest Rate Swaps 0.09% (2016 - 0.00%)</b>		
13,000,000 EUR20270215R1.535PCPTFE1D	112	0.09
<b>Euro Options 0.00% (2016 - 0.00%)</b>		
(3,500,000) Barclays Bank Euro Call Option 14/3/2017 1.4275	(3)	0.00
(3,500,000) Barclays Bank Euro Call Option 14/3/2017 1.4375	(1)	0.00
3,500,000 Barclays Bank Euro Call Option 14/3/2017 1.41	7	0.00
	3	0.00
<b>Japanese Yen Open Forward Exchange Contracts 0.03% (2016 - 0.02%)</b>		
Bought JPY 458,195,627 : Sold EUR 3,810,000	37	0.03
Bought JPY 31,279,732 : Sold GBP 220,000	5	0.00
	42	0.03
<b>Mexican Peso Open Forward Exchange Contracts 0.01% (2016 - 0.06%)</b>		
Bought MXN 5,950,844 : Sold USD 285,000	9	0.01
<b>New Zealand Dollar Open Forward Exchange Contracts 0.01% (2016 - 0.00%)</b>		
Bought NZD 350,000 : Sold GBP 194,733	8	0.01
<b>South African Rand Open Forward Exchange Contracts 0.00% (2016 - 0.00%)</b>		
Bought ZAR 2,036,843 : Sold GBP 125,000	0	0.00
<b>Swedish Krona Open Forward Exchange Contracts (0.13)% (2016 - (0.03)%)</b>		
Bought SEK 46,570,000 : Sold GBP 4,326,057	(169)	(0.13)
<b>Swiss Franc Open Forward Exchange Contracts 0.00% (2016 - (0.03)%)</b>		
<b>US Dollar Open Forward Exchange Contracts (0.02)% (2016 - 0.05%)</b>		
Bought USD 180,000 : Sold AUD 248,582	(9)	(0.01)
Bought USD 1,679,013 : Sold EUR 1,570,000	8	0.01
Bought USD 13,750,106 : Sold GBP 11,021,718	21	0.02
Bought USD 150,000 : Sold JPY 17,507,940	(5)	(0.01)
Bought USD 3,239,079 : Sold KRW 3,700,000,000	(34)	(0.03)
Bought USD 2,650,000 : Sold ZAR 34,871,827	(5)	0.00
	(24)	(0.02)



## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>US Dollar Open Futures Contracts 0.00% (2016 - (0.14)%)</b>		
<b>US Dollar Options (0.01)% (2016 - 0.00%)</b>		
5,000,000 Barclays Bank US dollar Call Option 30/3/2017 62.25	9	0.01
(7,500,000) Barclays Bank US dollar Call Option 30/3/2017 66	(2)	0.00
5,000,000 Barclays Bank US dollar Put Option 30/3/2017 53	1	0.00
(5,000,000) Barclays Bank US dollar Put Option 30/3/2017 58.5	(57)	(0.05)
5,000,000 Bank of America US dollar Put Option 26/4/2017 110	38	0.03
100 US 10Y Call Option 21/04/17 126	1	0.00
	<b>(10)</b>	<b>(0.01)</b>
<b>US Dollar Interest Rate Swaps (0.08)% (2016 - 0.00%)</b>		
15,000,000 USD20270217RCPURN1DP2.326	<b>(104)</b>	<b>(0.08)</b>
Investment assets <sup>2</sup>	123,365	95.71
Net other assets	5,533	4.29
<b>Net assets</b>	<b>128,898</b>	<b>100.00</b>

<sup>1</sup> Indicates unquoted or delisted securities, stated at ACD's valuation.

<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 2016.

# Statement of Total Return

For the six months to 28 February 2017

	2017 £000s	2017 £000s	2016 £000s	2016 £000s
Income				
Net capital losses		(4,383)		(767)
Revenue	1,407		1,358	
Expenses	(474)		(392)	
Interest payable and similar charges	(10)		(2)	
Net revenue before taxation	923		964	
Taxation	0		0	
Net revenue after taxation		923		964
Total return before distributions		(3,460)		197
Distributions		(923)		(973)
Change in net assets attributable to shareholders from investment activities		(4,383)		(776)

# Statement of Change in Net Assets Attributable to Shareholders

For the six months to 28 February 2017

	2017 £000s	2017 £000s	2016 £000s	2016 £000s
Opening net assets attributable to shareholders		130,992		68,020
Amounts receivable on creation of shares	62,961		11,216	
Less: Amounts payable on cancellation of shares	(60,672)		(8,869)	
		2,289		2,347
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		(4,383)		(776)
Unclaimed distributions		0		12
Closing net assets attributable to shareholders		128,898		69,603

Section 3.30 of the IMA SORP issued in May 2014 requires comparative figures for the above statement. For interim financial statements this will result in the closing comparative net assets not being equal to net assets at the start of the current period.

Please note that the 'Distributions' figure includes 'Revenue received on creation of shares' and 'Revenue deducted on cancellation of shares'.

# Balance Sheet

## As at 28 February 2017

	28 February 2017 £000s	28 February 2017 £000s	31 August 2016 £000s	31 August 2016 £000s
<b>Assets</b>				
Fixed assets				
Investments		126,178		130,066
Current assets				
Debtors	10,909		21,640	
Cash and bank balances	1,772		5,493	
<b>Total other assets</b>		<b>12,681</b>		<b>27,133</b>
<b>Total assets</b>		<b>138,859</b>		<b>157,199</b>
<b>Liabilities</b>				
Investment liabilities		(2,813)		(5,747)
Creditors				
Amount held at futures clearing houses and brokers	0		(570)	
Bank overdraft	(329)		(362)	
Distribution payable on income shares	(931)		(807)	
Other creditors	(5,888)		(18,721)	
<b>Total other liabilities</b>		<b>(7,148)</b>		<b>(20,460)</b>
<b>Total liabilities</b>		<b>(9,961)</b>		<b>(26,207)</b>
<b>Net assets attributable to shareholders</b>		<b>128,898</b>		<b>130,992</b>



# Allianz Continental European Fund

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# Fund Information

## Investment Objective and Policy

This Fund's objective is to provide investors with long term capital growth by investing in a diversified portfolio of investments in Continental European companies.

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

## Status of the Allianz UK & European Investment Funds

It is the intention of the ACD that the Allianz Continental European Fund (the "Fund") will be managed so as to meet the requirements necessary for it to be included in an Individual Savings Account.

## Classes of Share within the sub-funds

There are four classes of share available on the Allianz Continental European Fund, being 'A', 'C', 'S' and 'SP' class.

## Fund Details

<b>Fund Manager</b>	Thorsten Winkelmann and Matthias Born	
<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
	SP Shares	13 February 2017
<b>ISA status</b>	Yes (A and C Shares)	
<b>Share Classes and type of Shares</b>	A (Accumulation Shares) C (Accumulation Shares) S (Accumulation Shares) SP (Accumulation Shares)	
<b>Minimum investment</b>	A Shares Lump sum £500 Monthly saving £50  C Shares Lump sum £500 Monthly saving £50  S Shares Lump sum £10,000,000 Available only at discretion of ACD  SP Shares Lump Sum £10,000,000 (Available to Approved Investors only)	
<b>Initial charge</b>	A Shares	4%
	C Shares	Nil
	S Shares	Nil
	SP Shares	Nil
<b>Annual ACD fee</b>	A Shares	1.50%
	C Shares	0.75%
	S Shares	0.45%
	SP Shares	0.53%

## Fund Information continued

### Fund Details

#### Net Asset Value

Share Class	Period Ended	Net Asset Value (£000s)	Number of Shares in Issue	Net Asset Value per Share (p)
A Shares	28 February 2017	18,642	1,667,407	1118.0
C Shares	28 February 2017	17,274	9,425,777	183.3
S Shares	28 February 2017	86,713	69,899,900	124.1
SP Shares	28 February 2017	5	4,949	101.0

#### Operating Charges

Share Class	Year Ended	(%)
A Shares	31 August 2016	1.72
C Shares	31 August 2016	0.88
S Shares <sup>1</sup>	31 August 2016	0.77
SP Shares <sup>2</sup>	31 August 2016	n/a

<sup>1</sup> The revised estimated operating charges as at 28 February 2017 was 0.52%.

<sup>2</sup> SP shares launched on 13 February 2017. The estimated operating charges as at 28 February 2017 was 0.625%.

Operating Charges represent 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 Fund.

#### Summary of Distribution

Share class	Payment date	Net distribution per share (p)
A Shares	31 October 2016	2.2460
C Shares	31 October 2016	1.7681
S Shares	31 October 2016	1.5026
SP Shares <sup>3</sup>	31 October 2016	n/a

<sup>3</sup> SP Shares launched on 13 February 2017.

Please note: Investors are reminded that the Fund distributes annually.



# Investment Review

## Performance Summary

Over the six-month period under review, from 1 September 2016 to 28 February 2017, the Fund's 'A Acc' class produced a total return of 6.13% and 'C Acc' class produced a total return of 6.47%. The Fund's benchmark, the S&P Europe ex UK Large MidCap Growth Total Return, produced a total return of 6.14% over the period.\*

The key reason for this outperformance was the selection of long-term superior high quality stocks with a structural growth profile. These long-term investments proved resilient in a volatile environment and were able to outperform the rising market.

Allianz Continental European Fund outperformed its benchmark during the recent 6-month period, where a swift market rotation saw markets favour Value stocks over High Quality and Growth.

Stock selection over the 6-month period was mixed, being strong in Financials and Consumer Discretionary, but outweighed by weaker choices in Industrials and Healthcare. There was a positive impact from the sector allocation versus the style benchmark, particularly due to the overweight of IT.

On a single stock level, Richemont, Atlas Copco and VAT Group were the best contributors to the performance on an active level. Partners Group, ASML Holding and Banca Generali also outperformed. On the other hand, shares of Novo Nordisk, Ingenico and DCC underperformed the benchmark. BIC, Symrise and Kerry Group also detracted from performance. Most of these stocks have had a strong run before.

Despite the particularly difficult fourth quarter of 2016, we have consistently been able to significantly grow our earnings by identifying those few companies that are able to generate sustainable earnings growth through the cycle. Therefore, while the outlook for the wider European market ex UK remains uncertain, we are confident our strategies can continue generating strong returns for clients.

## Market Background

Continental European equities overcame rising political concerns at the end of 2016, near 11-month highs, although returns at a country level were mixed, with Germany posting double-digit gains while Denmark delivered almost double-digit losses. The rally (in EUR terms) was partly driven by weakness in the euro, which helped to lift the outlook for the region's exporters, as well as by improving economic data.

Stocks in the Financials sector gained strongly, helped by rising bond yields and measures aimed at strengthening the European banking industry. Materials stocks also recorded robust returns. However, traditional defensive sectors lagged as investors rotated into more cyclical stocks. While January was relatively flat, further positive momentum in February was driven by strengthening in IT and Consumer Staples.

Recent economic news has indicated that the eurozone economy is slowly emerging from stagnation. Key figures include the eurozone composite purchasing managers' index rising to 56.0 in January, up from 54.4 in December – the fastest pace of growth in almost six years. Inflation has also increased, with consumer prices rising 1.8% on an annual basis in January, the highest rate since early 2013 and approaching the official European Central Bank's target of "below but close to 2%". While Mario Draghi appeared relaxed about the rise in inflation, it raises questions as to the longevity of the aggressive stimulus programme.

## Portfolio Review

The Europe Equity Growth 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.

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

## Investment Review continued

During the past 6 months, we initiated positions in Ryanair and Grandvision. We later sold the holdings in Ryanair as well as DCC, Kerry Group and Kingspan to bring the Fund in line with its mandate. Sampo and Hugo Boss were also sold during the period.

### Outlook

2017 will bring French, German and Dutch elections, combined with the ongoing Brexit negotiations. While the importance of these should not be understated, 2016 has taught us that investors are becoming conditioned to such political shocks, and the equity market volatility generated by each of the three “black swan” events, was both less and shorter in nature than most investors anticipated. Indeed despite all these issues, economic data was remarkably resilient through 2016, with Eurozone Purchasing Managers’ Index largely flat through the year. We therefore urge investors to look beyond the politics and focus on the underlying fundamentals, which are less influenced by political volatility than many believe. Far more important to long term investors is whether Europe can, after a 6-year absence finally deliver meaningful earning growth.

Encouragingly many of the issues that have held back European earnings (weak emerging market growth, deflationary pressures, and the commodity slump) in recent years are fading, and will benefit from strong base effects in the coming months. The effects of this are beginning to be seen as evidenced by the strong Q3 and Q4 reporting seasons, and upward earnings revisions trend. Europe appears to be syncing with a global macro upturn, driven by the US, as Europe’s open economy and strong export links with the US leave it especially sensitive to global growth and any new US trade policies. While the Eurozone is unlikely to match US growth in absolute terms, the low base of Eurozone ensures the delta is important. With further room for the economic recovery and a pickup in global inflation, European company profits might now finally see the long-awaited turn in 2017.

The team are cautiously optimistic for 2017, with these encouraging signs that European corporates are returning to meaningful earnings growth, and valuations are also not looking too demanding.

7 March 2017

The contents of this Investment Review are based on the views of the manager at the time of writing, which may be subject to change..

# Portfolio Statement

As at 28 February 2017

Holding	Market Value £000s	% of Net Assets
<b>OVERSEAS EQUITIES 98.95% (2016 - 99.55%)</b>		
<b>Belgium - 3.38% (2016 - 3.59%)</b>		
34,692 Anheuser-Busch InBev	3,057	2.49
43,849 Ontex	1,084	0.89
	<b>4,141</b>	<b>3.38</b>
<b>Denmark - 11.62% (2016 - 11.35%)</b>		
48,371 Coloplast 'B'	2,747	2.24
101,937 DSV	4,037	3.29
162,150 Novo Nordisk 'B'	4,650	3.79
62,934 SimCorp	2,820	2.30
	<b>14,254</b>	<b>11.62</b>
<b>France - 14.56% (2016 - 14.00%)</b>		
19,029 Bic	1,897	1.55
123,562 Bureau Veritas	1,900	1.55
19,960 Dassault Systemes	1,299	1.06
42,310 Ingenico	3,059	2.49
42,352 Legrand	1,924	1.57
17,295 L'Oréal	2,591	2.11
15,673 LVMH Moët Hennessy	2,535	2.07
54,488 SCOR	1,586	1.29
12,100 Sodexo	1,069	0.87
	<b>17,860</b>	<b>14.56</b>
<b>Germany - 24.87% (2016 - 24.95%)</b>		
34,025 Brenntag	1,573	1.28
13,168 Continental	2,157	1.76
66,564 Fresenius	4,269	3.48
28,389 Fuchs Petrolub pref.	1,059	0.86
26,688 Henkel pref.	2,690	2.19
374,048 Infineon Technologies	5,369	4.38
3,366 Rational	1,243	1.01
104,900 SAP	7,882	6.43
48,577 Scout24	1,377	1.12
37,999 Symrise	1,908	1.56
29,340 United Internet	974	0.80
	<b>30,501</b>	<b>24.87</b>
<b>Ireland - 0.00% (2016 - 7.11%)</b>		

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>Italy - 2.31% (2016 - 2.79%)</b>		
74,118 Banca Generali	1,443	1.18
66,362 De'Longhi	1,388	1.13
	<b>2,831</b>	<b>2.31</b>
<b>Netherlands - 8.76% (2016 - 6.28%)</b>		
29,005 Akzo Nobel	1,568	1.28
35,485 ASML	3,468	2.83
95,465 GrandVision	1,958	1.59
98,593 Unilever	3,756	3.06
	<b>10,750</b>	<b>8.76</b>
<b>Spain - 4.64% (2016 - 4.47%)</b>		
89,898 Amadeus IT	3,368	2.75
89,757 Inditex	2,324	1.89
	<b>5,692</b>	<b>4.64</b>
<b>Sweden - 13.22% (2016 - 11.73%)</b>		
163,994 Assa Abloy 'B'	2,568	2.09
140,796 Atlas Copco 'A'	3,715	3.03
214,092 Elekta 'B'	1,637	1.34
135,486 Hexagon 'B'	4,393	3.58
194,343 HEXPOL	1,567	1.28
140,927 Trelleborg 'B'	2,328	1.90
	<b>16,208</b>	<b>13.22</b>
<b>Switzerland - 15.59% (2016 - 13.28%)</b>		
98,780 Clariant	1,487	1.21
78,145 Compagnie Financiere Richemont	4,637	3.78
39,016 Julius Baer (Regd.)	1,538	1.26
12,334 Kardex	1,002	0.82
452 Lindt & Spruengli Participating Certificates	2,057	1.68
6,311 Partners	2,659	2.17
20,584 Roche Holding	4,040	3.29
21,711 VAT	1,694	1.38
	<b>19,114</b>	<b>15.59</b>
Investment assets	121,351	98.95
Net other assets	1,283	1.05
<b>Net assets</b>	<b>122,634</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 2016.

