Allianz Gilt Yield 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 maximise total return, consistent with preservation of capital and prudent investment management, primarily through investment in British Government Securities.

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

More than 35% of the value of the Fund may be invested in debt securities issued by the United Kingdom Government.

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

Risk Profile

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 capital may fall and vice versa. Inflation will also decrease the real value of capital. Over 35% of the assets may be invested in securities issued by any one issuer. Should those investments be adversely affected, it may have a more pronounced effect on the Fund's value than if a larger number of investments were held.

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

Risk and Reward Profile

The Allianz Gilt Yield 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.

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	Mike Amey			
Launch date	16 May 2002			
Fund benchmark	FTSE UK Govt All Stocks			
Annual charge	0.5%			
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 September, 1 March			
Payment dates	31 October, 30 April			
Share classes & types	A (Income) S (Income)		C (Income) I (Income)	

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.

Distribution Yield

31 August 2013	
'A' Shares	1.8%
'C' Shares	1.8%

Ongoing Charges Figure

31 August 2013	
'A' Shares	0.53%
'C' Shares	0.33%

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	C
2008	146.5	124.3	149.6	126.8
2009	146.8	136.8	149.9	139.8
2010	152.2	138.4	155.9	141.6
2011	163.4	141.1	167.9	144.7
2012	168.5	155.5	173.3	159.9
2013[1]	167.2	154.7	172.2	159.5

[1] For the period to 31 August 2013

Summary of Fund Performance

	Net Asset Value 31 Aug 2013 £000s	Net Asset Value 31 Aug 2012 £000s	Net Asset Value per share 31 Aug 2013 (p)	Net Asset Value per share 31 Aug 2012 (p)	Change %
'A' Shares	455,185	588,884	154.7	165.9	(6.8)
'C' Shares	452,187	435,609	159.4	170.7	(6.6)

The net asset value per share for the class 'C' shares as at 31 August 2013 as stated above is lower than the 'Lowest Price' as quoted in the Performance Record table above. The net asset value quoted above has been calculated using the portfolio valuation and with related accounting adjustments at close of business on the last day of the accounting period, whereas the figure quoted in the Performance Record table above is the pence per share price calculated at midday on the last business day of the accounting period.

Summary of Distribution

	Payment date	Net distribution per share (p)
'A' Shares	31 October 2013 30 April 2013	1.3781 1.3659
'C' Shares	31 October 2013 30 April 2013	1.4226 1.4086

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

Investment Review

Performance Summary: Over the twelve month period under review, 1 September 2012 to 31 August 2013, the Fund's 'A' class generated a post fee total return of -4.73% and -4.57% for the 'C' class. The Fund's benchmark, the FTSE UK Govt All Stocks Index, produced a total return of -4.41% over the period.*

The key drivers of performance were:

- Especially in the first months of 2013, exposure to UK Index Linked Bonds (ILBs) aided portfolio performance. Most of these gains were erased in the following months when real yields rose across the curve and the effect from the decision to leave the calculation methodology of the RPI reference index unchanged waned. Over the entire period, real duration exposure was a net contributor to performance,
- Whereas an overweight to select government guaranteed issues aided performance in early 2013, the same exposure, especially to Network Rail, detracted throughout the latter half of the year, summing to a small detraction from performance over the entire review period, and
- Throughout the entire review period, nominal duration and curve positioning detracted slightly from performance. At the end of 2012 an underweight to the short end and overweight of the long end of the nominal yield curve aided performance. A shift towards an overweight to the belly of the curve significantly added to performance in the beginning of 2013. The same position detracted from performance in Q2 2013. Since July, positioning again shifted towards the front and back end of the curve which detracted from performance.

Market Background: The last 12 months saw the risks for a left-tail scenario in the Eurozone greatly reduced, but brought new challenges with regards to the withdrawal of the numerous unconventional measures of monetary and fiscal policy.

The beginning of 2013 featured multiple, volatile geopolitical developments – the US fiscal cliff deal, the US budget sequester, inconclusive Italian elections, the Cyprus bailout – but risk markets shrugged off all developments on their path to reaching all-time highs in equity markets. Globally, both equity and spread markets responded to central bank liquidity, most notably from the US Federal Reserve (Fed), Bank of England (BoE), European Central Bank and Bank of Japan.

Central bank policies and announcements drove an increase in volatility during Q2 2013, most importantly with the Fed announcements indicating that quantitative easing programs could

* 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.

Classification of Investments

Ten Largest Holdings as at 31 August 2013	(%)
Treasury 3.25% Bonds 22/1/2044	19.67
Treasury 0% Notes 28/10/2013	9.52
Treasury 1.25% Gilt 22/7/2018	7.21
Treasury 4.75% Stock 7/12/2030	6.64
Treasury 1.875% Bonds 22/11/2022	5.71
Treasury 4.25% Stock 7/6/2032	4.55
Treasury 4.25% Bonds 7/12/2040	4.31
Treasury 0% Notes 2/9/2013	4.26
Treasury 0% Notes 16/9/2013	4.12
Treasury 0% Notes 25/11/2013	3.90
Total	**69.89**

