Allianz RiskMaster Conservative Fund

Final
Short Form

For the year ended 30 April 2014

The report below, as prescribed by the Financial Conduct Authority (FCA), aims to provide clear and concise information enabling you to make an informed judgement on your investment, during the year covered. We continually strive to enhance the information we send to you and we would welcome any comments you may have. A long form version of the report and accounts can still be viewed at www.allianzglobalinvestors.co.uk. Alternatively, call our Investor Services team on 0800 317 573 to request a copy. Thank you for your continued investment with Allianz Global Investors.

Investment Objective & Policy

The Allianz RiskMaster Conservative Fund aims to achieve long term capital growth by maintaining a balance between investments which are considered lower to medium risk and those which are considered higher risk.

The Fund seeks to achieve this objective by (1) actively investing in a broad range of asset classes across all economic sectors worldwide and (2) managing the risks associated with investing in these assets by utilising a broad range of risk management techniques.

The Fund will maintain a balance between investments which are considered lower to medium risk such as fixed income securities (issued by corporate, government and/or supranational institutions), collective investment schemes (including those with exposure to the property market), cash, near cash and money market instruments and those which are considered higher risk, such as equity, equity related securities and (indirectly) alternative asset classes (including commodities indices and hedge fund indices).

The Fund may gain exposure to the above mentioned securities either through direct investment or indirectly by investing in collective investment schemes, including exchange traded funds.

In particularly adverse market conditions the Fund may hold cash deposits up to 100% of the portfolio.

The Fund may also invest in derivative instruments such as futures, options, options on swaps, swap agreements (including equity and/or index based total return swaps, interest rate swaps and credit default swaps) and currency forward contracts. The Fund may use options in order to generate synthetic cash positions.

Derivatives may also be used for the purposes of efficient portfolio management.

Risk Profile

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

Credit and Fixed Interest Securities Risk: Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of the capital may fall, and vice versa. Inflation will also decrease the real value of capital.

Exchange Traded Funds (ETFs): Constant attention is given to seeking the most competitively priced solutions to gain market exposure. For this reason, the team manages its exposure to the various asset classes for instance through investment in exchange traded funds (ETFs). These are index replicating funds that reflect the performance of an asset class and have a lower fee structure than other mutual funds.

The risk and cost of investing directly in indices can be reduced by gaining indirect exposure through investing in ETFs. The Fund may be exposed to market fluctuations in the relevant indices (upward or downward) and counterparty risk where over the counter derivatives are utilised by the ETF.

Concentrated Portfolio: Lower diversification and active stock selection may give rise to more risk and substantially increase the risk of loss.

Emerging Markets: Emerging markets tend to be more volatile than more established stock markets and therefore your money is at greater risk. Other risk factors such as political and economic conditions should also be considered. Restrictive dealing, custody and settlement practices may be prevalent. A counterparty may not pay or deliver on time or as expected. As a result, settlement may be delayed and the cash or securities could be disadvantaged. Securities of many companies in emerging markets are less liquid and their prices more volatile than securities of comparable companies in more sizeable markets.

Exchange Rates: Exchange rate movements may cause the value of any overseas investments, and any revenue from them, to go up or down.

Allianz Global Investors

Key Facts

Fund manager	Allianz RiskMaster Multi-asset team			
Launch date	15 May 2012			
Fund benchmark	n/a			
Annual charge	1.5%			
Initial charge	ISA	3%	Direct	4%
Minimum investment	ISA	£1,000	Direct	£500
Additional investment	ISA	£1,000	Direct	£500
Regular savings plan	ISA	£200	Direct	£50
Ex dividend dates	1 May			
Payment dates	30 June			
Share classes & types	A (Accumulation) T (Accumulation)		C (Accumulation)	

Please note: The information shown above is for the 'A' share class of the Fund.

Ongoing Charges Figure

30 April 2014	
'A' Shares	2.17%
'C' Shares	1.59%
'T' Shares	0.90%

Ongoing Charges Figure (OCF) represents all operating charges and expenses and is expressed as a percentage of the average net asset value. It includes the annual ACD fee as well as all the administrative expenses including custodial transaction charges incurred by the Fund. For the 'T' class shares the OCF has been capped at 0.90%

Performance Record (price in pence)

	High	Low	High	Low	High	Low
Share class Calendar year	**A**	**A**	**C**	**C**	**T**	**T**
2012[1]	107.8	99.3	108.5	99.3	N/A	N/A
2013	116.2	106.1	117.0	106.9	103.6[2]	94.7[2]
2014[3]	111.2	106.6	112.1	107.7	99.7	95.8

[1] For the period from 15 May 2012
[2] For the period from 15 March 2013
[3] For the period to 30 April 2014

Summary of Fund Performance

	Net Asset Value		Net Asset Value per share		
	30 Apr 2014 £000s	30 Apr 2013 £000s	30 Apr 2014 (p)	30 Apr 2013 (p)	Change %
'A' Shares	815	2,293	110.3	112.6	(2.0)
'C' Shares	1,149	1,611	111.4	113.3	(1.7)
'T' Shares	6,038	510	99.2	100.4	(1.2)

Summary of Distribution

Share class	Payment date	Net distribution per share (p)
'A' Shares	30 June 2014	0.0000
'C' Shares	30 June 2014	0.3348
'T' Shares	30 June 2014	0.8826

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

Derivative Risk: As part of the investment strategy, the Fund may utilise investment techniques involving the use of financial instruments known as derivatives which further enhances the diversification of the Fund. These allow an investment manager to invest artificially in financial securities, such as shares or bonds, or other investments, without owning the physical assets. The use of derivatives can involve a greater element of risk. A positive or negative movement in the value of the underlying asset can have a larger effect on the value of derivatives as these are more sensitive to changes.