# Statement of Total Return

For the six months to 28 February 2017

	2017 £000s	2017 £000s	2016 £000s	2016 £000s
Income				
Net capital gains		7,489		1,268
Revenue	487		219	
Expenses	(428)		(243)	
Net revenue (expense) before taxation	59		(24)	
Taxation	(37)		(14)	
Net revenue (expense) after taxation		22		(38)
<b>Total return before distributions</b>		<b>7,511</b>		<b>1,230</b>
Distributions		0		0
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>7,511</b>		<b>1,230</b>

# Statement of Change in Net Assets Attributable to Shareholders

For the six months to 28 February 2017

	2017 £000s	2017 £000s	2016 £000s	2016 £000s
<b>Opening net assets attributable to shareholders</b>		<b>116,041</b>		<b>30,710</b>
Amounts receivable on creation of shares	969		72,144	
Less: Amounts payable on cancellation of shares	(1,887)		(3,264)	
		(918)		68,880
Dilution adjustment		-		100
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		7,511		1,230
<b>Closing net assets attributable to shareholders</b>		<b>122,634</b>		<b>100,920</b>

Section 3.30 of the IMA SORP issued in May 2014 requires comparative figures for the above statement. For interim financial statements this will result in the closing comparative net assets not being equal to net assets at the start of the current period.

Please note that the 'Distributions' figure includes 'Revenue received on creation of shares' and 'Revenue deducted on cancellation of shares'.

# Balance Sheet

As at 28 February 2017

	28 February 2017 £000s	28 February 2017 £000s	31 August 2016 £000s	31 August 2016 £000s
<b>Assets</b>				
Fixed assets		121,351		115,520
Investments				
Current assets				
Debtors	256		254	
Cash and bank balances	1,155		387	
<b>Total other assets</b>		<b>1,411</b>		<b>641</b>
<b>Total assets</b>		<b>122,762</b>		<b>116,161</b>
<b>Liabilities</b>				
Creditors				
Other creditors	(128)		(120)	
<b>Total other liabilities</b>		<b>(128)</b>		<b>(120)</b>
<b>Total liabilities</b>		<b>(128)</b>		<b>(120)</b>
<b>Net assets attributable to shareholders</b>		<b>122,634</b>		<b>116,041</b>





# Allianz European Equity Income Fund

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# 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.

## Status of the Allianz UK & European Investment Funds

It is the intention of the ACD that the Allianz European Equity Income Fund (the "Fund") will be managed so as to meet the requirements necessary for it to be included in an Individual Savings Account.

## Classes of Share within the sub-funds

There are two classes of share available on the Allianz European Equity Income Fund, being 'A' and 'C' class.

## 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 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 (A and C Shares)	
<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%
	C Shares	Nil
<b>Annual ACD fee</b>	A Shares	1.50%
	C Shares	0.75%

\*29 February in a leap year

\*\* Class 'A' income shares were launched on 30 March 2009.

## Fund Information continued

## Net Asset Value

Share Class	Period Ended	Net Asset Value (£000s)	Number of Shares in Issue	Net Asset Value per Share (p)
A Shares (Income)	28 February 2017	4,304	2,937,560	146.5
A Shares (Accumulation)	28 February 2017	19,692	9,182,957	214.4
C Shares (Income)	28 February 2017	1,730	1,580,479	109.5
C Shares (Accumulation)	28 February 2017	3,054	2,492,733	122.5

## Operating Charges

Share Class	Year Ended	(%)
A Shares (Income)	31 August 2016	2.63
A Shares (Accumulation)	31 August 2016	2.21
C Shares (Income)	31 August 2016	2.10
C Shares (Accumulation)	31 August 2016	1.28

Operating Charges represent 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 Fund.

## Summary of Distribution

Share class	Payment date	Net distribution per share (p)
A Shares (Income)	30 September 2016	0.3668
	31 December 2016	0.0000
	31 March 2017	0.2575
A Shares (Accumulation)	30 September 2016	0.7552
	31 December 2016	0.2105
	31 March 2017	0.4347
C Shares (Income)	30 September 2016	0.2508
	31 December 2016	0.0000
	31 March 2017	0.3026
C Shares (Accumulation)	30 September 2016	0.4929
	31 December 2016	0.1823
	31 March 2017	0.3008

Please note: Investors are reminded that the Fund distributes quarterly.

# Investment Review

## Performance Summary

Over the six month period under review, 1 September 2016 to 28 February 2017, the Fund's 'A Inc' class produced a total return of 8.37% and 'A Acc' class produced a total return of 8.51%. The Fund's 'C Inc' class produced a total return of 8.92% and 'C Acc' class produced a total return of 9.02%. The Fund's benchmark, the MSCI Europe ex UK – Total Return Index, produced a total return of +9.36% over the period.\*

The strategy initially lagged during the market recovery following the Brexit setback. However, as markets started to move sideward over the remainder of the third quarter into the fourth quarter, the strategy was able to perform significantly ahead of the market. In the second half of October, when markets seemed to prepare for a win of Trump and trended lower as this was largely seen as the more unfavourable outcome the strategy achieved a strong relative result. However, the strategy saw a setback following the US elections. Market reaction following the election of Trump was probably not quite what had been expected by many market participants beforehand. After a first negative surprise reaction, markets turned distinctly positive and have trended sideward – not the setback many feared, nor the heightened volatility. Rising hopes for a large fiscal boost in the US supported market sentiment, sent inflation expectations ("Trumpflation") and interest rates sharply higher and made the market temporarily more difficult to navigate from a dividend investor's perspective. Relative performance started to recover in the middle of December. Sector positioning resulted in a distinct positive contribution driven by the underweight in Consumer Staples and Health Care. However, stock selection detracted, most notably within Industrials and Consumer Discretionary. On a single stock level, the positions in Scor, Allianz and Nordea as well as not holding Nestle and Novo-Nordisk were the most positive contributors. The positions in SES, CTT, Enagas and KPN were the most significant detractors from performance.

## Market Background

Continental European equities overcame rising political concerns ending the calendar year close to new highs, although returns at a country level were mixed with Germany posting double-digit gains while Denmark

delivered almost double-digit losses. The rally (in EUR terms) was partly driven by weakness in the euro, which helped to lift the outlook for the region's exporters, as well as by improving economic data. Stocks in the Financials sector rallied strongly, helped by rising bond yields and measures aimed at strengthening the region's banks. Materials stocks also recorded robust returns. However, traditional defensive sectors lagged as investors rotated into more cyclical stocks. Healthcare also underperformed amid fears of a crackdown on drug pricing. Economic news indicated that the euro-zone economy was slowly emerging from stagnation. Euro-zone GDP was confirmed as having expanded by 0.3% in the third quarter of 2016, the same rate as in the second quarter. However, the flash estimate of the euro-zone composite purchasing managers' index for December showed the highest level in 2016. While inflation remained well below the official target, consumer prices rose 0.6% on an annual basis in November, the highest level since early 2014. In December, the European Central Bank extended its bond-buying programme by nine months, but cut the size of its monthly purchases by EUR 20 billion to EUR 60 billion. It also expanded the universe of eligible bonds by dropping the yield floor, which had previously been set at -0.4%, and lowering the required minimum maturity from two years to one. Going into 2017, euro-zone composite purchasing managers' index for December indicated economic activity was the strongest since 2011. January numbers came in even stronger. Euro-zone GDP was announced to have expanded by 0.4% in the final quarter of 2016. In addition, the final reading of the Euro-zone inflation also increased, with consumer prices rising 1.8% on an annual basis in January, the highest rate since early 2013 and approaching the official target of "below but close to 2%".

## 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, and strength of business model. A company's willingness to continually pay high dividends is crucial: here, we assess dividend policy, dividend history and management

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

## Investment Review continued

commitment to dividends. In our view, high distribution levels, and the commitment to paying them consistently, tend to produce more disciplined companies that need to budget their financial resources carefully and use them efficiently, resulting in lower share price fluctuations. New positions were all focused on company quality and dividend sustainability. We have started to decrease our underweight in the banking sector, we have initiated positions in Swedbank (Sweden), ING (Netherlands) and Natixis (France). Adding further cyclical exposure, we have also added German car manufacturer Daimler and the leading TV provider in Germany, Prosiebensat1 Media, to the portfolio. Besides others, we have sold out of Bpost, NCC and Telenor.

### Outlook

There are currently a number of reasons to have a positive view on Continental European equity markets. Despite numerous headwinds, leading indicators have proven remarkably resilient and GDP growth is improving. GDP numbers and unemployment figures are among the indicators pointing in the right direction. Europe appears to be syncing with a global macro upturn as growth is back in the Euro-zone, driven by the consumer with improving employment outlooks and tax cuts both supportive.

Economic growth is expected to accelerate at least slightly across developed and Emerging Market economies. Whilst fiscal support in the form of tax cuts and investments is expected to play a greater role, easy financial conditions across the world persist. With a higher operational leverage as for example compared to the US, Europe is a player in recovery in Global growth.

With further room for the economic recovery and a pickup in global inflation, European company profits might now finally see the long-awaited turn. Most recent reporting seasons have already shown an improvement and notably earnings revisions have moved into positive territory for Europe.

Economic data biased to the positive now favours the more cyclical sectors, and the future cash flows of growth companies become less valuable today with a rising discount rate. With more exposure to sectors like Financials, Energy and Industrials, Europe is more closely linked to the value style than other parts of the Global stock market.

Larger parts of the European equity markets remain amongst those parts of the Global markets with the lowest valuations. Current investor positioning towards the region appears overly bearish. With outflows in 2016, the region is under-owned in global context.

Investors are overweight hedges for deflation (bonds), versus inflation hedges (equities). At the same time, policy moves from zero (and negative) interest rates towards more fiscal stimulus, and inflation expectations are rising which should be supportive for flows back into equities. For income oriented investors, Europe continues to be an attractive region.

20 March 2017

The contents of this Investment Review are based on the views of the manager at the time of writing, which may be subject to change.

# Portfolio Statement

As at 28 February 2017

Holding	Market Value £000s	% of Net Assets
<b>OVERSEAS EQUITIES - 96.03% (2016 - 94.55%)</b>		
<b>Belgium - 0.47% (2016 - 4.68%)</b>		
4,480 EVS Broadcast Equipment	136	0.47
<b>Finland - 3.18% (2016 - 4.27%)</b>		
28,840 Nokian Renkaat	916	3.18
<b>France - 19.47% (2016 - 13.75%)</b>		
3,677 Air Liquide	320	1.11
47,760 AXA	908	3.15
63,235 Coface	371	1.29
89,370 Natixis	393	1.37
9,990 Sanofi	694	2.41
40,463 SCOR	1,178	4.09
31,501 Total	1,265	4.40
33,350 Vivendi	474	1.65
	<b>5,603</b>	<b>19.47</b>
<b>Germany - 23.76% (2016 - 22.82%)</b>		
11,329 Allianz	1,590	5.53
10,220 Daimler	599	2.08
27,805 Drillisch	1,015	3.53
49,502 Freenet	1,189	4.13
1,660 Hugo Boss	92	0.32
9,277 Muenchener Rueckversicherung	1,413	4.91
7,830 ProSiebenSat.1 Media	253	0.88
60,350 TUI	686	2.38
	<b>6,837</b>	<b>23.76</b>
<b>Italy - 3.51% (2016 - 0.91%)</b>		
39,690 Atlantia	748	2.60
91,300 Enav	262	0.91
	<b>1,010</b>	<b>3.51</b>
<b>Luxembourg - 4.67% (2016 - 5.05%)</b>		
81,800 SES Global FDR (each representing 1 class 'A' share)	1,345	4.67
<b>Netherlands - 12.33% (2016 - 7.32%)</b>		
93,930 ING	1,044	3.63
408,810 KPN	930	3.23
75,669 Royal Dutch Shell class 'A' shares	1,575	5.47
	<b>3,549</b>	<b>12.33</b>

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>Norway - 4.34% (2016 - 8.41%)</b>		
35,050 Statoil	500	1.74
24,430 Yara International	748	2.60
	<b>1,248</b>	<b>4.34</b>
<b>Portugal - 1.45% (2016 - 1.94%)</b>		
96,302 CTT-Correios de Portugal	416	1.45
<b>Spain - 14.80% (2016 - 15.11%)</b>		
62,382 Cia de Distribucion Integral Logista	1,145	3.98
41,449 Enagas	821	2.85
79,020 Ferrovial	1,208	4.20
202,607 Iberdrola	1,086	3.77
	<b>4,260</b>	<b>14.80</b>
<b>Sweden - 3.15% (2016 - 4.13%)</b>		
68,960 Nordea Bank	651	2.27
12,780 Swedbank series 'A' shares	254	0.88
	<b>905</b>	<b>3.15</b>
<b>Switzerland - 4.90% (2016 - 6.16%)</b>		
1,365 Cembra Money Bank	89	0.31
22,950 Sunrise Communications	1,322	4.59
	<b>1,411</b>	<b>4.90</b>
Investment assets	27,636	96.03
Net others assets	1,144	3.97
<b>Net assets</b>	<b>28,780</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 2016.



# Statement of Total Return

For the six months to 28 February 2017

	2017 £000s	2017 £000s	2016 £000s	2016 £000s
Income				
Net capital gains		2,462		930
Revenue	187		333	
Expenses	(278)		(276)	
Net (expense) revenue before taxation	(91)		57	
Taxation	(20)		(17)	
Net (expense) revenue after taxation		(111)		40
<b>Total return before distributions</b>		<b>2,351</b>		<b>970</b>
Distributions		(85)		(223)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>2,266</b>		<b>747</b>

## Statement of Change in Net Assets Attributable to Shareholders

For the six months to 28 February 2017

	2017 £000s	2017 £000s	2016 £000s	2016 £000s
<b>Opening net assets attributable to shareholders</b>		<b>27,663</b>		<b>25,838</b>
Amounts receivable on creation of shares	255		239	
Less: Amounts payable on cancellation of shares	(1,476)		(1,021)	
		(1,221)		(782)
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		2,266		747
Retained distribution on accumulation shares		72		182
<b>Closing net assets attributable to shareholders</b>		<b>28,780</b>		<b>25,985</b>

Section 3.30 of the IMA SORP issued in May 2014 requires comparative figures for the above statement. For interim financial statements this will result in the closing comparative net assets not being equal to net assets at the start of the current period.