Ten Largest Holdings as at 31 August 2012	(%)
Treasury 4.25% Gilt 7/12/2040	17.73
Treasury 1.75% Notes 22/1/2017	14.52
Treasury 4.75% Stock 7/12/2030	12.11
Treasury 3.75% Stock 7/9/2019	7.36
Treasury 4.5% Gilt 7/3/2013	5.21
Treasury 3.75% Gilt 7/9/2021	4.92
Treasury 4.25% Stock 7/6/2032	4.56
Treasury 4% Gilt 7/3/2022	4.41
Treasury 0.75% Index Linked Gilt 22/3/2034	4.21
Treasury 4.25% Stock 7/12/2027	3.82
Total	**78.85**

Sector Breakdown as at 31 August 2013	(%)
Sterling Fixed Rate Government Bonds	47.63
Sterling Variable Rate Government Bonds	44.29
Sterling Fixed Rate Corporate Bonds	8.00
Sterling Open Future Contracts	(0.14)
Net other assets	0.22
Net Assets	**100.00**

Sector Breakdown as at 31 August 2012	(%)
Sterling Denominated Fixed Rate Government Bonds	71.80
Sterling Denominated Variable Rate Government Bonds	20.08
Sterling Denominated Fixed Rate Corporate Bonds	7.21
Sterling Denominated Open Future Contracts	0.00
Net other assets	0.91
Net Assets	**100.00**

PIMCO used derivatives in the Fund for the purpose of efficient portfolio management. The main instruments used are money market futures.

be tapered as early as September. Chairman Bernanke's June comments on tapering triggered a broad-based sell-off in fixed income and immediately impacted liquidity conditions in most markets.

In the UK, the BoE's Funding for Lending Scheme (FLS), which launched on 1 August 2012, was extended by a year to January 2015 early in Q2 2013. Its scope has been widened to promote greater lending to financial leasing corporations and SMEs as corporate lending continued to contract. Mark Carney arrived as Governor of the BoE on 1 July 2013. The first signs of forward guidance appeared from the BoE shortly afterwards in an apparent pledge to keep rates low for the foreseeable future. UK Gilt yields moved sharply upward during Q2 2013, amid a general deterioration in financial conditions as investors reacted to the Fed indication that it would slow the pace of quantitative easing later this year.

August marked a return of geopolitical, economic and market volatility. Middle East tensions rose as the situations in both Syria and Egypt deteriorated, while US economic data again validated new normal growth levels.

A recovery in the wider UK economy continues to support employment growth albeit at a falling rate, and amid an environment of real pay contraction. UK yields rose consistently on the back of the Fed tapering talks. UK 10 year yields were still at 1.6% in early May to rise to 2.4% by the end of Q2 2013 and to over 2.7% at the end of August. UK ILBs outperformed other markets in the beginning of 2013 after the Consumer Prices Advisory Committee decision in January to leave the calculation methodology for the RPI reference index unchanged. In subsequent months, however, UK ILBs sold off detracting from performance.

Portfolio Review: At the end of the period under review, the portfolio had a slight duration underweight of 0.2 years for the first month-end since the beginning of 2013. This reflects ongoing volatility in interest rates in the light of policy uncertainty. Throughout the period under review, the portfolio averaged a duration overweight of a quarter of a year.
For most of the period under review the portfolio remained overweight the belly of the curve where we saw superior opportunities for roll-down and price appreciation compared to those available at the short-end, where rates are constrained by current BoE policy. The Fund was underweight the front and long-end of the curve as we believed that the longer maturities may not adequately compensate investors for sizeable longer-term inflation risk. After adding to performance in the earlier part of 2013, this positioning turned negative as nominal yields increased. Since the beginning of Q3 2013 the portfolio switched its curve positioning to an underweight to the belly of the curve and overweight the front and back-end (20-25yr) of the curve.

The portfolio maintained UK ILB exposure in light of expectations of 'sticky' inflation around 3% RPI. The portfolio was positioned to benefit from the January 2013 rally in UK ILBs driven by the decision to leave the calculation methodology for the RPI reference index unchanged. In the second half of the year most of these gains were reversed as real yields rose across the curve.

Outlook: PIMCO expects the global economy to grow at a real rate of 2.0-2.5% over the next twelve months. The divergent growth prospects for regions continue to become more pronounced as

2013 progresses. PIMCO anticipates that the strengthening housing recovery will continue to support growth in the US, although higher mortgage rates could interrupt the recovery in progress. Meanwhile, although emerging market (EM) growth continues to outpace that of developed markets, the intensifying struggle faced by the largest EM economies, such as China and Brazil, to maintain high growth levels is becoming increasingly apparent.

The Eurozone continues to suffer from the negative consequences of austerity programs and the recovery to pre-crisis levels is slow. While structural reforms remain outstanding and necessary, the risk of a left-tail event in the Eurozone is now greatly reduced. Encouraging data from the UK have prompted modest improvements in growth expectations, with strengthening house prices and consumer spending being partially offset by weaker manufacturing data.

After some moderation mid-way through Q2 2013, UK inflation remains heightened and rebounded in June. While PIMCO has moderated its expectations for cyclical inflation, on a secular basis, PIMCO continues to believe that the prolonged wave of ultra-dovish monetary policy will drive longer-term inflation higher.

18 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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