Allianz UK & European Investment Funds

Interim Report & Financial Statements (unaudited)
28 February 2019
Allianz Global Investors

Contents

* Collectively, these comprise the ACD's Report.

Company Information

Status of the Allianz UK & European Investment Funds

Allianz UK & European Investment Funds (the "Company") is an Open-Ended Investment Company with Variable Capital under Regulation 12 of the Open-Ended Investment Companies Regulations 2001. It was incorporated in England and Wales under registered number IC 120 and authorised and regulated by the Financial Conduct Authority on 20 August 2001. The Company has been certified by the Financial Conduct Authority as complying with the conditions necessary for it to enjoy the rights conferred by the EC Directive on Undertakings for Collective Investment in Transferable Securities. The Company has an unlimited duration.

The Company is an umbrella company comprising various sub-funds, each of which is operated as a distinct fund, with its own portfolio of investments. Each sub-fund is a UCITS scheme which complies with COLL 5 of the Financial Conduct Authority's Collective Investment Scheme Sourcebook ("COLL").

On 21 December 2011, the Open Ended Investment Companies Regulations 2011 (as amended) ("the Regulations") were amended to introduce a Protected Cell Regime for OEICs. Under the Protected Cell Regime, each sub-fund represents a segregated portfolio of assets and accordingly, the assets of a sub-fund belong exclusively to that sub-fund and shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including any other sub-funds and shall not be available for such purpose.

The sub-funds of the Allianz UK & European Investment Funds are:

Sub-fund	Launch date
Allianz Gilt Yield Fund	16 May 2002
Allianz Strategic Bond Fund	16 May 2002
Allianz Continental European Fund	16 May 2002
Allianz European Equity Income Fund	16 May 2002
Allianz UK Equity Income Fund	20 June 2002
Allianz UK Opportunities Fund	20 June 2002
Allianz UK Mid-Cap Fund	20 June 2002
Allianz Index-Linked Gilt Fund	1 February 2018

Securities Financing Transactions Regulation

The Securities Financing Transactions Regulation, as published by the European Securities and Markets Authority, aims to improve the transparency of the securities financing markets. Disclosures regarding exposure to Securities Financing Transactions (SFTs) or total return swaps will be required in all reports & accounts published after 13 January 2017. The Allianz UK & European Investment Funds were not invested in any securities financing transactions pursuant to Regulation (EU) 2015/2365 during the reporting period, therefore the following report & Financial Statements contains no information on this type of transaction.

Company Information continued

Authorised Corporate Director ("ACD")
Allianz Global Investors GmbH, UK Branch

199 Bishopsgate
London EC2M 3TY

Authorised by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and subject to limited regulation by the Financial Conduct Authority

A member of The Investment Association

Independent Auditors
PricewaterhouseCoopers LLP

144 Morrison St
Edinburgh EH3 8EB

Registrar of Shareholders
DST Financial Services Europe Limited

DST House
St. Nicholas Lane
Basildon
Essex SS15 5FS

Authorised and regulated by the Financial Conduct Authority

Depository
State Street Trustees Limited

20 Churchill Place
London E14 5HJ

Authorised and regulated by the Financial Conduct Authority

Investment Advisers
Allianz UK Equity Income Fund, Allianz UK Mid-Cap Fund, Allianz Index-Linked Gilt Fund, Allianz UK Opportunities Fund, Allianz Strategic Bond Fund & Allianz Gilt Yield Fund

Allianz Global Investors GmbH, UK Branch

199 Bishopsgate, London EC2M 3TY

Authorised by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and subject to limited regulation by the Financial Conduct Authority

A member of The Investment Association

Allianz Continental European Fund & Allianz European Equity Income Fund

Allianz Global Investors GmbH

Mainzer Landstraße 11-13, 60329 Frankfurt am Main, Germany

Regulated by Bundesanstalt für Finanzdienstleistungsaufsicht in Germany

General Information

Investing in Open-Ended Investment Companies ("OEICs")

An OEIC is a collective investment vehicle that allows investors to pool their money to obtain a spread of investments and thus reduce their risk in the financial markets of the world without incurring the costs associated with investing individually. It allows investors access to the expertise of professional investment managers (the ACD, the Investment Advisers and other companies within the Allianz group may from time to time, act as investment managers), who manage the underlying investments of the sub-funds on a day to day basis.

Investors are allocated shares in proportion to the size of their investment. The price of these shares is calculated by reference to the value of the underlying investments held by the sub-fund, and can fluctuate according to the movements within the portfolio of investments.

Sub-funds have one price per share class which applies regardless of whether investors are buying or selling the shares. The charges for investing are shown separately on the contract note, which makes it easier to see the exact cost of your investment.

Shareholders of the company are not liable for the debts of the company.