Please note that the 'Distributions' figure includes 'Revenue received on issue of shares' and 'Revenue deducted on cancellation of shares'.

# Balance Sheet

## As at 28 February 2017

	28 February 2017 £000s	28 February 2017 £000s	31 August 2016 £000s	31 August 2016 £000s
<b>Assets</b>				
Fixed assets				
Investments		27,636		26,154
Current assets				
Debtors	171		222	
Cash and bank balances	1,113		1,393	
<b>Total other assets</b>		<b>1,284</b>		<b>1,615</b>
<b>Total assets</b>		<b>28,920</b>		<b>27,769</b>
<b>Liabilities</b>				
Creditors				
Distribution payable on income shares	(12)		(15)	
Other creditors	(128)		(91)	
<b>Total other liabilities</b>		<b>(140)</b>		<b>(106)</b>
<b>Total liabilities</b>		<b>(140)</b>		<b>(106)</b>
<b>Net assets attributable to shareholders</b>		<b>28,780</b>		<b>27,663</b>



# Allianz UK Equity Income Fund

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# 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.

## Status of the Allianz UK & European Investment Funds

It is the intention of the ACD that the Allianz UK Equity Income Fund (the "Fund") will be managed so as to meet the requirements necessary for it to be included in an Individual Savings Account.

## Classes of Share within the sub-funds

There are two classes of share available on the Allianz UK Equity Income Fund, being 'A' and 'C' class.

## 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 (A and C Shares)	
<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%
	C Shares	Nil
<b>Annual ACD fee</b>	A Shares	1.25%
	C Shares	0.75%

\*29 February in a leap year

## Fund Information continued

## Net Asset Value

Share Class	Period Ended	Net Asset Value (£000s)	Number of Shares in Issue	Net Asset Value per Share (p)
A Shares	28 February 2017	59,366	21,347,976	278.1
C Shares	28 February 2017	6,611	6,562,795	100.7

## Operating Charges

Share Class	Year Ended	(%)
A Shares	31 August 2016	1.41
C Shares	31 August 2016	1.01

Operating Charges represent 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 Fund.

## Summary of Distribution

Share class	Payment date	Net distribution per share (p)
A Shares	31 October 2016	7.3709
	30 April 2017	4.9209
C Shares	31 October 2016	2.6314
	30 April 2017	1.7505

Please note: Investors are reminded that the Fund distributes bi-annually.

# Investment Review

## Performance Summary

Over the six-month period under review, 1 September 2016 to 28 February 2017, the Fund's 'A' class produced a total return of 6.61% and the Fund's 'C' class produced a total return of 6.89%. The Fund's benchmark, the FTSE All Share Index, produced a total return of 8.57% over the period.\*

The key reason for this underperformance was a low exposure to the mining sector. The portfolio has only had a limited exposure to mining for some time. This "underweight" positioning had helped relative performance in recent years up to 2015, as the sector fell heavily. Although we bought two copper miners, the underweight stance in the sector overall still accounted for a large proportion of the portfolio's underperformance in the period. Outside the mining sector, the biggest individual stock contributions to relative performance, on the positive side, came from SThree and Coface, which were strong, and from not owning Vodafone. On the negative side, IG Group, St Ives and Ladbrokes Coral were weak performers

## Market Background

Despite the Brexit referendum last June, where UK voted to leave the European Union, the UK economy grew steadily in this period, recording an estimated 2.2% annualised growth in the fourth quarter of 2016. Economic activity was boosted by an interest rate cut and other post-referendum measures taken by the Bank of England, as well as a sharp drop in the value of the pound, which further increased the competitiveness of the UK's manufacturing base.

Elsewhere, the election of Donald Trump as US President raised expectations that US economic activity would accelerate due to spending on infrastructure and defence, in particular, whilst European economies made gradual progress, despite rising political tensions.

Equities reacted well to the anticipation of stronger growth, and devaluation of the pound, which increases the value of overseas earnings for UK companies. Performance was sharply polarised in the market with cyclical sectors like mining and banks, which produced very strong returns, whilst more defensive sectors like telecommunications, food producers and utilities, as well as general retailers recorded negative returns.

## Portfolio Review

The Fund invests predominantly in higher yielding UK equities in order to deliver above average income and strong total return to investors. It also invests selectively in non-UK companies, and writes a limited number of covered call options to generate additional income.

We bought two new companies during the period. Tyman is a manufacturer of hardware, seals and other products for doors and windows and other applications. The company operates predominantly in the US, where the housing market is recovering, with smaller operations in the UK and continental Europe. After a period of poor performance in early 2016, the shares offered good value.

St Ives is a media business that has been transitioning into digital marketing services from a historic base as a provider of book printing and other print services. An opportunity emerged to buy the shares cheaply, after a number of trading issues. The company's valuation was modest and did not reflect the substantial repositioning that has taken place. The legacy print-based businesses have continued to struggle in recent months, but they represent a small proportion of profits. We believe the shares do not reflect the growth opportunities within marketing services.

We sold off sthree companies completely. TGS Nopec, an oil services company that carries out seismic surveys was significantly re-rated as the oil price recovered and investors became more optimistic about its prospects. It reached our target price and we sold it off. Similarly, the copper miner Central Asian Metals appreciated materially and reached a full valuation. On the other hand, we also sold Brammer, a distributor of bearings and other industrial products, which had been a disappointing investment. Trading difficulties led to a cancellation of the dividend.

Other than new investments and complete disposals, much of the portfolio activity involved taking advantage of considerable stock volatility. We added to companies that had been over-sold and offered good value, and took profits in several strong performing shares, as their valuations increased towards our target levels. Significant additions to existing positions included GlaxoSmithKline, Senior, Greene King and SSE. Profit taking positions included BAE Systems, Carnival, Antofagasta, UBM and HSBC.

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

## Investment Review continued

### Outlook

The political environment seems more uncertain than we have seen in a long time. The status of the UK's future relationship with the EU is unclear, and there are political risks in the Eurozone and the USA. The UK economy has been resilient to the Brexit referendum result, so far, and inflation is picking up, partly due to the weakness of the pound and the higher cost of imports. However, interest rates are unlikely to rise significantly, as the Bank of England considers the future economic risks of Brexit.

Whilst there are numerous risks, the UK economy is growing solidly. It is hard to predict where the overall market will go in the short term. However, we prefer to focus on individual company prospects and valuations when assessing investments and constructing a portfolio. There are many businesses with strong competitive positions offering the combination of an attractive dividend yield and the potential for capital gains for investors. These businesses should deliver good returns over the medium to long term. Two major areas offer particular value; selected "mega-cap" companies and recovery situations.

Within the "mega-caps", the Trust continues to own large holdings in Royal Dutch Shell, BP, GlaxoSmithKline and HSBC. Recovery situations have been a focus in the portfolio for some time. In an uncertain world, with low interest rates, investors have been prepared to pay high prices for companies with relatively predictable earnings streams. The flip side has been that many businesses with strong competitive positions, but experiencing specific short-term issues, have been lowly valued. There are many companies trading well below their long-term intrinsic value. The portfolio has a diversified exposure to recovery situations, particularly within the cyclical consumer and industrial sectors, and within financial services.

8 March 2017

The contents of this Investment Review are based on the views of the manager at the time of writing, which may be subject to change.



# Portfolio Statement

As at 28 February 2017

Holding	Market Value £000s	% of Net Assets
<b>UNITED KINGDOM 80.74% (2016 - 80.14%)</b>		
<b>Aerospace &amp; Defence 3.61% (2016 - 4.19%)</b>		
234,388 BAE Systems	1,476	2.24
494,780 Senior	903	1.37
	<b>2,379</b>	<b>3.61</b>
<b>Banks 9.48% (2016 - 9.02%)</b>		
532,585 HSBC	3,443	5.22
4,090,216 Lloyds Banking	2,809	4.26
	<b>6,252</b>	<b>9.48</b>
<b>Beverages 0.96% (2016 - 1.33%)</b>		
27,803 Diageo	631	0.96
<b>Construction &amp; Materials 6.05% (2016 - 4.95%)</b>		
543,208 Balfour Beatty	1,502	2.27
124,216 Kier	1,806	2.74
249,000 Tyman	684	1.04
	<b>3,992</b>	<b>6.05</b>
<b>Electricity 1.93% (2016 - 1.60%)</b>		
82,691 SSE	1,274	1.93
<b>Financial Services 7.52% (2016 - 7.15%)</b>		
341,263 Ashmore	1,215	1.84
180,012 IG	961	1.45
716,042 Man	1,048	1.59
160,411 NEX	931	1.41
166,085 Tullett Prebon	812	1.23
	<b>4,967</b>	<b>7.52</b>
<b>Food &amp; Drug Retailers 1.79% (2016 - 1.60%)</b>		
440,953 J Sainsbury	1,179	1.79
<b>Food Producers 2.55% (2016 - 2.83%)</b>		
226,351 Tate & Lyle	1,683	2.55
<b>Gas, Water &amp; Multiutilities 4.78% (2016 - 4.69%)</b>		
787,587 Centrica	1,786	2.71
157,947 Pennon	1,368	2.07
	<b>3,154</b>	<b>4.78</b>

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>General Retailers 2.98% (2016 - 3.20%)</b>		
364,415 Marks & Spencer	1,220	1.85
686,754 Mothercare	744	1.13
	<b>1,964</b>	<b>2.98</b>
<b>Life Insurance 4.97% (2016 - 4.73%)</b>		
93,000 Prudential	1495	2.26
484,410 Standard Life	1786	2.71
	<b>3,281</b>	<b>4.97</b>
<b>Media 3.08% (2016 - 4.17%)</b>		
272,996 UBM	2,035	3.08
<b>Mining 1.51% (2016 - 1.94%)</b>		
123,000 Antofagasta	999	1.51
<b>Mobile Telecommunications 2.90% (2016 - 3.24%)</b>		
269,526 Inmarsat	1,916	2.90
<b>Oil &amp; Gas Producers 2.72% (2016 - 2.66%)</b>		
395,848 BP	1,795	2.72
<b>Pharmaceuticals &amp; Biotechnology 7.02% (2016 - 6.20%)</b>		
281,077 GlaxoSmithKline	4,632	7.02
<b>Real Estate Investment Trusts 2.85% (2016 - 2.80%)</b>		
1,603,236 Hansteen	1,879	2.85
<b>Support Services 7.31% (2016 - 6.63%)</b>		
2,299,940 Begbies Traynor	1,127	1.71
603,030 Equiniti	1,131	1.71
836,000 St. Ives	439	0.67
682,634 SThree	2,126	3.22
	<b>4,823</b>	<b>7.31</b>
<b>Travel &amp; Leisure 6.73% (2016 - 7.21%)</b>		
991,972 FirstGroup	1,192	1.81
204,185 Greene King	1,379	2.09
235,468 Hostelworld	520	0.79
1,101,544 Ladbrokes	1,348	2.04
	<b>4,439</b>	<b>6.73</b>

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>OVERSEAS EQUITIES 17.32% (2016 - 17.38%)</b>		
<b>Australia Equities 1.09% (2016 - 0.82%)</b>		
55,177 BHP Billiton	716	1.09
<b>France Equities 2.90% (2016 - 2.76%)</b>		
180,133 Coface	1,058	1.60
21,320 Total	856	1.30
	<b>1,914</b>	<b>2.90</b>
<b>Guernsey Equities 2.16% (2016 - 1.86%)</b>		
2,903,061 Sirius Real Estate	1,425	2.16
<b>Isle of Man Equities 1.45% (2016 - 1.49%)</b>		
500,282 Manx Telecom	956	1.45
<b>Netherlands Equities 6.77% (2016 - 6.28%)</b>		
205,550 Royal Dutch Shell class 'B' shares	4,468	6.77
<b>Norway Equities 0.00% (2016 - 1.02%)</b>		
<b>Spain Equities 1.02% (2016 - 0.94%)</b>		
125,000 Iberdrola	670	1.02
<b>Switzerland Equities 0.96% (2016 - 1.17%)</b>		
11,000 Sunrise Communications	634	0.96
<b>United States of America Equities 0.97% (2016 - 1.04%)</b>		
14,603 Carnival	642	0.97
<b>DERIVATIVES (0.02)% (2016 - 0.00%)</b>		
<b>UK Written Call Options (0.02)% (2016 - 0.00%)</b>		
(50) BAE Systems Call Options March 2017	(3)	0.00
(50) BAE Systems Call Options June 2017	(6)	(0.01)
(50) BP Call Options April 2017	0	0.00
(5) Carnival Call Options October 2017	(7)	(0.01)
(15) Royal Dutch Call Options March 2017	0	0.00
	<b>(16)</b>	<b>(0.02)</b>
Investment assets <sup>1</sup>	64,683	98.04
Net other assets	1,294	1.96
<b>Net assets</b>	<b>65,977</b>	<b>100.00</b>

<sup>1</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 2016.

## Statement of Total Return

For the six months to 28 February 2017

	2017 £000s	2017 £000s	2016 £000s	2016 £000s
Income				
Net capital gains (losses)		3,431		(2,296)
Revenue	1,257		1,129	
Expenses	(447)		(452)	
Net revenue before taxation	810		677	
Taxation	(7)		(4)	
Net revenue after taxation		803		673
<b>Total return before distributions</b>		<b>4,234</b>		<b>(1,623)</b>
Distributions		(1,200)		(1,070)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>3,034</b>		<b>(2,693)</b>

## Statement of Change in Net Assets Attributable to Shareholders

For the six months to 28 February 2017

	2017 £000s	2017 £000s	2016 £000s	2016 £000s
Opening net assets attributable to shareholders		66,397		69,392
Amounts receivable on creation of shares	2,146		2,389	
Less: Amounts payable on cancellation of shares	(5,626)		(5,212)	
		(3,480)		(2,823)
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		3,034		(2,693)
Unclaimed distributions		26		93
<b>Closing net assets attributable to shareholders</b>		<b>65,977</b>		<b>63,969</b>

Section 3.30 of the IMA SORP issued in May 2014 requires comparative figures for the above statement. For interim financial statements this will result in the closing comparative net assets not being equal to net assets at the start of the current period.

Please note that the 'Distributions' figure includes 'Revenue received on creation of shares' and 'Revenue deducted on cancellation of shares'.

# Balance Sheet

As at 28 February 2017

	28 February 2017 £000s	28 February 2017 £000s	31 August 2016 £000s	31 August 2016 £000s
<b>Assets</b>				
Fixed assets				
Investments		64,699		64,753
Current assets				
Debtors	568		565	
Cash and bank balances	2,047		3,334	
<b>Total other assets</b>		<b>2,615</b>		<b>3,899</b>
<b>Total assets</b>		<b>67,314</b>		<b>68,652</b>
<b>Liabilities</b>				
Investment liabilities		(16)		(4)
Creditors				
Distribution payable on income shares	(1,165)		(1,841)	
Other creditors	(156)		(410)	
<b>Total other liabilities</b>		<b>(1,321)</b>		<b>(2,251)</b>
<b>Total liabilities</b>		<b>(1,337)</b>		<b>(2,255)</b>
<b>Net assets attributable to shareholders</b>		<b>65,977</b>		<b>66,397</b>

# Allianz UK Opportunities Fund

(formerly the Allianz UK Growth Fund)

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## Fund Information

### Change of Name

Please note that the Allianz UK Growth Fund changed its name to the Allianz UK Opportunities Fund on 13 January 2017.

