Allianz Continental European Fund

Final
Short Form

For the year ended 31 August 2013

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 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.

Risk Profile

Equity Risk: Equities are generally more risky than fixed interest securities. Considerable fluctuations in equity prices may mean that you do not get all your money back.

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

Risk and Reward Profile

The Allianz Continental European Fund has a risk reward indicator of 6. Funds of category 6 have shown high 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 6 might be subject to high 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 twelve month period under review, 1 September 2012 to 31 August 2013, the Fund's 'A' class produced a total return of 21.34%. The Fund's benchmark, the FTSEurofirst 300 (ex UK) Index, produced a total return of 26.77% over the period.*

Performance was strong for the majority of the year, but suffered on a relative basis following the cyclical rally seen during Q2 2013. This was particularly evident during the month of April 2013. The long term performance of the strategy does, however, remain excellent.

The key reasons for the relative underperformance were an underweight to both the financials and healthcare sectors. The large weighting of financials in the benchmark index left the Fund heavily underweight a sector in which there remain too many underlying uncertainties for the team to justify further positions. This hurt relative performance during a period when financials significantly outperformed the broader market. A similar story exists in the healthcare space where the team continues to favour specialist healthcare companies rather than many of the large pharmaceutical companies, which saw pronounced multiple expansion.

* 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.

As previously advised, AllianzGI UK and RCM UK will merge into AllianzGI Europe on or around 31 October 2013.

Allianz Global Investors

Key Facts

Fund manager	Thorsen Winkelmann and Matthias Born			
Launch date	16 May 2002			
Fund benchmark	FTSEurofirst 300 (ex UK) Index			
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 date	1 September			
Payment date	31 October			
Share classes & types	A (Accumulation) I (Accumulation)		C (Accumulation) S (Accumulation)	

Please note: The information shown above is for the 'A' share class of the Fund. 'I' and 'S' shares are available but are not currently in issue.

Ongoing Charges Figure

31 August 2013	
'A' Shares	1.83%
'C' Shares	1.01%

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.

Performance Record (price in pence)

	High	Low	High	Low
Share class	A	A	C[1]	C[1]
2008	637.2	360.0	N/A	N/A
2009	596.7	358.7	N/A	N/A
2010	619.0	498.3	N/A	N/A
2011	679.5	512.8	N/A	N/A
2012	725.6	572.7	115.0	92.5
2013[2]	835.8	722.8	132.9	114.5

[1] On 16 April 2012, class 'C' shares were introduced
[2] For the period to 31 August 2013

Summary of Fund Performance

	Net Asset Value		Net Asset Value per share		
	31 Aug 2013 £000s	31 Aug 2012 £000s	31 Aug 2013 (p)	31 Aug 2012 (p)	Change %
'A' Shares	26,552	21,062	792.8	653.5	21.3
'C' Shares	11,522	8,617	126.3	103.2	22.4

Summary of Distribution

	Payment date	Net distribution per share (p)
'A' Shares	31 October 2013	2.4388
'C' Shares	31 October 2013	1.3533

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

Shares of Compagnie Financiere Richemont, Legrand and SimCorp contributed best to the performance, but stock selection was more broadly hindered by the severe underperformance of Saipem, while Hennes & Mauritz, Fresenius Medical Care and SAP also lagged the market.

Sector allocation had a positive effect.

Market Background: Following the now famous promise of the president of the European Central Bank (ECB), Mario Draghi, to do "Whatever it takes to safeguard the Euro", market sentiment markedly improved in the Euro area and drove stock markets higher on the continent. The announcement of Outright Monetary Transactions (OMT) added to the positive sentiment and restored confidence in the Euro area's future.

Since mid-2012, three important developments have helped to improve the medium-term outlook for the European Monetary Union (EMU).

Deficits of the EMU financial architecture have been addressed: From 2014 onward, the EMU banking sector will be supervised under the lead of the ECB; the ECB has become a lender of last resort for governments; and the European Stability Mechanism, a European rescue fund for governments, has been put in place, implying public debt burden sharing in periods of crisis.

The troika of the European Union, International Monetary Fund and ECB has become increasingly tolerant and has demonstrated a willingness to accept cyclical deficits for longer periods than originally planned. The European Commission extended the deadlines to reduce budget deficits for France, Spain, the Netherlands and Belgium. No longer is there a desire to react with a new round of austerity requirements once a program country misses its deficit targets (every attempt to improve the debt-to-GDP ratio by cutting expenses and hiking taxes has ended in GDP contraction, leaving the debt-to-GDP ratio at an even higher level), which has been viewed in a positive light by the market.

Structural reforms have been put in place in several EMU countries; as a consequence, unit labour costs have started to come down (in Ireland, Spain, Portugal and Greece), improving international competitiveness.

All these factors, in combination with tailwind from external demand, have resulted in a significant improvement in the current account of the most troubled economies, not only because of a slide in imported goods, but also because exports have picked up.