If the Fund uses derivatives for investment purposes the level of investment can increase above the level of investment of a Fund that is fully invested in securities. As a result the Fund's risk profile offers potentially greater market risk than that of a Fund with a similar profile that does not invest in derivatives. Although it is intended that the use of derivatives for investment purposes will, over the long term, reduce the risk profile of such a Fund, it may introduce counterparty risk that otherwise would not be present. Investment in derivatives may therefore, to some extent, alter the risk profile of such a Fund.

Risk and Reward Profile

The Allianz RiskMaster Conservative Fund has a risk reward indicator of 4. Funds of category 4 have shown medium volatility in the past. The volatility describes how much the value of the Fund went up and down in the past. The shares of a Fund of category 4 might be subject to medium price fluctuations based on the historical volatilities observed.

The indicator is mapped through an integer number between 1 & 7 and is based on past performance data and is calculated in accordance with European legislation. The categorisation of the Fund is not guaranteed and may change in the future.

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

Investment Review

Performance Summary: Over the year under review, 1 May 2013 to 30 April 2014, the Fund's 'A' class produced a total return of -2.10%, the Fund's 'C' class of -1.79%.*

Market Background: The Federal Reserve (Fed) first indicated it would slow its purchases of assets in late May 2013. Investors quickly unwound those trades designed to seek out higher yields outside of sovereign bond markets. Both bond and equity markets declined in value in the immediate aftermath as both feared the end of central bank support for their asset classes. The value of emerging market equities and bonds fell sharply due to disinvestment, as they became less attractive given the risk free rate available on US Treasuries would soon rise once more.

Having rebounded strongly in the second quarter, European growth moderated during Q3 and Q4 although continued recovering. Business sentiment indices had run ahead of equity markets hence they stabilised in the final quarter, but resumed their upward trend into 2014, albeit having decelerated. The compression in peripheral European bond yields, continued throughout the review period despite

* 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.

Classification of Investments

Ten Largest Holdings as at 30 April 2014	(%)
iShares € Corporate Bond Fund	17.52
iShares Markit iBoxx £ Corporate Bond Fund	16.85
db x-trackers II - EONIA ETF	11.21
db x-trackers - MSCI Emerging Market Index ETF	10.36
Allianz Volatility Strategy Fund	6.26
db x-trackers - DBLCI - OY Balanced ETF	4.96
Treasury 0% Stock 6/5/2014	4.72
Treasury 0% Stock 19/5/2014	4.50
Treasury 0% Stock 12/5/2014	3.75
iShares JPMorgan $ Emerging Markets Bond Fund	3.47
Total	**83.60**

Ten Largest Holdings as at 30 April 2013	(%)
iShares JPMorgan $ Emerging Markets Bond Fund	14.36
db x-trackers - MSCI Emerging Market Index ETF	12.66
iShares Markit iBoxx £ Corporate Bond Fund	12.46
iShares MSCI World Fund	11.44
UBS MSCI World Index ETF	10.81
iShares FTSE EPRA/NAREIT UK Property Fund	7.12
iShares FTSE EPRA/NAREIT Developed Markets Property Yield Fund	7.09
db x-trackers - DBLCI - OY Balanced ETF	5.50
Allianz Discovery Europe Strategy Fund	4.24
Treasury 2.25% Gilt 7/3/2014	3.76
Total	**89.44**

Sector Breakdown as at 30 April 2014	(%)
Alternative Open-ended Funds	8.42
Commodities Open-ended Funds	4.96
Equities Open-ended Funds	21.57
Fixed Interest Open-ended Funds	37.84
Sterling Denominated Fixed Rate Government Bonds	20.65
Open Forward Exchange Contracts	0.24
Open Future Contracts	0.61
Net other assets	5.71
Net Assets	**100.00**

Sector Breakdown as at 30 April 2013	(%)
Alternative Open-ended Funds	18.45
Commodities Open-ended Funds	5.50
Equities Open-ended Funds	34.91
Fixed Interest Open-ended Funds	26.82
Sterling Denominated Fixed Rate Government Bonds	6.34
Open Forward Exchange Contracts	0.25
Open Futures Contracts	0.00
Net other assets	7.73
Net Assets	**100.00**

calls of overvaluation, enabled some countries to return to bond markets e.g. Greece and Portugal. Evidence of the positive impact of structural reforms were also observed e.g. in Spain, whilst in the core countries concerns grew around the reform agenda in France.