### Investment Objective and Policy

The Fund aims to achieve capital growth.

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.

### Status of the Allianz UK & European Investment Funds

It is the intention of the ACD that the Allianz UK Opportunities Fund (the "Fund") will be managed so as to meet the requirements necessary for it to be included in an Individual Savings Account.

### Classes of Share within the sub-funds

There are three classes of share available on the Allianz UK Opportunities Fund, being the 'A', 'C' and 'Y' class.

### Fund Details

<b>Fund Manager</b>	Matthew Tillett	
<b>Benchmark</b>	FTSE All Share Index	
<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
	Y Shares	20 February 2017
<b>ISA status</b>	Yes (A and C Shares)	
<b>Share Classes and type of Shares</b>	A (Accumulation Shares) C (Accumulation Shares) Y (Accumulation Shares)	
<b>Minimum investment</b>	A Shares Lump sum £500 Monthly saving £50  C Shares Lump sum £500 Monthly saving £50  Y Shares Lump Sum £100,000,000 (Available to Approved Investors only)	
<b>Initial charge</b>	A Shares	4%
	C Shares	Nil
	Y Shares	Nil
<b>Annual ACD fee</b>	A Shares	1.25%
	C Shares	0.75%
	Y Shares	0.30%

## Fund Information continued

## Net Asset Value

Share Class	Period Ended	Net Asset Value (£000s)	Number of Shares in Issue	Net Asset Value per Share (p)
A Shares	28 February 2017	30,131	583,519	5,163.7
C Shares	28 February 2017	17,319	14,321,866	120.9
Y Shares	28 February 2017	5	100	5,000.0

## Operating Charges

Share Class	Year Ended	(%)
A Shares	31 August 2016	1.44
C Shares	31 August 2016	0.89
Y Shares <sup>1</sup>	31 August 2016	n/a

<sup>1</sup> Y shares launched on 20 February 2017. The estimated operating charges as at 28 February 2017 was 0.40%.

Operating Charges represent 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 Fund.

## Summary of Distribution

Share class	Payment date	Net distribution per share (p)
A Shares	31 October 2016	79.8854
C Shares	31 October 2016	2.4126
Y Shares <sup>2</sup>	31 October 2016	n/a

<sup>2</sup> Y Shares launched on 20 February 2017.

Please note: Investors are reminded that the Fund distributes annually.



# Investment Review

## Performance Summary

Over the six-month period under review, 1 September 2016 to 28 February 2017, the Fund's 'A' class produced a total return of 10.7% and the Fund's 'C' class produced a total return of 11.0%. The Fund's benchmark, the FTSE All Share Index, produced a total return of 8.6% over the period.\*

The key reason for this outperformance was the portfolio's exposure to oil & gas and mining shares. Faroe Petroleum, Serica Energy, Central Asia Metals and Capital Drilling all performed very well as commodity prices rallied and valuations across these sectors rose.

## Market Background

Despite the Brexit referendum last June, where the UK voted to leave the European Union, The UK economy grew steadily in this period, recording an estimated 2.2% annualised growth in the fourth quarter of 2016. Economic activity was boosted by an interest rate cut and other post-Brexit measures taken by the Bank of England, as well as a sharp drop in the value of the pound, which increased the competitiveness of the UK's manufacturing base.

Elsewhere, the election of Donald Trump as US President raised expectations that US economic activity would accelerate due to spending on infrastructure and defence, in particular, whilst European economies made gradual progress, despite rising political tensions.

Equities reacted well to the anticipation of stronger growth, and the devaluation of the Pound, which boosts the value of overseas earnings for UK companies. Performance was sharply polarised in the market with cyclical sectors, like mining and banks producing very strong returns, whilst more defensive sectors like telecommunications, food producers and utilities, as well as general retailers producing negative returns.

## Portfolio Review

The Fund is run to an unconstrained mandate. It aims to deliver an attractive long-term, risk adjusted return. We invest in companies where we see a reasonable prospect of a high total shareholder return over a 3-5 year time horizon, and where 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.

Volatility across the stock market created a number of opportunities for new investments during the period under review. Domestically-focussed companies in general performed poorly, in many cases experiencing substantial valuation de-ratings due to the fear around the impact of Brexit on the UK economy. We saw this as an opportunity to purchase high quality business models on low absolute valuations. Howden Joinery, the UK's leading kitchen manufacturer, was purchased on an 11x earnings multiple, a very attractive valuation especially given the company has a sizeable net cash position. We also bought Greene King, which we believe to be the best run pub company in the UK. We paid 9x earnings for the shares, a bargain in the context of the company's long-term track record of earnings and dividend growth.

Towards the end of the period we added two industrial technology companies that we have been following for some time. Cobham is an aerospace and defence company with world leading positions in specific niches such as air-to-air refuelling. The company is well invested having upped its Research & Development (R&D) spend throughout the defence downturn. The opportunity emerged after a 65% fall in the share price caused by an earlier misjudged acquisition and an overleveraged balance sheet. We took our position after the new management team cleared the decks with a series of write offs and an announcement of an equity raise.

In a somewhat similar vein, we also added Laird, a technology company focussed on wireless antenna systems and electromagnetic materials for mobile devices. We see substantial hidden value in the company's customer relationships with major auto companies. We expect Laird's sales to the auto sector to grow strongly in the coming years as the "connected vehicle" becomes more and more widespread around the world. The investment opportunity arose as a result of a series of problems in the wireless business, causing a significant earnings downgrade and ultimately the announcement of a rights issue to repair the balance sheet. At this point, with the shares off 65% and the valuation having collapsed, it seemed all the bad news was in the price and so we took our position.

The most notable sales were in the mining sector. After adding a number of copper mining shares during the latter

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

## Investment Review continued

part of 2015 and early 2016, we subsequently sold them towards the end of the period under the review following a reassessment of valuation after very significant share price increases.

### Outlook

The political environment seems more uncertain than we have seen for long time. The nature of the UK's future relationship with the EU is unclear and there are political risks in the Eurozone and the USA. The UK economy has been resilient to the Brexit referendum result, so far, and inflation is picking up, partly due to the weakness of the pound and the higher cost of imports. However, interest rates are unlikely to rise significantly, as the Bank of England considers the future economic risks of Brexit.

Whilst there are numerous risks, the UK economy is growing solidly. It is hard to predict where the overall market will go in the short term. However, we prefer to focus on individual company prospects and valuations when assessing investments and constructing a portfolio. Three broad areas dominate the portfolio: Cheap cyclical; Special situations; Oil & gas.

The cheap cyclical group is mostly composed of mid- and small-cap companies with significant overseas earnings where the market is pricing in a far worse outcome than we believe is likely. In addition, we have also recently been selectively adding some strong UK domestic cyclical companies as outlined above. Within the special situations group, we hold a number of companies that are in the process of business turnarounds where we can see a clear path to value creation through management actions. We also have a number of investments in industries that are completely uncorrelated to the wider economy and financial markets. Oil & gas remains an important focus for the fund where we retain positions in BP, Shell and a selection of smaller exploration and production companies. Fundamentals are on an improving trend for these companies, whilst valuations remain very low.

15 March 2017

The contents of this Investment Review are based on the views of the manager at the time of writing, which may be subject to change.

# Portfolio Statement

As at 28 February 2017

Holding	Market Value £000s	% of Net Assets
<b>UNITED KINGDOM EQUITIES 69.23% (2016 - 69.33%)</b>		
<b>Aerospace &amp; Defence 4.76% (2016 - 2.74%)</b>		
651,000 Cobham	780	1.64
810,888 Senior	1,480	3.12
	<b>2,260</b>	<b>4.76</b>
<b>Construction &amp; Materials 5.99% (2016 - 6.35%)</b>		
472,368 Balfour Beatty	1,306	2.75
559,572 Tyman	1,536	3.24
	<b>2,842</b>	<b>5.99</b>
<b>Equity Investment Instruments 2.84% (2016 - 4.52%)</b>		
1,319,238 Better Capital	1,346	2.84
<b>Financial Services 3.09% (2016 - 2.36%)</b>		
228,675 Ashmore	814	1.72
122,000 IG	652	1.37
	<b>1,466</b>	<b>3.09</b>
<b>Gas, Water &amp; Multiutilities 3.27% (2016 - 3.97%)</b>		
684,082 Centrica	1,551	3.27
<b>General Industrials 0.00% (2016 - 2.90%)</b>		
<b>General Retailers 1.77% (2016 - 1.91%)</b>		
777,730 Mothercare	842	1.77
<b>Media 2.21% (2016 - 3.72%)</b>		
140,878 UBM	1,050	2.21
<b>Mining 1.74% (2016 - 4.04%)</b>		
5,017,461 Pan African Resources <sup>1</sup>	828	1.74
<b>Oil &amp; Gas Producers 10.12% (2016 - 9.07%)</b>		
426,018 BP	1,932	4.07
1,223,936 Faroe Petroleum <sup>1</sup>	1,255	2.64
1,927,391 SDX Energy <sup>1</sup>	935	1.97
2,668,884 Serica Energy <sup>1</sup>	681	1.44
	<b>4,803</b>	<b>10.12</b>

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>Oil Equipment, Services &amp; Distribution 1.46% (2016 - 0.29%)</b>		
3,655,000 Enteq Upstream <sup>1</sup>	695	1.46
<b>Real Estate Investment &amp; Services 3.79% (2016 - 3.69%)</b>		
1,005,100 Development Securities	1,799	3.79
<b>Software &amp; Computer Services 1.52% (2016 - 0.00%)</b>		
255,690 Servelec	721	1.52
<b>Support Services 14.10% (2016 - 12.76%)</b>		
3,367,596 Begbies Traynor <sup>1</sup>	1,650	3.48
769,806 Equiniti	1,443	3.04
353,500 Howden Joinery	1,513	3.19
1,167,000 St. Ives	613	1.29
472,332 SThree	1,471	3.10
	<b>6,690</b>	<b>14.10</b>
<b>Technology Hardware &amp; Equipment 1.72% (2016 - 0.00%)</b>		
486,000 Laird	814	1.72
<b>Travel &amp; Leisure 10.85% (2016 - 11.01%)</b>		
1,306,571 FirstGroup	1,570	3.31
1,553,500 Goals Soccer Centres <sup>1</sup>	1,600	3.37
192,000 Greene King	1,297	2.73
308,306 Hostelworld	681	1.44
	<b>5,148</b>	<b>10.85</b>
<b>OVERSEAS EQUITIES 23.47% (2016 - 25.43%)</b>		
<b>Germany Equities 0.37% (2016 - 2.31%)</b>		
3,184 Drägerwerk	175	0.37
<b>Guernsey Equities 8.27% (2016 - 8.25%)</b>		
6,712,651 Better Capital PCC	1,980	4.17
3,962,809 Sirius Real Estate <sup>1</sup>	1,946	4.10
	<b>3,926</b>	<b>8.27</b>
<b>Ireland Equities 2.90% (2016 - 1.78%)</b>		
928,764 IFG	1,377	2.90
<b>Netherlands Equities 4.13% (2016 - 3.90%)</b>		
90,137 Royal Dutch Shell class 'B' shares	1,959	4.13

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
Norway Equities 0.00% (2016 - 1.54%)		
Singapore Equities 4.49% (2016 - 3.95%)		
3,671,135 Capital Drilling	2,129	4.49
Spain Equities 0.00% (2016 - 3.70%)		
United States of America Equities 3.31% (2016 - 0.00%)		
39,900 LivaNova	1,571	3.31
Investment assets	43,992	92.70
Net other assets	3,463	7.30
<b>Net assets</b>	<b>47,455</b>	<b>100.00</b>

<sup>1</sup> Securities listed on the Alternative Investments 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 2016.

## Statement of Total Return

For the six months to 28 February 2017

	2017 £000s	2017 £000s	2016 £000s	2016 £000s
Income				
Net capital gains (losses)		4,373		(2,160)
Revenue	604		567	
Expenses	(304)		(301)	
Net revenue before taxation	300		266	
Taxation	(5)		0	
Net revenue after taxation		295		266
<b>Total return before distributions</b>		<b>4,668</b>		<b>(1,894)</b>
Distributions		(8)		(5)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>4,660</b>		<b>(1,899)</b>

## Statement of Change in Net Assets Attributable to Shareholders

For the six months to 28 February 2017

	2017 £000s	2017 £000s	2016 £000s	2016 £000s
<b>Opening net assets attributable to shareholders</b>		<b>44,842</b>		<b>46,367</b>
Amounts receivable on creation of shares	113		232	
Less: Amounts payable on cancellation of shares	(2,160)		(2,523)	
		(2,047)		(2,291)
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		4,660		(1,899)
<b>Closing net assets attributable to shareholders</b>		<b>47,455</b>		<b>42,177</b>

Section 3.30 of the IMA SORP issued in May 2014 requires comparative figures for the above statement. For interim financial statements this will result in the closing comparative net assets not being equal to net assets at the start of the current period.

Please note that the 'Distributions' figure includes 'Revenue received on creation of shares' and 'Revenue deducted on cancellation of shares'.

# Balance Sheet

As at 28 February 2017

	28 February 2017 £000s	28 February 2017 £000s	31 August 2016 £000s	31 August 2016 £000s
<b>Assets</b>				
Fixed assets				
Investments		43,992		42,491
Current assets				
Debtors	126		157	
Cash and bank balances	3,622		2,399	
<b>Total other assets</b>		<b>3,748</b>		<b>2,556</b>
<b>Total assets</b>		<b>47,740</b>		<b>45,047</b>
<b>Liabilities</b>				
Creditors				
Other creditors	(285)		(205)	
<b>Total other liabilities</b>		<b>(285)</b>		<b>(205)</b>
<b>Total liabilities</b>		<b>(285)</b>		<b>(205)</b>
<b>Net assets attributable to shareholders</b>		<b>47,455</b>		<b>44,842</b>

# Allianz UK Index Fund

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# Fund Information

## Investment Objective and Policy

The objective of the Fund is to match the capital performance of the UK equity market by tracking the FTSE All Share Index.

The Fund aims to match the performance of the FTSE All Share Index using the method of full replication. The portfolio will therefore normally consist of all of the shares comprising that index in approximate proportion to their respective weightings and in accordance with any constraints imposed by the regulations of the Financial Conduct Authority. Where considered appropriate, the ACD is also able to use sampling techniques to achieve the objective of tracking the index.

## Status of the Allianz UK & European Investment Funds

It is the intention of the ACD that the Allianz UK Index Fund (the "Fund") will be managed so as to meet the requirements necessary for it to be included in an Individual Savings Account.

## Classes of Share within the sub-funds

There is one class of share available on the Allianz UK Index Fund, being the 'C' class.

## Fund Details

<b>Fund Manager</b>	Simon Fan	
<b>Benchmark</b>	FTSE All Share Index	
<b>Income allocation date</b>	1st Interim	30 November
	2nd Interim	28 February*
	3rd Interim	31 May
	Final	31 August
<b>Income pay date</b>	1st Interim	31 January
	2nd Interim	30 April
	3rd Interim	31 July
	Final	31 October
<b>Launch dates</b>	Fund	20 June 2002
	C Shares (Acc)	20 June 2002
	C Shares (Inc)	26 March 2003
<b>ISA status</b>	Yes (C Shares)	
<b>Share Classes and type of Shares</b>	C (Accumulation Shares)	
	C (Income Shares)	
<b>Minimum investment</b>	Lump sum £500	
	Monthly saving £50	
<b>Initial charge</b>	C Shares	Nil
<b>Annual ACD fee</b>	C Shares	0.50%

\* 29 February on a leap year.