Portfolio Review: The portfolio has risen strongly in absolute terms over the period despite underperforming the benchmark over the period.

Shares of Compagnie Financiere Richemont, Legrand and SimCorp contributed best to performance, all rising by more than 50% over the year.

Classification of Investments

Ten Largest Holdings as at 31 August 2013	(%)
SAP	6.31
Compagnie Financiere Richmont	4.94
Inditex	4.10
Novo Nordisk	3.76
Carlsberg 'B' Shares	3.61
Groupe DANONE	3.49
Legrand	3.31
Schneider Electric	3.11
Hexagon 'B' Shares	2.90
Atlas Copco 'A' Shares	2.83
Total	**38.36**

Ten Largest Holdings as at 31 August 2012	(%)
SAP	5.51
Carlsberg 'B' Shares	4.82
Groupe DANONE	3.69
Inditex	3.61
Compagnie Financiere Richmont	3.42
Novo Nordisk	3.18
Hennes & Mauritz 'B' Shares	3.10
Legrand	3.09
Saipem	3.08
Anheuser-Busch InBev	3.07
Total	**36.57**

Geographic Breakdown as at 31 August 2013	(%)
Austria	1.42
Belgium	2.52
Denmark	11.04
Finland	1.91
France	26.22
Germany	18.56
Ireland	0.97
Italy	0.33
Netherlands	4.76
Portugal	0.00
Spain	5.76
Sweden	12.95
Switzerland	11.47
Net other assets	2.09
Net Assets	**100.00**

Geographic Breakdown as at 31 August 2012	(%)
Austria	1.38
Belgium	3.07
Denmark	10.91
Finland	2.07
France	28.88
Germany	17.24
Ireland	0.00
Italy	3.43
Netherlands	5.40
Portugal	1.17
Spain	4.50
Sweden	13.45
Switzerland	8.07
Net other assets	0.43
Net Assets	**100.00**

The Italian oil services name, Saipem, had a significant negative contribution to performance. Other negative contributors were Hennes & Mauritz, SAP and Fresenius Medical Care which underperformed the market.

Sector positioning, which is the result of the bottom up stock selection, had a positive impact on performance. This was particularly evident through not owning any telecommunication and utilities companies as both underperformed the strong market upturn. An overweight allocation to industrials and consumer staples stocks was also beneficial.

The strong improvement in market sentiment encouraged a flight to low quality, higher beta stocks during Q2 2013 which hurt recent performance of a strategy whose investment process is predicated around high quality sustainable long term business models. The investment team remain true to process in all market environments and are careful to avoid chasing momentum. This can lead to short periods of relative underperformance but the long term success of the strategy illustrates the advantages of employing a benchmark agnostic stock picking approach, as the team seeks to identify fully or partly undiscovered structural growth rather than merely chasing short term growth momentum.

Outlook: Europe's economic picture for the remainder of 2013 has recently started to look up. Sentiment and leading indicators, such as purchasing manager indices for the manufacturing and service sectors, have posted improvements in recent months, especially along the EU periphery. Despite starting at low levels, indicators have already moved above the crucial 50-point mark, signalling an expanding economy. This makes the prospect of growth in Q4 2013 and 2014 increasingly likely.

Overall, these developments seem to confirm our opinion that the economies of both core and peripheral Eurozone countries have started to stabilise and grow (slightly) in the second half of 2013, even though political turmoil could cause continued volatility. We expect the Eurozone economy to grow by 1.5% in 2014.

European corporates appear to be better positioned than many of the sovereigns, with these companies (excluding financial service providers) having used the deleveraging process to clean up their balance sheets. This has provided a platform for future cash flow growth, which is beginning to benefit European investors. Increasing confidence in the region has allowed companies to put their cash flows to work through either investments back into the business or by returning the cash back to shareholders through either share buyback or special dividend programmes, all of which are to the long term benefit of shareholders.

Despite an improved outlook for growth in Europe in the second half of the year, valuations in Europe remain undemanding, particularly in an international context. This provides investors with the possibility of investing in globally leading companies, with sound business models, and unique competitive advantages at attractive valuations.

20 September 2013

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.

The opinions expressed here are believed to be accurate and reliable, however these opinions may change without notice. Although the information is believed to be reliable, Allianz Global Investors does not guarantee the timeliness, accuracy or suitability of such information in any way and anyone who acts on the information does so at their own risk. Allianz Global Investors only provides information on our own products and does not give advice based on personal circumstances.

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.

Authorised Corporate Director (ACD): Allianz Global Investors (UK) Limited, 155 Bishopsgate, London EC2M 3AD

Depositary: J.P. Morgan Trustee and Depositary Company Limited, Chaseside, Bournemouth BH7 7DA

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

Investor Services: 0800 317 573
investor.services@allianzgi.co.uk

Allianz Global Investors (UK) Limited
155 Bishopsgate
London EC2M 3AD

Phone: 0800 317 573
Fax: 020 7638 3508
www.allianzglobalinvestors.co.uk

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