Allianz European Equity Income 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 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.

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 income from them, to go up or down.

Charges Deducted from Capital: Revenue from the Fund is increased by taking the annual management charge from capital. Because of this, the level of revenue will be higher but the growth potential of the capital value of the investment will be reduced.

Risk and Reward Profile

The Allianz European Equity Income 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 23.52%. The Fund's benchmark, the MSCI Europe (ex UK) Index, produced a total return of 26.97% over the period.*

The main reason for the relative underperformance was the bias towards large, economically resilient companies with sustainable and high dividends. These tend to lag behind sharp market rallies such as the move in recent months. Another reason for the relative underperformance was our sector strategy - mainly our overweight position in telecoms, energy and utilities - where we naturally have a lot of stocks with a high dividend yield. During this time, stock selection was actually slightly positive, supported by a good selection within the telecoms sector, while it was detrimental in

* 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	Neil Dwane & Joerg De Vries-Hippen			
Launch date	16 May 2002			
Fund benchmark	MSCI Europe (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 dates	1 Mar, 1 Jun, 1 Sep, 1 Dec			
Payment dates	31 Mar, 30 Jun, 30 Sep, 31 Dec			
Share classes & types	A (Accumulation) C (Accumulation) L (Accumulation)[1]		A (Income) C (Income)	

[1] On 30 March 2009, the investment objective and policy of the Fund was changed and the Fund's name changed from Allianz RCM European Index Fund to Allianz RCM European Equity Income Fund. The existing class 'A' shares were renamed as class 'L' shares and new class 'A' shares and class 'C' shares were introduced. Subsequently on 1 December 2009, class 'L' shares were converted via a scheme of consolidation into the new class 'A' shares.
Please note: The information shown above is for the 'A' share class of the Fund. 'C' shares are available but are not currently in issue.

Ongoing Charges Figure

31 August 2013	
'A' Shares (Accumulation)	2.29%
'A' Shares (Income)	2.60%

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	High	Low
Share class	A (Acc)	A(Acc)	A(Inc)	A(Inc)	L[1](Acc)	L[1](Acc)
2008	N/A	N/A	N/A	N/A	217.0	127.7
2009	135.8	98.9	125.2	93.2	184.5	117.2
2010	139.3	114.8	126.1	101.9	N/A	N/A
2011	149.8	113.9	130.7	95.4	N/A	N/A
2012	140.7	117.3	112.4	94.5	N/A	N/A
2013[2]	166.4	140.5	130.5	112.2	N/A	N/A

[1] On 30 March 2009, the Fund was restructured resulting in changes to the share classes. Class 'A' shares were renamed class 'L' shares and new class 'A' shares (Income and Accumulation) and class 'C' shares (Income and Accumulation) were introduced. On 1 December 2009, class 'L' shares were converted via a scheme of consolidation into the new class 'A' shares.
[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 (Acc)	20,802	18,006	160.2	129.7	23.5
'A' Shares (Inc)	5,710	4,728	123.0	104.1	18.2

Summary of Distribution

	Payment date	Net distribution per share (p)
'A' Shares (Acc)	30 September 2013	0.7728
	30 June 2013	5.4529
	31 March 2013	0.0321
	31 December 2012	0.5096
'A' Shares (Inc)	30 September 2013	0.5057
	30 June 2013	4.1948
	31 March 2013	0.0000
	31 December 2012	0.3144

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

financials. On a single stocks level, we benefited from our position in Drillisch, which continued to rally on the back of its undervaluation and improving fundamentals. Furthermore, our new position in Ziggo also contributed positively to the performance by announcing that they would increase their dividend. On the other hand, Royal Dutch Shell performed relatively poorly because of falling US oil prices, upward pressure on capital expenditure and adverse sentiment towards oil companies. Banque Cantonale Vaudoise was also a negative performer.

Market Background: The market was range-bound until mid-November, at which point a strong rally began, and continued until May when we saw a correction. The end of June rally continued until the end of August.

Concerns about the European sovereign debt crisis eased during this period. Bond yields across the periphery came down and low equity market volatility was the consequence. The Eurozone has made progress in exiting recession with a positive Q2 2013 GDP supported by stabilising domestic demand (on low levels) and less pressure on austerity. Also export performance in many southern European countries is clearly improving, especially in Spain.

Economic data from the US economy also continued to improve during the period. For example, the initial jobless claims achieved the lowest level until the beginning of the crisis. One of the most important drivers of uncertainty was US Federal Reserve (Fed) policy. This was about "tapering" of their quantitative easing programme. The first announcement triggered the market correction in June. Since then, the Fed has become more dovish again, which has initiated the recent recovery. This affected emerging markets causing capital outflows and weak currencies.