The Fund will be closed on 30 June 2017.

## Fund Information continued

## Net Asset Value

Share Class	Period Ended	Net Asset Value (£000s)	Number of Shares in Issue	Net Asset Value per Share (p)
C Shares (Accumulation)	28 February 2017	14,750	704,308	2094.3
C Shares (Income)	28 February 2017	2,411	173,134	1392.6

## Operating Charges

Share Class	Year Ended	(%)
C Shares (Accumulation)*	31 August 2016	0.82
C Shares (Income)*	31 August 2016	1.40

\* Reduced to 0.77% and 0.71% respectively, from 1 December 2016, when the ACD elected at its discretion to pay the quarterly distribution costs to protect shareholders from further increases in the operating charges.

Operating Charges represent 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 Fund.

## Summary of Distribution

Share class	Payment date	Net distribution per share (p)
C Shares (Accumulation)	31 October 2016	17.7415
	31 January 2017	10.7795
	30 April 2017	12.8289
C Shares (Income)	31 October 2016	10.2360
	31 January 2017	5.4191
	30 April 2017	8.7178

Please note: Investors are reminded that the Fund distributes quarterly.

# Investment Review

## Performance Summary

The Allianz UK Index Fund's 'C Inc' class produced a total return of +8.11% and 'C Acc' class produced a total return of +8.25% net of all fees for the period 1 September 2016 to 28 February 2017. The Fund's benchmark, the FTSE All-Share Index, produced a total return of 8.57% over the same period.\*

After making the necessary adjustments, notably for fees and charges and constituent holdings appropriate to the size of the Fund, this is consistent with the Fund's index-tracking objective.

## Market Background

Over the investment period, the UK saw some abatement in the trajectory of economic growth, amidst continuing challenges in Europe and ongoing reverberations from the Brexit referendum outcome. UK real Gross Domestic Product (GDP) moderated to 1.8% by the end of 2016, with UK Consumer Price Index (CPI) inflation rising significantly to 1.6% by December, whilst UK International Labour Organisation (ILO) unemployment rate decreased to the lower level of 4.9%.

The period witnessed further deterioration in the weakness of sterling, which had fallen to 1.30 in the immediate aftermath of Brexit from a prior trading range of 1.40-1.50 dollars, and subsequently extending declines to the 1.20-1.25 USD range. Currency volatility has created somewhat asymmetric conditions for households and firms; whilst large multinationals receiving foreign earnings (often through dollar-denominated contracts) experienced significant gains through FX translation, the decline in sterling threatens to increase inflation, as input costs escalate for imported goods and erode disposable income of households. As a consequence, forward market indicators of inflation exhibited a sharp surge over the period, with the 5yr-5yr breakeven inflation rate (a spread measure calculated from UK inflation linked bonds and the generic nominal yield) rising from around 2.8% in August to a high of 3.6% by February.

Lending and deposit rates remained subdued over the period, due to the prior reduction in bank funding costs,

and contributing to the strength of aggregate lending in the economy to 5yr highs, as evident in the particularly robust growth of consumer credit around 10% near the end of 2016.

## Portfolio Review

The Fund's investment portfolio replicates the FTSE All-Share Index. The principal transactions during the period took place as a result of creations, liquidations and changes to the composition of the benchmark index, adjusted for constituent holdings appropriate for the size of the Fund.

## Outlook

The Bank of England has begun to acknowledge the potential for overshooting of its 2% inflation target due to the depreciation of sterling, with a broad expectation for CPI inflation to reach around 2.75% by 2018. The trajectory of sterling weakness is to some extent contingent upon the ability of UK policymakers to secure access to the European Single Market following the withdrawal of membership as well as trade promotion with key non-EU markets in Asia and North America. Consequently a key determinant of the policy reaction function for the Bank of England now pivots around the extent to which real household spending power will be compressed by an increase in import prices (inflation through input cost). Consensus expectations face a moderation of the current account deficit, as a result of the decline in sterling, which enhances the competitiveness of exports; although the manifestation of this is likely to depend on the relative responsiveness of elasticities of import and export demand against the exchange rate. Despite the apparent and surprising resilience of several indicators such as housing, retail sales and consumer confidence in the immediate aftermath of Brexit, market participants generally expect a deceleration of UK growth given that the UK remains to date within the EU, and has not begun to experience any implications of its withdrawal from its trading relationships as yet.

10 March 2017

The contents of this Investment Review are based on the views of the manager at the time of writing, which may be subject to change.

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

# Portfolio Statement

As at 28 February 2017

Holding	Market Value £000s	% of Net Assets
<b>UNITED KINGDOM EQUITIES 94.56% (2016 - 94.71%)</b>		
<b>Aerospace &amp; Defence 1.95% (2016 - 1.95%)</b>		
23,670 BAE Systems	149	0.87
2,800 Chemring	5	0.03
12,936 Cobham	15	0.09
6,493 Meggitt	31	0.18
5,362 QinetiQ	15	0.09
12,467 Rolls-Royce	98	0.57
3,798 Senior	7	0.04
693 Ultra Electronics	13	0.08
	<b>333</b>	<b>1.95</b>
<b>Automobiles &amp; Parts 0.27% (2016 - 0.26%)</b>		
12,829 GKN	46	0.27
<b>Banks 10.73% (2016 - 9.27%)</b>		
244 Bank of Georgia	7	0.04
127,631 Barclays	289	1.68
6,584 CYBG	17	0.10
150,086 HSBC	970	5.65
480,024 Lloyds Banking	330	1.92
558 Metro Bank	19	0.11
24,669 Royal Bank of Scotland	59	0.34
20,228 Standard Chartered	146	0.85
1,741 Virgin Money	6	0.04
	<b>1,843</b>	<b>10.73</b>
<b>Beverages 2.79% (2016 - 4.67%)</b>		
687 A.G. Barr	4	0.02
2,060 Britvic	13	0.08
1,622 Coca-Cola HBC	32	0.19
18,915 Diageo	429	2.50
	<b>478</b>	<b>2.79</b>
<b>Chemicals 0.67% (2016 - 0.69%)</b>		
1,070 Croda International	38	0.22
3,694 Elementis	11	0.06
1,450 Johnson Matthey	44	0.26
1,927 Synthomer	9	0.05
750 Victrex	14	0.08
	<b>116</b>	<b>0.67</b>

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>Construction &amp; Materials 1.25% (2016 - 1.19%)</b>		
6,330 Balfour Beatty	18	0.10
1,050 Costain	4	0.02
6,222 CRH	169	0.98
405 Keller	3	0.02
702 Kier	10	0.06
1,896 Low & Bonar	1	0.01
386 Marshalls	1	0.01
363 Morgan Sindall	4	0.02
1,440 Polypipe	5	0.03
	<b>215</b>	<b>1.25</b>
<b>Electricity 0.77% (2016 - 0.78%)</b>		
3,658 Drax	13	0.08
7,685 SSE	118	0.69
	<b>131</b>	<b>0.77</b>
<b>Electronic &amp; Electrical Equipment 0.47% (2016 - 0.47%)</b>		
2,063 e2v Technologies	6	0.04
3,036 Halma	30	0.17
2,852 Morgan Advanced Materials	9	0.05
187 Oxford Instruments	1	0.01
348 Renishaw	11	0.06
956 Spectris	23	0.13
1,557 TT Electronics	2	0.01
	<b>82</b>	<b>0.47</b>
<b>Equity Investment Instruments 3.26% (2016 - 3.30%)</b>		
1,700 Aberdeen Asian Income Fund	3	0.02
450 Aberdeen New Dawn Investment Trust	1	0.01
875 Aberdeen UK Tracker Investment Trust	3	0.02
855 Aberforth Smaller Companies Investment Trust	10	0.06
3,868 Alliance Trust	26	0.15
673 Asian Total Return Investment	2	0.01
909 Bankers Investment Trust	7	0.04
250 BH Macro Hedge Fund	5	0.03
1,944 BlackRock Greater Europe Investment Trust	6	0.04
3,960 BlackRock Income Strategies Trust	4	0.02
270 BlackRock Latin American Investment Trust	1	0.01
480 BlackRock Smaller Companies Trust	5	0.03
111 BlackRock Throgmorton Trust	0	0.00
2,010 BlackRock World Mining Trust	7	0.04
933 British Empire Securities & General Investment Trust	6	0.03

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>Equity Investment Instruments (continued)</b>		
297 Caledonia Investments	8	0.05
2,100 City Merchants High Yield Trust	4	0.02
2,170 City of London Investment Trust	9	0.05
960 Dexion Equity Alternative <sup>1</sup>	0	0.00
2,619 Diverse Income Trust	2	0.01
2,250 Dunedin Income Growth Investment Trust	6	0.04
1,874 Edinburgh Dragon Investment Trust	6	0.04
1,472 Edinburgh Investment Trust	10	0.06
200 Edinburgh Worldwide Investment Trust	1	0.01
191 Electra Investment Trust	9	0.05
1,283 Electric & General Investment Trust <sup>1</sup>	0	0.00
596 Euro Investment Trust	5	0.03
1,000 F&C Capital & Income Investment Trust	3	0.02
521 F&C Global Small Companies	7	0.04
4,124 F&C Investment Trust	23	0.13
216 Fidelity Asian Values	0	0.00
1,080 Fidelity Asian Values Investment Trust	4	0.02
3,890 Fidelity European Values Investment Trust	7	0.04
451 Finsbury Growth & Income Trust	3	0.02
674 Graphite Enterprise Investment Trust	5	0.03
152 Henderson European Investment Trust	2	0.01
20 Henderson Eurotrust	0	0.00
1,000 Henderson Far East Income Fund	4	0.02
927 Henderson High Income Investment Trust	2	0.01
692 Henderson Smaller Companies Investment Trust	5	0.03
799 Herald Investment Trust	7	0.04
487 HG Capital Investment Trust	8	0.05
8,970 HICL Infrastructure	15	0.09
407 HICL Infrastructure	0	0.00
1,789 Impax Environmental Markets	4	0.02
6,794 International Public Partnership	11	0.06
560 Invesco Perpetual UK Smaller Companies Investment Trust	2	0.01
2,255 JP Morgan American Investment Trust	9	0.05
770 JP Morgan Asian Investment Trust	2	0.01
494 JP Morgan Claverhouse Investment Trust	3	0.02
978 JP Morgan Emerging Markets Investment Trust	7	0.04
1,440 JP Morgan Euro Smaller Companies Trust	4	0.02
857 JP Morgan European Investment Trust	2	0.01
941 JP Morgan Indian Investment Trust	6	0.03
2,024 JP Morgan Japanese Investment Trust	7	0.04
374 JP Morgan Japanese Smaller Companies Investment Trust	1	0.01
5 JP Morgan Mid Cap Investment Trust	0	0.00

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>Equity Investment Instruments (continued)</b>		
1,120 JP Morgan Overseas Investment Trust	3	0.02
426 JP Morgan Russian Securities	2	0.01
900 Jupiter European Opportunities Trust	5	0.03
138 Keystone Investment Trust	2	0.01
1,210 Law Debenture	7	0.04
390 Lowland Investment Company	6	0.04
1,400 Martin Currie Global Portfolio Investment Trust	3	0.02
861 Mercantile Investment Trust	15	0.09
1,456 Merchants Investment Trust	7	0.04
1,756 Monks Investment Trust	11	0.06
490 Murray Income Trust	4	0.02
1,093 Murray International Trust	13	0.08
216 North American Income Trust	3	0.02
100 North Atlantic Smaller Companies Investment Trust	3	0.02
1,700 Pacific Assets Investment Trust	4	0.02
297 Pantheon International Participations Fund	5	0.03
1,770 Perpetual Income & Growth Investment Trust	7	0.04
7 Personal Assets Trust	3	0.02
700 Polar Capital Technology Trust	7	0.04
5,811 Renewables Infrastructure	6	0.03
1,140 RIT Capital Partners	22	0.13
920 Schroder Asia Pacific Fund	3	0.02
600 Schroder Income Growth Fund	2	0.01
1,126 Schroder Japan Growth Fund	2	0.01
1,900 Schroder Oriental Income Fund	5	0.03
2,217 Schroder UK Growth Fund	4	0.02
1,331 Scottish American Investment Trust	5	0.03
1,157 Scottish Investment Trust	9	0.05
10,043 Scottish Mortgage Investment Trust	35	0.20
100 Securities Trust of Scotland	0	0.00
337 Standard Life Equity Income Trust	1	0.01
740 Standard Life European Private Equity Trust	2	0.01
539 Temple Bar Investment Trust	7	0.04
2,178 Templeton Emerging Markets Investment Trust	14	0.08
426 TR European Growth Investment Trust	4	0.02
2,881 TR Property Investment Trust	9	0.05
4,600 Troy Income & Growth Trust	4	0.02
1,378 Witan Investment Trust	13	0.08
434 Witan Pacific Investment Trust	1	0.01
110 Worldwide Healthcare Trust	3	0.02
	<b>560</b>	<b>3.26</b>

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>Financial Services 3.35% (2016 - 3.14%)</b>		
7,367 3i	51	0.30
5,247 3i Infrastructure	10	0.06
8,207 Aberdeen Asset Management	23	0.13
3,820 Ashmore	14	0.08
2,470 Brewin Dolphin	8	0.05
1,116 Close Brothers	17	0.10
2,440 Fidelity Special Values Investment Trust	6	0.03
1,637 Hargreaves Lansdown	22	0.13
8,536 Henderson	19	0.11
2,930 IG	16	0.09
2,324 IMI	29	0.17
2,522 Intermediate Capital	18	0.10
1,875 International Personal Finance	3	0.02
4,101 Investec	24	0.14
3,055 IP	5	0.03
2,747 John Laing	7	0.04
3,159 Jupiter Fund Management	13	0.08
3,602 Just Retirement	5	0.03
2,388 London Stock Exchange	74	0.43
12,721 Man	19	0.11
2,516 NEX	15	0.09
2,640 Paragon	11	0.06
1,180 Provident Financial	34	0.20
424 Rathbone Brothers	10	0.06
958 Schroders	29	0.17
14,794 Standard Life	55	0.32
1,153 SVG Capital	8	0.05
6,854 Tritax Big Box	10	0.06
3,811 Tullett Prebon	19	0.11
	<b>574</b>	<b>3.35</b>
<b>Fixed Line Telecommunications 1.28% (2016 - 1.59%)</b>		
62,719 BT	205	1.19
4,700 KCOM	4	0.02
4,432 Talktalk Telecom	8	0.05
300 Telecom Plus	4	0.02
	<b>221</b>	<b>1.28</b>
<b>Food &amp; Drug Retailers 1.36% (2016 - 1.25%)</b>		
12,448 Booker	25	0.15
819 Greggs	8	0.05
13,827 J Sainsbury	37	0.22



## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>Food &amp; Drug Retailers (continued)</b>		
3,252 Ocado	8	0.05
60,745 Tesco	114	0.66
16,186 Wm Morrison Supermarkets	39	0.23
	<b>231</b>	<b>1.36</b>
<b>Food Producers 2.71% (2016 - 2.77%)</b>		
2,655 Associated British Foods	70	0.41
416 Cranswick	10	0.06
960 Dairy Crest	5	0.03
1,502 Devro	3	0.02
9,820 Premier Foods	4	0.02
3,829 Tate & Lyle	28	0.16
9,043 Unilever	345	2.01
	<b>465</b>	<b>2.71</b>
<b>Gas, Water &amp; Multiutilities 2.86% (2016 - 3.12%)</b>		
41,185 Centrica	93	0.54
28,246 National Grid	276	1.61
3,077 Pennon	27	0.16
1,821 Severn Trent	43	0.25
5,207 United Utilities	51	0.30
	<b>490</b>	<b>2.86</b>
<b>General Industrials 0.86% (2016 - 0.65%)</b>		
7,034 DS Smith	31	0.18
3,048 RPC	28	0.16
2,938 Smiths	44	0.26
1,756 Smurfit Kappa	38	0.22
1,616 Vesuvius	7	0.04
	<b>148</b>	<b>0.86</b>
<b>General Retailers 2.05% (2016 - 2.26%)</b>		
5,027 AA	13	0.08
7,245 Auto Trader	29	0.17
1,756 Card Factory	5	0.03
333 Carpetright	1	0.01
9,886 Debenhams	5	0.03
364 Dignity	9	0.05
7,991 Dixons Carphone	24	0.14
770 Dunelm	5	0.03
1,072 Findel	2	0.01
1,800 Halfords	6	0.03

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>General Retailers (continued)</b>		
3,160 Inchcape	24	0.14
2,490 JD Sports Fashion	9	0.05
4,210 Just Eat	21	0.12
16,881 Kingfisher	56	0.33
3,093 Lookers	4	0.02
12,797 Marks & Spencer	43	0.25
1,328 Mothercare	1	0.01
1,526 N Brown	3	0.02
1,059 Next	41	0.24
2,768 Pets at Home	5	0.03
8,321 Saga	16	0.09
1,540 Sports Direct International	5	0.03
2,025 Topps Tiles	2	0.01
866 WH Smith	15	0.09
1,775 Zoopla Property	7	0.04
	<b>351</b>	<b>2.05</b>
<b>Healthcare Equipment &amp; Services 0.66% (2016 - 0.59%)</b>		
120 Consort Medical	1	0.01
472 NMC Health	8	0.05
6,852 Smith & Nephew	83	0.48
2,102 Spire Healthcare	7	0.04
1,988 UDG Healthcare	14	0.08
	<b>113</b>	<b>0.66</b>
<b>Household Goods &amp; Home Construction 3.39% (2016 - 3.45%)</b>		
7,603 Barratt Developments	39	0.23
1,039 Bellway	27	0.16
1,015 Berkeley	30	0.17
1,090 Bovis Homes	8	0.05
2,003 Crest Nicholson	11	0.06
681 Galliford Try	10	0.06
3,115 McBride	6	0.03
74,760 McBride class 'B' preference shares	0	0.00
2,467 Persimmon	51	0.30
4,746 Reckitt Benckiser	347	2.02
1,852 Redrow	9	0.05
24,217 Taylor Wimpey	44	0.26
	<b>582</b>	<b>3.39</b>

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>Industrial Engineering 0.62% (2016 - 0.56%)</b>		
1,543 Bodycote	12	0.07
2,223 Fenner	6	0.03
591 Hill & Smith	7	0.04
6,970 Rotork	17	0.10
6,066 Severfield	5	0.03
599 Spirax-Sarco Engineering	27	0.16
1,716 Weir	32	0.19
	<b>106</b>	<b>0.62</b>
<b>Industrial Transportation 0.44% (2016 - 0.43%)</b>		
8,795 BBA Aviation	27	0.16
168 Braemar Shipping Services	0	0.00
200 Clarkson	5	0.03
401 James Fisher & Sons	6	0.04
6,814 Royal Mail	28	0.16
3,900 Stobart	7	0.04
830 Wincanton	2	0.01
	<b>75</b>	<b>0.44</b>
<b>Leisure Goods 0.01% (2016 - 0.01%)</b>		
1,400 Photo-Me	2	0.01
<b>Life Insurance 4.21% (2016 - 3.80%)</b>		
30,878 Aviva	154	0.90
1,024 Chesnara	4	0.02
44,537 Legal & General	111	0.65
38,027 Old Mutual	83	0.48
2,458 Phoenix	19	0.11
19,318 Prudential	310	1.81
3,893 St. James's Place Capital	41	0.24
	<b>722</b>	<b>4.21</b>
<b>Media 3.61% (2016 - 3.55%)</b>		
1,789 Ascential	5	0.03
700 Bloomsbury Publishing	1	0.01
2,472 Entertainment One	6	0.04
379 Euromoney Institutional Investor	4	0.02
6,560 Informa	44	0.26
1,800 ITE	3	0.02
28,266 ITV	57	0.33
4,012 Moneysupermarket.com	13	0.08
6,206 Pearson	42	0.24

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>Media (continued)</b>		
8,383 RELX	126	0.73
701 Rightmove	28	0.16
8,007 Sky	80	0.47
3,231 Trinity Mirror	3	0.02
3,149 UBM	23	0.13
9,711 WPP	184	1.07
	<b>619</b>	<b>3.61</b>
<b>Mining 6.12% (2016 - 4.29%)</b>		
1,150 Acacia Mining	6	0.04
9,969 Anglo American	127	0.74
2,866 Antofagasta	23	0.13
15,856 BHP Billiton	206	1.20
3,219 Evraz	7	0.04
1,670 Gem Diamonds	2	0.01
88,248 Glencore	284	1.65
9,900 International Ferro Metals1	0	0.00
1,946 KAZ Minerals	10	0.06
55 Lonmin	0	0.00
1,949 NSM1	0	0.00
3,885 Petra Diamonds	5	0.03
2,256 Petropavlovsk	0	0.00
2,220 Polymetal International	21	0.12
697 Randgold Resources	52	0.30
9,147 Rio Tinto	302	1.76
646 Vedanta Resources	6	0.04
	<b>1,051</b>	<b>6.12</b>
<b>Mobile Telecommunications 2.52% (2016 - 2.99%)</b>		
3,616 Inmarsat	26	0.15
201,578 Vodafone	407	2.37
	<b>433</b>	<b>2.52</b>
<b>Non-Equity Investment Instruments 0.00% (2016 - 0.00%)</b>		
2,052 Beta Global Emerging Markets Fund1	0	0.00
2,700 Bioscience Investment Trust1	0	0.00
6,077 Govett Strategic Investment Trust1	0	0.00
13,829 Securities Trust of Scotland1	0	0.00
	<b>0</b>	<b>0.00</b>
<b>Non-Life Insurance 0.97% (2016 - 0.97%)</b>		
1,582 Admiral	29	0.17
4,028 Beazley	17	0.10

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>Non-Life Insurance (continued)</b>		
10,300 Direct Line	35	0.20
2,149 esure	5	0.03
2,292 Hastings	5	0.03
1,100 Jardine Lloyd Thompson	11	0.06
1,750 Lancashire	12	0.07
489 Novae	3	0.02
8,181 RSA Insurance	49	0.29
	<b>166</b>	<b>0.97</b>
<b>Oil &amp; Gas Producers 7.60% (2016 - 7.21%)</b>		
142,420 BP	646	3.76
5,388 Cairn Energy	12	0.07
6,572 Enquest	3	0.02
3,017 Ophir Energy	3	0.02
4,898 Premier Oil	3	0.02
28,164 Royal Dutch Shell class 'B' shares	612	3.57
2,220 SOCO International	3	0.02
7,283 Tullow Oil	20	0.12
	<b>1,302</b>	<b>7.60</b>
<b>Oil Equipment, Services &amp; Distribution 0.27% (2016 - 0.27%)</b>		
1,277 Hunting	7	0.04
2,947 John Wood	22	0.13
1,986 Petrofac	18	0.10
	<b>47</b>	<b>0.27</b>
<b>Personal Goods 0.41% (2016 - 0.37%)</b>		
3,316 Burberry	57	0.33
1,415 PZ Cussons	5	0.03
381 SuperGroup	6	0.03
100 Ted Baker	3	0.02
	<b>71</b>	<b>0.41</b>
<b>Pharmaceuticals &amp; Biotechnology 8.47% (2016 - 8.96%)</b>		
9,481 AstraZeneca	440	2.56
2,855 BTG	16	0.09
801 Dechra Pharmaceuticals	13	0.08
490 Genus	8	0.05
36,520 GlaxoSmithKline	602	3.51
1,085 Hikma Pharmaceuticals	23	0.13
5,609 Indivior	20	0.12
6,755 Shire	328	1.91
2,320 Vectura	3	0.02
	<b>1,453</b>	<b>8.47</b>

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>Real Estate Investment &amp; Services 0.49% (2016 - 0.51%)</b>		
6,385 Capital & Counties Properties	19	0.11
152 CLS	3	0.02
1,400 Countrywide	3	0.02
30 Daejan	2	0.01
1,585 Development Securities	3	0.02
3,829 F&C Commercial Property Trust	5	0.03
2,699 Grainger Trust	7	0.04
360 Helical Bar	1	0.01
967 Kennedy Wilson Europe Real Estate	9	0.05
500 Mapeley <sup>1</sup>	0	0.00
3,429 Picton Property Income Fund	3	0.02
900 Savills	8	0.04
3,564 Schroder Real Estate	2	0.01
1,581 St. Modwen Properties	5	0.03
4,300 Standard Life Investment Property Trust	4	0.02
3,060 UK Commercial Property Trust	3	0.02
1,066 Unite	7	0.04
	<b>84</b>	<b>0.49</b>
<b>Real Estate Investment Trusts 1.80% (2016 - 1.78%)</b>		
12,228 Assura	7	0.04
790 Big Yellow	6	0.04
7,737 British Land	48	0.28
6,537 Capital & Regional	4	0.02
786 Derwent London	22	0.13
3,801 Empiric Student Property	4	0.02
2,928 Great Portland Estates	19	0.11
6,330 Hammerson	37	0.22
5,643 Hansteen	7	0.04
5,785 Intu Properties	17	0.10
6,123 Land Securities	65	0.38
4,373 LondonMetric Property	7	0.04
3,456 Primary Health Properties	4	0.02
2,100 Safestore	8	0.05
5,659 Segro	28	0.16
1,795 Shaftesbury	16	0.09
1,247 Workspace	10	0.06
	<b>309</b>	<b>1.80</b>

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>Software &amp; Computer Services 0.73% (2016 - 0.66%)</b>		
632 AVEVA	12	0.07
754 Computacenter	6	0.03
280 Fidessa	7	0.04
1,657 Micro Focus International	36	0.21
1,961 NCC	2	0.01
8,230 Sage	53	0.31
952 SDL	5	0.03
1,774 Sophos	5	0.03
	<b>126</b>	<b>0.73</b>
<b>Support Services 5.20% (2016 - 5.43%)</b>		
1,933 Aggreko	20	0.12
2,822 Amec Foster Wheeler	12	0.07
3,773 Ashtead	62	0.36
3,761 Babcock International	36	0.21
1,311 Berendsen	12	0.07
2,538 Bunzl	57	0.33
4,962 Capita	28	0.16
4,204 Carillion	9	0.05
1,400 Charles Taylor Consulting	3	0.02
2,185 Connect	3	0.02
661 DCC	45	0.26
1,083 De La Rue	7	0.04
1,042 Diploma	11	0.06
3,288 Electrocomponents	16	0.09
2,312 Essentra	13	0.08
7,252 Experian	116	0.68
11,619 G4S	30	0.17
12,783 Hays	21	0.12
3,700 Hogg Robinson	2	0.01
1,927 HomeServe	11	0.06
5,256 Howden Joinery	22	0.13
1,015 Interserve	2	0.01
1,204 Intertek	42	0.24
5,099 IWG	14	0.08
565 John Menzies	3	0.02
1,266 Lavendon	3	0.02
2,757 Michael Page International	12	0.07
3,880 MITIE	8	0.05
1,292 Northgate	7	0.04
3,591 Optimal Payments	15	0.09
621 PayPoint	6	0.03

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>Support Services (continued)</b>		
13,702 Rentokil Initial	33	0.19
503 Ricardo	5	0.03
450 Robert Walters	2	0.01
1,750 RPS	4	0.02
821 Sanne	5	0.03
8,330 Serco	10	0.06
5,336 Shanks	5	0.03
4,677 SIG	5	0.03
2,064 St. Ives	1	0.01
1,390 SThree	4	0.02
2,027 Travis Perkins	31	0.18
1,913 Wolseley	94	0.55
12,580 Worldpay	34	0.20
960 WS Atkins	14	0.08
	<b>895</b>	<b>5.20</b>
<b>Technology Hardware &amp; Equipment 0.09% (2016 - 1.19%)</b>		
1,850 Imagination Technologies	5	0.03
2,140 Laird	4	0.02
6,314 Spirent Communications	7	0.04
	<b>16</b>	<b>0.09</b>
<b>Tobacco 5.74% (2016 - 5.81%)</b>		
13,990 British American Tobacco	711	4.14
7,215 Imperial Brands	274	1.60
	<b>985</b>	<b>5.74</b>
<b>Travel &amp; Leisure 4.58% (2016 - 4.52%)</b>		
1,420 Carnival	62	0.36
1,459 Cineworld	9	0.05
12,339 Compass	185	1.08
3,231 Domino's Pizza	12	0.07
2,041 easyJet	19	0.11
6,172 Enterprise Inns	8	0.05
11,990 FirstGroup	14	0.08
285 Fuller Smith & Turner class 'A' shares	3	0.02
362 Go-Ahead	7	0.04
2,357 Greene King	16	0.09
2,140 GVC	15	0.09
1,475 InterContinental Hotels	56	0.33
12,710 International Consolidated Airlines	68	0.40
715 JD Wetherspoon	7	0.04
8,447 Ladbrokes	10	0.06



## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>Travel &amp; Leisure (continued)</b>		
5,680 Marston's	8	0.05
5,825 Merlin Entertainments	29	0.17
1,621 Millennium & Copthorne Hotels	8	0.05
2,239 Mitchells & Butlers	6	0.03
3,218 National Express	12	0.07
710 Paddy Power Betfair	63	0.37
1,360 Playtech	12	0.07
883 Rank	2	0.01
1,833 Restaurant	6	0.03
3,721 SSP	15	0.09
3,606 Stagecoach	7	0.04
10,494 Thomas Cook	9	0.05
3,570 TUI	41	0.24
1,366 Whitbread	52	0.30
7,376 William Hill	19	0.11
339 Wizz Air	6	0.03
	<b>786</b>	<b>4.58</b>
<b>OVERSEAS EQUITIES 5.04% (2016 - 4.70%)</b>		
<b>Bermuda Equities 0.15% (2016 - 0.15%)</b>		
2,261 Hiscox	25	0.15
<b>Egypt Equities 0.09% (2016 - 0.09%)</b>		
9,171 Centamin	16	0.09
<b>Finland Equities 0.00% (2016 - 0.00%)</b>		
11,970 Talvivaara Mining <sup>1</sup>	0	0.00
<b>Ireland Equities 0.18% (2016 - 0.16%)</b>		
2,304 Grafton	15	0.09
6,188 Greencore	16	0.09
	<b>31</b>	<b>0.18</b>
<b>Luxembourg Equities 0.08% (2016 - 0.07%)</b>		
4,432 B&M European Value Retail	13	0.08
<b>Mexico Equities 0.11% (2016 - 0.12%)</b>		
1,272 Fresnillo	19	0.11
<b>Netherlands Equities 3.98% (2016 - 3.62%)</b>		
32,838 Royal Dutch Shell class 'A' shares	683	3.98

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>Peru Equities 0.02% (2016 - 0.02%)</b>		
1,360 Hochschild Mining	4	0.02
<b>South Africa Equities 0.43% (2016 - 0.47%)</b>		
2,995 Al Noor Hospitals	22	0.13
2,749 Mondi	52	0.3
	<b>74</b>	<b>0.43</b>
Investment assets	17,092	99.60
Net other assets	69	0.40
<b>Net assets</b>	<b>17,161</b>	<b>100.00</b>

<sup>1</sup> Indicates unquoted or delisted security stated at the ACD's valuation.

