Allianz Total Return Asian Equity Fund

Final

Final Short Form Report for the year ended 30 April 2013

Dear Investor,

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.

Fund manager	Raymond Chan	
Launch date	20 June 2002	
Fund benchmark	MSCI AC Far East (ex Japan) Index	
Annual charge	1.75%	
	ISA	**Direct**
Initial charge	3%	4%
Minimum investment	£1,000	£500
Additional investment	£1,000	£500
Regular savings plan	£200	£50
Ex dividend dates	1 May 1 November	
Payment dates	30 June 31 December	
Share classes & types	A (Accumulation) C (Income)	

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

Ongoing Charges Figure

30 April 2013	
'A' Shares	2.04%
'C' Shares	1.44%

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.

Investment Objective & Policy

The objective of the Fund is to maximise total return through dividend yield and capital appreciation.

The ACD aims to achieve the objective by investing in high yielding or undervalued securities of companies in Asia, excluding Japan. The portfolio will consist of a concentrated range of securities from any sector in the MSCI AC Far East (ex Japan) Index and may include the securities of smaller companies.

The ACD may also utilise deposits and money market instruments 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 revenue 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.

Smaller Companies: Smaller companies may be riskier and less liquid than larger companies, which means that their share price may be more volatile.

Risk and Reward Profile

The Allianz Total Return Asian Equity 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.

Allianz Global Investors

Investment Review

Performance Summary: Over the year under review, 1 May 2012 to 30 April 2013, the Fund's A class produced a total return of 8.60%. The Fund's benchmark, the MSCI AC Far East (ex Japan) Index, produced a total return of 13.74% over the period.*

The key reasons for this underperformance were negative stock selection effects in financials, consumer discretionary, and IT; while stock selection in industrials contributed positively to relative performance. Our overweight positions in the Chinese insurance sector and relative underweight in Chinese banks had a negative impact on performance. Even though both are trading at attractive valuations, the latter benefited from improving market sentiment towards a cyclical recovery in China. On a country level, we saw the largest detraction coming from stock selection in South Korea, which was mainly driven by our position in Korean auto manufacturers and Korean petrochemical companies. On the other hand, our stock selection in Taiwan and Thailand helped the relative performance during the year.

Market Background: During the year ending 30 April 2013, global capital markets were dominated by continued uncertainties from the European Sovereign Debt Crisis, sluggish demand from developed markets, ongoing speculation on China's recovery and the excessive liquidity injection by global central banks through easing policies.

In China, economic growth has been slowing down over the year under review and the stock market performance was disappointing. The problems in China come from an over-investment since the global financial crisis 5 years ago. A lot of these investments were carried out by the inefficient state owned sector which managed to secure financing from the state owned banks. However, a lot of those investments are not generating enough return to repay the banks. This means China can no longer rely on the old way of boosting economic growth through increasing fixed asset investment. The market expected the new Chinese leadership to launch a series of reform measures to unlock inefficiency in the economy when they came to office last March. But nothing meaningful has been announced; without structural reform, any recovery would prove to be short lived and unsustainable.

In contrary to China, ASEAN has continued its outperformance in the reporting period notwithstanding its fundamentals, though still reasonably good, have been declining. One of the obvious examples is Indonesia, which sees its current account moving from surplus to deficit. Thailand may also see such a move in this financial year. We are not saying that current account deficit is detrimental to future market performance. However, a current account deficit means increasing dependency on the mercy of foreign fund flows to finance such a deficit. If developed economies start tightening their monetary policy, we may see foreign financing sources dry up quickly and domestic interests rates will rise sharply as a result. This is also the reason that deficit countries should trade at a higher equity discount rate. Having said that, the ASEAN economy is still doing better than that of north Asia, for the time being. But, we will not hesitate to turn more aggressive on China at the expenses of ASEAN, once structural reform in China comes through.

The north Asian markets, which include Taiwan and South Korea, are the major victims of yen depreciation. Close to 70% of Korean exports overlap with Japan and both countries directly compete in the area of ship building, automobile and electronics. The new Japanese Prime Minister, Shinzo Abe, seems to be very determined to end the deflationary era, which means the yen could further weaken from its current level. This will continue to negatively affect South Korean and Taiwanese exports in the coming few quarters. In the long term, both South Korea and Taiwan are mature economies with unfavorable demographic structures. Therefore, it is hard to paint a bullish view over the longer term and stock selection is the key to outperformance in these two markets.