Generally, there was a switch regarding outperformance from defensive to cyclical and growth to value stocks, after they had underperformed the years before. This is also related to the tapering discussion because increasing yields often indicate an economic recovery.

Portfolio Review: The Fund aims to generate sustainable returns and capital appreciation by investing in 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. To achieve this we scrutinise dividend policy, dividend history and the management's

Classification of Investments

Ten Largest Holdings as at 31 August 2013	(%)
Allianz (Registered)	4.88
Royal Dutch Shell 'A' Shares	4.66
Vinci	4.43
Total	4.41
Muenchener Rueckversicherung	4.31
Kemira	4.25
SCOR	4.24
Oesterreichische Post	3.92
Telenor	3.89
bpost	3.81
Total	**42.80**

Ten Largest Holdings as at 31 August 2012	(%)
Royal Dutch Shell 'A' Shares	6.89
Roche	6.73
Oesterreichische Post	5.12
Muenchener Rueckversicherungs	4.95
Telenor	4.78
Hennes & Mauritz 'B' Shares	4.65
Deutsche Telekom	4.60
Total	4.54
Allianz (Registered)	4.47
Banque Cantonale Vaudoise	4.42
Total	**51.15**

Geographic Breakdown as at 31 August 2013	(%)
Austria	3.92
Belgium	3.81
Denmark	1.57
Finland	7.43
France	20.51
Germany	18.18
Italy	7.50
Luxembourg	2.15
Netherlands	7.58
Norway	9.96
Spain	2.64
Sweden	1.64
Switzerland	4.47
Net other assets	8.64
Net Assets	**100.00**

Geographic Breakdown as at 31 August 2012	(%)
Austria	5.12
Belgium	0.00
Denmark	0.00
Finland	6.25
France	14.97
Germany	21.67
Italy	4.89
Luxembourg	2.15
Netherlands	6.89
Norway	5.74
Spain	2.08
Sweden	4.76
Switzerland	16.59
Net other assets	8.89
Net Assets	**100.00**

commitment to dividends. The result is a concentrated portfolio of high quality defensive stocks with high and sustainable dividends, lower volatility than the market and the ability to outperform in the long run.

New positions were all focused on company quality and dividend sustainability, as usual. They included media stocks, such as Pro Sieben, RTL, Axel Springer, telecom stocks Swisscom and TDC, the cable company Ziggo (reduced recently after a strong run), industrials, such as bpost , Deutsche Post (sold recently, again after a strong run) and Bouygues as well as the utility Enagas. We also bought positions in the financial stocks Scor, Vontobel and Euler Hermes, who have good visibility on their future dividends, and bought the Swedish house developer JM AB and the Norwegian fertilizer provider Yara International. We added to Eutelsat and UPM-Kymmene.

We sold our positions in H&M, Siemens and BASF, as we did not consider their dividend yield adequate anymore. France Telecom, Deutsche Telekom, Neopost, Atlantia and E.On were also sold due to quality and risk concerns.

Outlook: We stick to a cautiously optimistic mid-term view on global equity markets. Our economics & strategy team largely shares our perspective stating that: Firstly, the global cyclical picture should continue to improve in all developed economies, led by the US and the UK, followed by Abenomics-fired Japan and a recovering Eurozone. The improvement in Eurozone financial conditions has been followed by a strong increase in sentiment data. For the next months, we expect more translation in activity data, nevertheless at a moderate pace. While the recovery remains fragile, we expect the European Central Bank to leave monetary policy very supportive, with a bias towards further easing, if necessary.

As mentioned, emerging market economies were hit hardest by the Fed “tapering” discussion. With the recent announcement to delay tapering and a slow recovery of cyclical data, the worst for these countries seems to be over. However, we think some structural issues, foremost high and unregulated leverage in China, will weigh on selective emerging economies for longer.

Equity valuation has increased to above historical averages in the US and Japan, but stays reasonable on a global level and attractive in Eurozone markets.

However, valuations also point out several risks, including geopolitical troubles around the Middle East (driving up oil prices), US fiscal policy, a new round of policy disruption on unsolved Eurozone questions (e.g. Banking Union) and finally a mishandled exit out of unconventional monetary policy during 2015/16.

Structurally, while delivering positive real returns, equity returns may not be as high as in the favourable period from the early 1980s to 2000. A low return world (with negative real returns on so-called risk-free assets) implies also a lower equity risk premium. Therefore, steady income streams from dividends will become much more important compared to capital gains e.g. via multiple expansion. Therefore, we should be well positioned to outperform markets in the long-term.

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.

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