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 2016.

# Statement of Total Return

For the six months to 28 February 2017

	2017 £000s	2017 £000s	2016 £000s	2016 £000s
Income				
Net capital gains (losses)		1,133		(416)
Revenue	259		219	
Expenses	(63)		(65)	
Net revenue before taxation	196		154	
Taxation	(3)		(3)	
Net revenue after taxation		193		151
<b>Total return before distributions</b>		<b>1,326</b>		<b>(265)</b>
Distributions		(193)		(151)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>1,133</b>		<b>(416)</b>

## Statement of Change in Net Assets Attributable to Shareholders

For the six months to 28 February 2017

	2017 £000s	2017 £000s	2016 £000s	2016 £000s
<b>Opening net assets attributable to shareholders</b>		<b>16,320</b>		<b>15,935</b>
Amounts receivable on creation of shares	92		69	
Less: Amounts payable on cancellation of shares	(551)		(693)	
		(459)		(624)
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		1,133		(416)
Retained distribution on accumulation shares		167		133
<b>Closing net assets attributable to shareholders</b>		<b>17,161</b>		<b>15,028</b>

Section 3.30 of the IMA SORP issued in May 2014 requires comparative figures for the above statement. For interim financial statements this will result in the closing comparative net assets not being equal to net assets at the start of the current period.

Please note that the 'Distributions' figure includes 'Revenue received on creation of shares' and 'Revenue deducted on cancellation of shares'.

# Balance Sheet

As at 28 February 2017

	28 February 2017 £000s	28 February 2017 £000s	31 August 2016 £000s	31 August 2016 £000s
<b>Assets</b>				
Fixed assets				
Investments		17,092		16,223
Current assets				
Debtors	111		125	
Cash and bank balances	12		30	
<b>Total other assets</b>		123		155
<b>Total assets</b>		17,215		16,378
<b>Liabilities</b>				
Creditors				
Distribution payable on income shares	(15)		(19)	
Other creditors	(39)		(39)	
<b>Total other liabilities</b>		(54)		(58)
<b>Total liabilities</b>		(54)		(58)
<b>Net assets attributable to shareholders</b>		17,161		16,320



# Allianz UK Mid-Cap Fund

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# Fund Information

## Investment Objective and Policy

The Fund aims to achieve 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 stocks which constitute the FTSE Mid 250 Share Index (excluding investment trusts).

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

## Status of the Allianz UK & European Investment Funds

It is the intention of the ACD that the Allianz UK Mid-Cap Fund (the "Fund") will be managed so as to meet the requirements necessary for it to be included in an Individual Savings Account.

## Classes of Share within the sub-funds

There are two classes of share available on the Allianz UK Mid-Cap Fund, being the 'A' and 'C' class.

## Fund Details

<b>Fund Manager</b>	Andrew Neville	
<b>Benchmark</b>	FTSE Mid 250 Share Index	
<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
<b>ISA status</b>	Yes (A and C Shares)	
<b>Share Classes and type of Shares</b>	A (Accumulation 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%
	C Shares	Nil
<b>Annual ACD fee</b>	A Shares	1.50%
	C Shares	0.75%

## Fund Information continued

## Net Asset Value

Share Class	Period Ended	Net Asset Value (£000s)	Number of Shares in Issue	Net Asset Value per Share (p)
A Shares	28 February 2017	28,269	640,911	4,410.8
C Shares	28 February 2017	20,730	455,042	4,555.6

## Operating Charges

Share Class	Year Ended	(%)
A Shares	31 August 2016	1.66
C Shares	31 August 2016	0.84

Operating Charges represent 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 Fund.

## Summary of Distribution

Share class	Payment date	Net distribution per share (p)
A Shares	31 October 2016	15.5641
C Shares	31 October 2016	50.2601

Please note: Investors are reminded that the Fund distributes annually.



# Investment Review

## Performance Summary

Over the six-month period under review, from 1 September 2016 to 28 February 2017, the Fund's A class produced a total return of 1.35% and C class produced a total return of 1.77%. The Fund's benchmark, the FTSE 250 ex Investment Trust index, produced a total return of 6.31% over the period.\*

The key reason for this underperformance was stock selection with weak performance from NCC and IG Group, partially offset by strong performance from Fevertree Drinks. Sector positioning also negatively impacted performance, primarily due to an underweight position in basic materials and financials, and an overweight position in technology.

## Market Background

For years, markets have been witnessing volatile economic growth, falling inflation, low income yields, and falling commodity prices. Throughout the period, however, we have noticed a reversal in these trends, with improving economic growth, rising inflation, rising income yields and rising commodity prices.

One consequence of improved economic growth is less need for monetary support. In the US, interest rates were raised for the second time since the financial crisis. In Europe, there was a reduction in the level of asset purchases as part of the quantitative easing program. This reduction in monetary support led to an increase in income yields.

Another consequence of improved economic growth is increasing demand for commodity prices driven by the prospect of higher demand. In particular, signs of improvement in the Chinese economy and continued strengthening of the US economy were supportive for commodity prices given their large amount of consumption. Rising commodity prices increased expectations for higher inflation, which started to increase from a low level in the period.

The election of Donald Trump in the US only served to support these trends, as his policies raised expectations that US economic activity would accelerate due to increased spending on infrastructure and defence. Although political volatility remained high globally

during the period, this did not noticeably detract on economic growth.

In this environment, global equity markets performed well. Companies which benefit from improving economic growth or increasing income yields such as financial and mining companies performed strongly. In contrast, companies which are relatively defensive, like telecommunications, consumer staples and utilities underperformed.

Despite the Brexit referendum last June, where UK voted to leave the European Union, the UK economy grew steadily over the period. Economic activity was further boosted by an interest rate cut and other post-referendum measures taken by the Bank of England, as well as the sharp drop in the value of the pound, which increased the competitiveness of the UK manufacturing base.

## 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.

Sector selection negatively contributed to performance over the period. In particular, the underweight in basic materials, and financials, which outperformed for reasons outlined above. In addition IG Group and NCC were material detractors to performance. IG Group underperformed after increased regulation in key end-markets had decreased demand for their services. NCC underperformed after increased costs and falling demand in their cyber security division led to declining profits.

During the period, we increased our exposure to international companies benefitting from economic growth and increasing income yields. We started positions in Vesuvius; a manufacturer of ceramic products into the steel and foundry industry, Tullett Prebon; the world's largest interdealer voice broker, and Kaz Minerals; a producer of copper in Kazakhstan. In addition we started a position in Telit; a leader in industrial machine-to-machine modules, and Ashmore;

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

## Investment Review continued

an emerging market debt manager seeing an improving environment for flows.

Whilst increasing our exposure to international companies, we reduced our exposure to companies exposed to the UK economy. This included Dunelm; a soft-furnishing retailer, Pets at Home; a retailer of pet food and services, Derwent London; a real estate company focusing on offices in London, and Bellway; a national housebuilder. After a strong period of performance we sold DS Smith, Exova, DCC and Just Eat. We also sold Inmarsat on concerns about increased competition and the strength of its balance sheet, as well as Booker after it received a takeover approach from Tesco.

### Outlook

The UK economy has experienced years of rising employment, falling inflation, low interest rates, and a stable political environment. These factors are all beneficial for the UK consumer, whose high levels of confidence and increased consumption have driven the strength of the UK economy.

The outlook for the UK economy is more uncertain than we have seen in long time. Although the UK consumer has remained resilient post the Brexit referendum, the

political environment is volatile, inflation is increasing, and employment growth is moderating. In this environment, the UK economy may find it difficult to deliver growth at similar levels to the past. In this uncertain environment, interest rates are likely to remain low, despite increasing inflation.

If the UK economic environment weakens, domestic orientated stocks, including financials, real-estate and consumer discretionary stocks could well suffer. Indeed, domestically-orientated companies, which have seen a negative impact on their business as a result of the Brexit referendum, have underperformed. Whilst the valuations of some domestically-orientated stocks are becoming more attractive, the outlook for these businesses remains uncertain.

In contrast, UK Mid-Sized companies, which are exposed to international economies, and benefit from the weak pound continue to look attractive. Although it is harder to find new investment candidates here, given increased valuations, attractive opportunities still exist.

13 March 2017

The contents of this Investment Review are based on the views of the manager at the time of writing, which may be subject to change.

# Portfolio Statement

As at 28 February 2017

Holding	Market Value £000s	% of Net Assets
<b>UNITED KINGDOM EQUITIES - 95.92% (2016 - 96.69%)</b>		
<b>Aerospace &amp; Defence - 5.15% (2016 - 3.29%)</b>		
1,382,553 Senior	2,523	5.15
<b>Beverages - 5.12% (2016 - 3.57%)</b>		
178,277 Fevertree Drinks <sup>1</sup>	2,507	5.12
<b>Electronic &amp; Electrical Equipment - 9.12% (2016 - 8.53%)</b>		
145,996 Halma	1,419	2.90
141,416 Oxford Instruments	1,132	2.31
79,000 Spectris	1,918	3.91
	<b>4,469</b>	<b>9.12</b>
<b>Financial Services - 10.20% (2016 - 6.38%)</b>		
400,000 Ashmore	1,424	2.91
297,010 Intermediate Capital	2,109	4.30
300,000 Tullett Prebon	1,467	2.99
	<b>5,000</b>	<b>10.20</b>
<b>Food &amp; Drug Retailers - 0.00% (2016 - 3.35%)</b>		
<b>General Industrials - 9.47% (2016 - 10.73%)</b>		
300,467 RPC	2,742	5.60
415,000 Vesuvius	1,896	3.87
	<b>4,638</b>	<b>9.47</b>
<b>General Retailers - 11.07% (2016 - 20.21%)</b>		
47,825 ASOS <sup>1</sup>	2,597	5.30
716,292 Auto Trader	2,829	5.77
	<b>5,426</b>	<b>11.07</b>
<b>Household Goods &amp; Home Construction - 0.00% (2016 - 2.22%)</b>		
<b>Industrial Engineering - 7.20% (2016 - 5.76%)</b>		
640,000 Rotork	1,580	3.22
43,888 Spirax-Sarco Engineering	1,952	3.98
	<b>3,532</b>	<b>7.20</b>
<b>Media - 2.29% (2016 - 3.53%)</b>		
28,500 Rightmove	1,120	2.29
<b>Mining - 2.79% (2016 - 0.00%)</b>		
250,000 Evraz	576	1.18
150,000 KAZ Minerals	790	1.61
	<b>1,366</b>	<b>2.79</b>

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>Mobile Telecommunications - 0.00% (2016 - 5.15%)</b>		
<b>Oil &amp; Gas Producers - 6.21% (2016 - 5.29%)</b>		
1,133,223 Tullow Oil	3,042	6.21
<b>Personal Goods - 6.74% (2016 - 4.50%)</b>		
112,305 SuperGroup	1,659	3.39
58,562 Ted Baker	1,643	3.35
	3,302	6.74
<b>Pharmaceuticals &amp; Biotechnology - 7.42% (2016 - 5.88%)</b>		
137,210 Genus	2,379	4.86
58,307 Hikma Pharmaceuticals	1,253	2.56
	3,632	7.42
<b>Real Estate Investment Trusts - 2.46% (2016 - 4.79%)</b>		
1,030,000 Hansteen	1,207	2.46
<b>Software &amp; Computer Services - 4.12% (2016 - 0.93%)</b>		
85,396 Accesso Technology <sup>1</sup>	1,392	2.84
535,000 NCC	629	1.28
	2,021	4.12
<b>Technology Hardware &amp; Equipment - 5.00% (2016 - 0.00%)</b>		
856,500 Telit Communications	2,450	5.00
<b>Travel &amp; Leisure - 1.56% (2016 - 2.58%)</b>		
346,025 Hostelworld	765	1.56
<b>OVERSEAS EQUITIES - 0.00% (2016 - 1.91%)</b>		
<b>Ireland Equities - 0.00% (2016 - 1.91%)</b>		
Investment assets	47,000	95.92
Net other assets	1,999	4.08
<b>Net assets</b>	<b>48,999</b>	<b>100.00</b>

<sup>1</sup> Securities listed on the Alternative Investments 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 2016.

# Statement of Total Return

For the six months to 28 February 2017

	2017 £000s	2017 £000s	2016 £000s	2016 £000s
Income				
Net capital gains (losses)		761		(558)
Revenue	347		402	
Expenses	(328)		(379)	
Net revenue before taxation	19		23	
Taxation	0		0	
Net revenue after taxation		19		23
<b>Total return before distributions</b>		<b>780</b>		<b>(535)</b>
Distributions		(4)		(2)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>776</b>		<b>(537)</b>

# Statement of Change in Net Assets Attributable to Shareholders

For the six months to 28 February 2017

	2017 £000s	2017 £000s	2016 £000s	2016 £000s
<b>Opening net assets attributable to shareholders</b>		<b>50,452</b>		<b>53,750</b>
Amounts receivable on creation of shares	1,452		1,922	
Less: Amounts payable on cancellation of shares	(3,681)		(3,547)	
		(2,229)		(1,625)
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		776		(537)
<b>Closing net assets attributable to shareholders</b>		<b>48,999</b>		<b>51,588</b>

Section 3.30 of the IMA SORP issued in May 2014 requires comparative figures for the above statement. For interim financial statements this will result in the closing comparative net assets not being equal to net assets at the start of the current period.

Please note that the 'Distributions' figure includes 'Revenue received on creation of shares' and 'Revenue deducted on cancellation of shares'.

# Balance Sheet

As at 28 February 2017

	28 February 2017 £000s	28 February 2017 £000s	31 August 2016 £000s	31 August 2016 £000s
<b>Assets</b>				
Fixed assets				
Investments		47,000		49,746
Current assets				
Debtors	22		478	
Cash and bank balances	2,196		948	
<b>Total other assets</b>		2,218		1,426
<b>Total assets</b>		49,218		51,172
<b>Liabilities</b>				
Creditors				
Other creditors	(219)		(720)	
<b>Total other liabilities</b>		(219)		(720)
<b>Total liabilities</b>		(219)		(720)
<b>Net assets attributable to shareholders</b>		48,999		50,452



# Allianz UK Unconstrained Fund

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# Fund Information

## Investment Objective and Policy

The Fund aims to achieve capital growth over the long term.

The ACD aims to achieve the investment objective by investing in any of the economic sectors of the United Kingdom although it may invest internationally. It is the ACD's general intention to invest the Fund in a concentrated range of companies, normally 16 to 30 companies, from any sector included within the FTSE All Share Index. The ACD will retain a flexible asset allocation policy meaning that the Fund will not be constrained by the benchmark index.

The Fund may also invest in collective investment schemes, government securities, certificates of deposit and other money market instruments and hold up to 20% of the portfolio in cash deposits should the ACD consider such investments and/or deposits to be appropriate in view of market conditions.