Portfolio Review: During the past year, our overweight position in China proved to be premature. We had been expecting that the new government would be more forthcoming in introducing new policy to combat structural problems, which has not

* 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.

Performance Record

		Highest Price (p)	Lowest Price (p)
'A' Shares	2008	473.9	226.7
	2009	452.8	270.4
	2010	576.4	413.2
	2011	590.2	425.0
	2012	552.3	478.7
	2013[1]	590.5	545.1
'C' Shares	2008	470.8	225.9
	2009	437.9	264.7
	2010	551.2	399.8
	2011	564.4	407.0
	2012	521.5	451.3
	2013[1]	551.5	508.7

[1] For the period to 30 April 2013

Summary of Fund Performance

Share class	Net Asset Value 30 April 2013 £000s	Net Asset Value 30 April 2012 £000s	Net Asset Value per share 30 April 2013 (p)	Net Asset Value per share 30 April 2012 (p)	Change %
'A' Shares	36,308	37,004	564.3	519.7	8.6
'C' Shares	2,589	8,355	526.1	489.7	7.4

Summary of Distribution

Share class	Payment date	Net distribution per share (p)
'A' Shares	31 December 2012	7.2736
	30 June 2013	2.1489
'C' Shares	31 December 2012	6.4868
	30 June 2013	1.3694

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

been forthcoming. We also maintained our cautious view and underweight in the Taiwanese market, due to its export driven economic growth model and decreasing competitiveness of Taiwan hardware manufacturers. We turned from overweight to underweight in the South Korea market, as we saw Korean exporters getting squeezed by Japanese peers in global markets, as the yen dropped significantly amid the Bank of Japan's aggressive easing polices. On ASEAN markets, we overweight Thailand and Indonesia from a bottom up point of view.

Outlook: The regional markets could be at a tipping point now. ASEAN market fundamentals, though are still better than China, are in a deteriorating trend and valuations are expensive. While the China economy and market show no sign of recovery yet, they are trading at a big discount to ASEAN. What China needs in order to kick-start rerating, is structural reform. But it is hard for us to speculate when it will come through. The only thing we can do is to monitor closely and act accordingly.

From bottom up stock picks, we continue to like those companies that can participate in the increasing penetration of natural gas usage in China. In the technology space, we see high end smartphone entering the maturing stage, which will potentially hurt the profitability of both Samsung and Apple. We are also cautious in certain sectors such as the material sector, concerning about the potential overcapacity problem and a yet relatively gloomy economic outlook globally.

10 May 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.

Classification of Investments

Ten Largest Holdings as at 30 April 2013	(%)
Samsung Electronics	7.68
Taiwan Semiconductor Manufacturing ADS (each representing 5 ordinary shares)	5.77
Industrial & Commercial Bank of China	4.54
Sun Hung Kai Properties	3.72
AIA	3.49
Kasikornbank	3.20
Ping An Insurance	2.98
United Overseas Bank	2.92
Jardine Matheson	2.87
China Resources Gas	2.77
Total	**39.94**

Ten Largest Holdings as at 30 April 2012	(%)
Samsung Electronics	8.42
Taiwan Semiconductor Manufacturing ADS (each representing 5 ordinary shares)	3.20
Kia Motors	3.04
Ping An Insurance	2.99
CNOOC	2.98
PTT Global Chemical	2.83
Industrial & Commercial Bank of China	2.81
Keppel	2.66
AIA	2.65
Bank of China (Hong Kong)	2.54
Total	**34.12**

Geographical Breakdown as at 30 April 2013	(%)
Asia Pacific ex Japan	1.15
Bermuda	0.00
China	29.42
Hong Kong	16.65
Indonesia	5.83
Malaysia	3.78
Singapore	5.45
South Korea	14.57
Taiwan	14.04
Thailand	4.54
United States of America	0.00
Net other assets	4.57
Net Assets	**100.00**

Geographical Breakdown as at 30 April 2012	(%)
Asia Pacific ex Japan	0.00
Bermuda	2.07
China	22.10
Hong Kong	23.29
Indonesia	3.62
Malaysia	1.88
Singapore	5.62
South Korea	24.24
Taiwan	10.68
Thailand	2.83
United States of America	3.83
Net other liabilities	(0.16)
Net Assets	**100.00**

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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