The Federal Reserve finally commenced tapering in December 2013, with the US economy evidencing increasing signs of reaching escape velocity after several false starts. The housing market weakness that was observed during summer 2013, in response to the prior period of higher shorter dated interest rates related to tapering expectations, faded into the year end. More importantly, signs emerged of labour achieving pricing power with compensation levels edging up and household net worth having grown substantially on higher stock prices and real estate appreciation.

Equity markets ended 2013 at a temporary peak, as the recovery was again brought into question this year by unseasonably poor weather in the US that distorted the fundamental growth picture. This led global equities to fall through to early February, later compounded by heightened geopolitical risk accompanying the invasion and subsequent annexation of the Crimean region of the Ukraine by Russia. Despite this, emerging market assets rebounded sharply from February due to a combination of technical factors (large underweights and investment flowing back into the region), and improving economic fundamentals relative to expectations.

By April 2014, data visibility in the US had improved as the weather related distortions faded and investors became more convinced the economy was on a path of sustainable improvement. Nevertheless, the new Federal Reserve Chair, Janet Yellen, surprised the market in implying that rates could rise as soon as Q1 2015, although the Fed was quick to correct its message to re-assure markets it will not pre-emptively raise rates.

The Bank of Japan (BoJ) engaged in meaningful Quantitative Easing (QE) in 2013, in an effort to finally end the debt-deflation that has been plaguing the country for decades. Although inflation increased to 1.6% year on year in Japan, it was driven higher by a cyclical recovery in the region and currency depreciation that came about as a result of the balance sheet expansion by the BoJ. However, the implementation of the 3rd arrow of PM Shinzo Abe's, structural reform, has remained unclear.

Portfolio Review: Risky assets in the portfolio were meaningfully reduced in May 2013 to realise the previous 12 months profit. The unwinding of carry related trades in the subsequent months, motivated by expectations the Fed would withdraw stimulus from markets, resulted in a further de-risking of the portfolio as the return momentum signal remained negative. The portfolio exposure to emerging market equities and bonds, and commodities, proved a drag on headline performance, and despite meaningful reductions in exposure to these assets, the speed of the sell-off prevented us limiting the full extent of the damage, as well did the high Strategic Asset Allocation (SAA) anchor for medium-term exposure that reflected the higher risk-premia expected to be earned by such assets.

The rotation out of higher risk assets into gilts, ordinarily a low risk asset class, also damaged headline performance due to the rising asset class correlations in Q3 2013 over fears of reduced central bank support for government bonds. To limit exposure to interest rate risk we sought out low duration gilts from this point onwards.

The lack of positive performance return momentum through to year-end prevented a re-risking of the portfolio, hence the funds remained invested too heavily in low risk assets rather than benefiting from the rally in developed market equities.

In mid-December, we began implementing the new SAA that anchors our medium-term allocations for asset classes based on a revised set of return expectations. The most notable changes were an increase in the allocation to developed market equities, at the expense of emerging markets, and a reduction in the allocation to gilts. This reflected a more positive outlook on developed market growth, led by a recovery in the US, and a realisation that eventually interest rates would have to rise, leading to significant under-performance in gilts.

The new SAA implementation was complete by January. Since then, the dynamic variation around the new long-term SAA anchor has reflected an overweight to developed market equities that, although having only moved marginally higher year-to-date, should continue to rally as the US recovery becomes entrenched.

To further cement our reduction in interest rate risk the portfolios have hedged exposure via interest rate futures. The 2014 rally in gilts was a headwind to the headline performance of the fund, but we maintained our negative stance on the asset class.

Outlook: The new SAA implemented in January reflects our medium-term expectations on asset class returns, hence a preference for developed over emerging markets. However, tactically we recognise the scope for emerging market assets to outperform given the positioning and flow, and the upward momentum in fundamental economic indicators relative to expectations. For this reason, we have recently covered our underweight emerging market position relative to the SAA allocation recognising more positive trends, and should volatility boundaries permit, may increase further the allocation to emerging markets.

The recovery in developed markets supports our overweight global equity position against the SAA, and historically this has resulted in positive spillover effects into emerging markets, another reason for covering the dynamic underweight here.

Eventually interest rate expectations will reflect, more closely, the path of economic growth and the fund is positioned to guard against any losses from exposure to gilts.

13 May 2014

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. Investors are reminded that the value of shares within an OEIC fund, and the income from them, may go down as well as up and is not guaranteed. An investor may not get back the amount invested. The past is no guide to future performance.

Further Information

The information in this report is designed to enable shareholders to make an informed judgement on the activities of the Fund during the year covered by the report and the results of those activities at the end of the year.

More information on the performance and make-up of this Fund is available on our Fund factsheets, which you can view via our Literature Library on www.allianzglobalinvestors.co.uk. You can also request a valuation at any time by calling 0800 073 2001.

Alternatively, our Investor Services team will be happy to respond to any issues you may wish to raise with them regarding product information and Fund performance. If you have invested via a financial adviser, you should contact them first if you wish to discuss your investment in greater detail.

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