## Status of the Allianz UK & European Investment Funds

It is the intention of the ACD that the Allianz UK Unconstrained Fund (the "Fund") will be managed so as to meet the requirements necessary for it to be included in an Individual Savings Account.

## Classes of Share within the sub-funds

There are two classes of share available on the Allianz UK Unconstrained Fund, being the 'A' and 'C' class.

## Fund Details

<b>Fund Manager</b>	Matthew Tillett	
<b>Benchmark</b>	FTSE All Share Index	
<b>Income allocation date</b>	31 August	
<b>Income pay date</b>	31 October	
<b>Launch dates</b>	Fund	9 February 2004
	A Shares	14 May 2004
	C Shares	9 February 2004
<b>ISA status</b>	Yes (A and C Shares)	
<b>Share Classes and types of Shares</b>	A (Accumulation 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%
	C Shares	Nil
<b>Annual ACD fee</b>	A Shares	1.50%
	C Shares	0.75%

On 13 April 2017 the Allianz UK Unconstrained Fund merged into the Allianz UK Opportunities Fund.

## Fund Information continued

## Net Asset Value

Share Class	Period Ended	Net Asset Value (£000s)	Number of Shares in Issue	Net Asset Value per Share (p)
A Shares	28 February 2017	8,915	3,649,968	244.2
C Shares	28 February 2017	1,948	1,632,843	119.3

## Operating Charges

Share Class	Year Ended	(%)
A Shares	31 August 2016	1.98
C Shares	31 August 2016	1.14

Operating Charges represent 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 Fund.

## Summary of Distribution

Share class	Payment date	Net distribution per share (p)
A Shares	31 October 2016	2.6238
C Shares	31 October 2016	2.0985

Please note: Investors are reminded that the Fund distributes annually.

# Investment Review

## Performance Summary

Over the six-month period under review, from 1 September 2016 to 28 February 2017, the Fund's 'A' class produced a total return of 10.5% and the Fund's 'C' class produced a total return of 11.0%. The Fund's benchmark, the FTSE All Share Index, produced a total return of 8.6% over the period.\*

The key reason for this outperformance was the portfolio's exposure to oil & gas and mining shares. Faroe Petroleum, Serica Energy, Central Asia Metals and Capital Drilling all performed very well as commodity prices rallied and valuations across these sectors rose.

## Market Background

Despite the Brexit referendum last June, where UK voted to leave the European Union, the UK economy grew steadily during the period, recording an estimated 2.2% annualised growth in the fourth quarter of 2016. Economic activity was boosted by an interest rate cut and other post-Brexit measures taken by the Bank of England, as well as a sharp drop in the value of the pound, which increased the competitiveness of the UK's manufacturing base.

Elsewhere, the election of Donald Trump as US President raised expectations that US economic activity would accelerate due to spending on infrastructure and defence, in particular, whilst European economies made gradual progress, despite rising political tensions.

Equities reacted well to the anticipation of stronger growth, and the devaluation of the pound, which boosts the value of overseas earnings for UK companies. Performance was sharply polarised in the market with cyclical sectors, like mining and banks producing very strong returns, whilst more defensive sectors like telecommunications, food producers and utilities, as well as general retailers producing negative returns.

## Portfolio Review

The Fund is run to an unconstrained mandate. The strategy aims to give investors an attractive absolute, risk-adjusted return across an entire economic cycle. We invest in companies where we see a reasonable prospect of a high total shareholder return over a 3-5 year time horizon, and where downside risks are observable and

measurable. The benchmark is the FTSE All Share, but the portfolio is not constructed with reference to this or any other equity index.

Volatility across and within the stock market created a number of opportunities for new investments during the period under review. Domestically-focussed companies, in general, performed poorly, in many cases experiencing substantial valuation de-ratings due to the fear around the impact of Brexit on the UK economy. We saw this as an opportunity to purchase high quality business models on low absolute valuations. Howden Joinery, the UK's leading kitchen manufacturer, was purchased on an 11x earnings multiple, a very attractive valuation especially given the company has a sizeable net cash position. We also bought Greene King, which we believe to be the best run pub company in the UK. We paid 9x earnings for the shares, a bargain in the context of the company's long term track record of earnings and dividend growth.

Towards the end of the period we added two industrial technology companies that we have been following for some time. Cobham is an aerospace and defence company with world leading positions in specific niches such as air-to-air refuelling. The company is well invested having upped its Research & Development (R&D) spend throughout the defence downturn. The opportunity emerged after a 65% fall in the share price caused by an earlier misjudged acquisition and an overleveraged balance sheet. We took our position after the new management team cleared the decks with a series of write offs and an announcement of an equity raise.

In a somewhat similar vein, we also added Laird, a technology company focussed on wireless antenna systems and electromagnetic materials for mobile devices. There is substantial hidden value in Laird stemming from the company's customer relationships with major auto companies. We expect Laird's sales to the auto sector to grow strongly in the coming years as the "connected vehicle" becomes more and more widespread around the world. The investment opportunity arose as a result of a series of problems in the wireless business, causing a significant earnings downgrade and ultimately the announcement of a

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

## Investment Review continued

rights issue to repair the balance sheet. At this point, with the shares off 65% and the valuation having collapsed, it seemed all the bad news was in the price and so we took our position.

The most notable sales were in the mining sector. After adding a number of copper mining shares during the latter part of 2015 and early 2016, we subsequently sold them towards the end of the period under review, following a reassessment of valuation after very significant share price increases.

### Outlook

The political environment seems more uncertain than for many years. The nature of the UK's future relationship with the EU is unclear and there are political risks in the Eurozone and the USA. The UK economy has been resilient to the Brexit referendum result, so far, and inflation is picking up, partly due to the weakness of the pound and the higher cost of imports. However, interest rates are unlikely to rise significantly, as the Bank of England considers the future economic risks of Brexit.

Whilst there are numerous risks, the UK economy is growing solidly. It is hard to predict where the overall market will go in the short term. However, we prefer to

focus on individual company prospects and valuations when assessing investments and constructing a portfolio. Three broad areas dominate the portfolio: Cheap cyclicals; Special situations; Oil & gas.

The cheap cyclicals group is mostly composed of mid- and small-cap companies with significant overseas earnings where the market is pricing in a far worse outcome that we believe is likely. In addition, we have also recently been selectively adding some strong UK domestic cyclical companies as outlined above. Within the special situations group, we hold a number of companies that are in the process of business turnarounds where we can see a clear path to value creation through management actions. We also have a number of investments in attractive areas that are completely uncorrelated to the wider economy and financial markets. Oil & gas remains an important focus for the fund where we retain positions in BP, Shell and a selection of smaller exploration and production companies. Fundamentals are on an improving trend for these companies, whilst valuations remain very low.

15 March 2017

The contents of this Investment Review are based on the views of the manager at the time of writing, which may be subject to change.

# Portfolio Statement

As at 28 February 2017

Holding	Market Value £000s	% of Net Assets
<b>UNITED KINGDOM EQUITIES 73.16% (2016 - 70.14%)</b>		
<b>Aerospace &amp; Defence 4.77% (2016 - 2.78%)</b>		
149,000 Cobham	179	1.65
185,481 Senior	339	3.12
	<b>518</b>	<b>4.77</b>
<b>Construction &amp; Materials 6.01% (2016 - 6.45%)</b>		
108,958 Balfour Beatty	301	2.77
128,362 Tyman	352	3.24
	<b>653</b>	<b>6.01</b>
<b>Equity Investment Instruments 2.83% (2016 - 4.54%)</b>		
300,938 Better Capital	307	2.83
<b>Financial Services 3.12% (2016 - 2.43%)</b>		
53,076 Ashmore	189	1.74
28,000 IG	150	1.38
	<b>339</b>	<b>3.12</b>
<b>Gas, Water &amp; Multiutilities 3.33% (2016 - 4.04%)</b>		
159,496 Centrica	362	3.33
<b>General Industrials 0.00% (2016 - 2.93%)</b>		
<b>General Retailers 1.78% (2016 - 1.92%)</b>		
178,701 Mothercare	193	1.78
<b>Healthcare Equipment &amp; Services 3.35% (2016 - 0.00%)</b>		
9,250 LivaNova	364	3.35
<b>Media 2.22% (2016 - 3.70%)</b>		
32,336 UBM	241	2.22
<b>Mining 1.78% (2016 - 4.12%)</b>		
1,170,539 Pan African Resources <sup>1</sup>	193	1.78
<b>Oil &amp; Gas Producers 10.25% (2016 - 9.16%)</b>		
99,407 BP	451	4.15
282,996 Faroe Petroleum <sup>1</sup>	290	2.67
442,467 SDX Energy <sup>1</sup>	215	1.98
620,265 Serica Energy <sup>1</sup>	158	1.45
	<b>1,114</b>	<b>10.25</b>

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
<b>Oil Equipment, Services &amp; Distribution 1.48% (2016 - 0.30%)</b>		
845,000 Enteq Upstream <sup>1</sup>	161	1.48
<b>Real Estate Investment &amp; Services 3.85% (2016 - 3.70%)</b>		
233,674 Development Securities	418	3.85
<b>Software &amp; Computer Services 1.52% (2016 - 0.00%)</b>		
58,620 Servelec	165	1.52
<b>Support Services 14.22% (2016 - 12.91%)</b>		
776,974 Begbies Traynor <sup>1</sup>	381	3.51
178,199 Equiniti	334	3.07
81,500 Howden Joinery	349	3.21
269,500 St. Ives	141	1.30
109,034 SThree	340	3.13
	<b>1,545</b>	<b>14.22</b>
<b>Technology Hardware &amp; Equipment 1.76% (2016 - 0.00%)</b>		
114,000 Laird	191	1.76
<b>Travel &amp; Leisure 10.89% (2016 - 11.16%)</b>		
301,334 FirstGroup	362	3.33
356,500 Goals Soccer Centres <sup>1</sup>	367	3.38
44,000 Greene King	297	2.73
71,523 Hostelworld	158	1.45
	<b>1,184</b>	<b>10.89</b>
<b>OVERSEAS EQUITIES 20.41% (2016 - 25.58%)</b>		
<b>Germany Equities 0.38% (2016 - 2.35%)</b>		
744 Drägerwerk	41	0.38
<b>Guernsey Equities 8.36% (2016 - 8.39%)</b>		
1,544,003 Better Capital PCC	455	4.19
922,261 Sirius Real Estate <sup>1</sup>	453	4.17
	<b>908</b>	<b>8.36</b>
<b>Ireland Equities 2.97% (2016 - 1.81%)</b>		
217,600 IFG	323	2.97
<b>Netherlands Equities 4.20% (2016 - 3.97%)</b>		
21,000 Royal Dutch Shell class 'B' shares	456	4.20

## Portfolio Statement continued

Holding	Market Value £000s	% of Net Assets
Norway Equities 0.00% (2016 - 1.56%)		
Singapore Equities 4.50% (2016 - 3.74%)		
842,614 Capital Drilling	489	4.50
Spain Equities 0.00% (2016 - 3.76%)		
Investment assets	10,165	93.57
Net other assets	698	6.43
<b>Net assets</b>	<b>10,863</b>	<b>100.00</b>

<sup>1</sup> Securities listed on the Alternative Investments 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 2016.

## Statement of Total Return

For the six months to 28 February 2017

	2017 £000s	2017 £000s	2016 £000s	2016 £000s
Income				
Net capital gains (losses)		1,008		(491)
Revenue	141		128	
Expenses	(94)		(93)	
Net revenue before taxation	47		35	
Taxation	(3)		(1)	
Net revenue after taxation		44		34
<b>Total return before distributions</b>		<b>1,052</b>		<b>(457)</b>
Distributions		(2)		(1)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>1,050</b>		<b>(458)</b>

## Statement of Change in Net Assets Attributable to Shareholders

For the six months to 28 February 2017

	2017 £000s	2017 £000s	2016 £000s	2016 £000s
<b>Opening net assets attributable to shareholders</b>		<b>10,271</b>		<b>10,529</b>
Amounts receivable on creation of shares	90		25	
Less: Amounts payable on cancellation of shares	(548)		(399)	
		(458)		(374)
Change in net assets attributable to shareholders from investment activities (see Statement of Total Return above)		1,050		(458)
<b>Closing net assets attributable to shareholders</b>		<b>10,863</b>		<b>9,697</b>

Section 3.30 of the IMA SORP issued in May 2014 requires comparative figures for the above statement. For interim financial statements this will result in the closing comparative net assets not being equal to net assets at the start of the current period.

Please note that the 'Distributions' figure includes 'Revenue received on creation of shares' and 'Revenue deducted on cancellation of shares'.



# Balance Sheet

As at 28 February 2017

	28 February 2017 £000s	28 February 2017 £000s	31 August 2016 £000s	31 August 2016 £000s
<b>Assets</b>				
Fixed assets				
Investments		10,165		9,831
Current assets				
Debtors	30		40	
Cash and bank balances	743		446	
<b>Total other assets</b>		<b>773</b>		<b>486</b>
<b>Total assets</b>		<b>10,938</b>		<b>10,317</b>
<b>Liabilities</b>				
Investment liabilities				
Creditors				
Bank overdrafts				
Other creditors	(75)		(46)	
<b>Total other liabilities</b>		<b>(75)</b>		<b>(46)</b>
<b>Total liabilities</b>		<b>(75)</b>		<b>(46)</b>
<b>Net assets attributable to shareholders</b>		<b>10,863</b>		<b>10,271</b>

# 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 SIX MONTHS ENDED  
29 February 2016.

In accordance with the requirements of the Regulations,  
we hereby certify the report on behalf of Allianz Global Investors GmbH, UK Branch.

K. Hewitson

L. Clark

Authorised signatory  
26 April 2017

Authorised signatory

# Additional Information

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

You will receive a full statement of your investments as at 5 April and 5 October sent to you at the end of April and end of October respectively. You can also request a valuation at any time by calling 0800 073 2001.

In addition, the share prices are published daily on our website at [www.allianzglobalinvestors.co.uk](http://www.allianzglobalinvestors.co.uk).

Interim and audited annual long form reports as at 28/29 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 (£11,100 for the 2016/2017 year, £11,100 for the 2015/2016 year). If gains in excess of this exemption are realised the excess is taxable at the rate of UK capital gains tax applicable to the investor, being either 10% (18% prior to April 2016) or (for higher & additional rate taxpayers) 20% (28% prior to April 2016).

### Income tax

Distributions, whether they are paid out or accumulated, are treated as income for tax purposes.

### Dividend distributions (Equity Funds)

From April 2016, the 10% tax credit was abolished and a £5,000 tax free dividend allowance was introduced. Dividends above this level will be taxed at 7.5% (basic rate), 32.5% (higher rate) and 38.1% (additional rate). Dividend income will be treated as the top band of income. Dividends received by Pensions and ISAs will be unaffected.

### Interest distributions (Bond Funds)

From 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).

It is expected that Finance Act 2017 will abolish the requirement for OEICs to deduct income tax from interest distributions to Shareholders with effect from 6 April 2017. Accordingly, with effect from 1 September 2016, the Allianz Gilt Yield Fund and the Allianz Strategic Bond Fund moved to a gross pricing basis. All interest distributions after 6 April 2017 will be paid gross, i.e. without the deduction of income tax. Investors are advised to consult with their independent

tax advisor to determine the effects to them, if any as a result of this change in UK legislation.

## Risk warning

Investors are reminded that the value of shares of a sub-fund 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 GmbH, UK Branch, 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.

## 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.



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