As at 28 February 2019 none of the sub-funds invested in shares of another sub-fund within the Allianz UK & European Investment Funds range.

Dilution levy

The ACD is allowed (under Financial Conduct Authority regulations) to make a dilution levy provision as part of an entry or exit fee but does not expect to charge this levy frequently.

The policy is to charge a dilution levy on large deals and in accordance with the Prospectus and the Financial Conduct Authority regulations, to pay this levy into the individual sub-funds. The ACD will charge a dilution levy where a sub-fund is experiencing large levels of net purchases relevant to its size, large levels of net redemptions relevant to its size or on any large deals. Historically, the ACD has not charged a dilution levy frequently.

Financial Risk Management

The sub-funds are exposed to financial risk through their financial assets and financial liabilities.

The main risks arising from these are market price risk, liquidity risk, foreign currency risk, credit risk, interest rate risk, derivatives risk and counterparty risk. The risk profile and the policies adopted to manage risk did not change materially during the current and preceding period.

The narrative below explains the different types of risks the sub-funds may face.

This information is given so that investors can decide for themselves whether their investment is high or low risk. It also allows them to assess what kind of impact the use of financial instruments (investments, cash/overdraft and borrowings) will have on the performance of the sub-fund.

The sub-funds financial instruments, excluding short-term debtors and creditors, comprise investments and bank balances. The purpose for holding the financial instruments is to meet the individual investment objective. Short-term debtors and creditors are not considered to be financial instruments.

Market price risk

Market price risk arises mainly from the uncertainty about future prices of financial instruments held. It represents the potential loss the sub-funds might suffer through holding market positions in the face of price movements.

A dedicated fund manager has the responsibility for monitoring the existing portfolio selection in accordance with the sub-fund's investment objective and seeks to ensure that individual stocks meet an acceptable risk reward profile.

Liquidity risk

Liquidity risk relates to the capacity to meet liabilities.

The assets of each sub-fund mainly comprise of realisable securities, which can be sold to meet funding requirements if necessary. Short-term flexibility can be achieved through the use of overdraft facilities where necessary.

Foreign currency risk

Foreign currency risk is the risk of movement in the value of overseas financial instruments as a result of fluctuations in exchange rates.

All or part of a sub-fund's investments may be denominated in currencies other than sterling, therefore both the value of the investments and the revenue from them can be affected by currency movements.

For the Allianz Strategic Bond Fund and the Allianz Gilt Yield Fund, the fund manager seeks to minimise this risk by hedging using forward currency contracts as and when deemed appropriate. For the other sub-funds, no hedge transactions were entered into during the period.

Credit risk

Credit risk is the risk of default by a counterparty in discharging its obligations under transactions that could result in a sub-fund suffering a loss.

Outstanding settlements are subject to credit risk. Credit risk is mitigated by a sub-fund through its decision to transact with counterparties of high credit quality. The sub-fund only buys and sells investments through brokers which are approved counterparties, thus minimising the risk of default during settlement.

The Allianz Strategic Bond Fund may invest in what are considered to be riskier bonds (below investment grade). This increases the risk of default and could affect both the revenue and capital value of the sub-fund. The sub-fund therefore has significant exposure to credit risk.

The Allianz Gilt Yield Fund, which predominantly holds UK fixed rate government bonds, and the remaining sub-funds which predominantly hold equities, have minimal exposure to credit risk.

Financial Risk Management continued

Interest rate risk

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

The Allianz Gilt Yield Fund, Allianz Index-Linked Gilt Fund and Allianz Strategic Bond Fund all invest predominantly in fixed interest securities, the values of which are directly affected by changes in prevailing market interest rates. These sub-funds therefore have significant exposure to interest rate risk.

The remaining sub-funds invest predominantly in equities, the values of which are not directly affected by changes in prevailing market interest rates. Therefore these sub-funds have minimal exposure to interest rate risk.

Derivative risk

Derivatives may be used for the purposes of Efficient Portfolio Management (EPM). EPM restricts the use of derivatives to the reduction of risk, the reduction of cost and the generation of additional capital or revenue with an acceptably low level of risk. EPM transactions must be economically appropriate and the exposure fully covered. The Allianz UK Equity Income Fund may write covered call options up to 20% of the Net Asset Value of the sub-fund (at the time of writing) as part of its EPM strategy.

Where the investment objective risk profile permits, derivative transactions may be used for the purposes of meeting the investment objective of the relevant sub-fund as well as for EPM. For the purpose of clarity, the use of derivatives for EPM purposes should not lead to an increase in risk to the sub-fund. However, derivatives when used to implement investment policies, may increase volatility of the sub-fund's share price. The Allianz Gilt Yield Fund and Allianz Strategic Bond Fund utilise derivatives to implement the investment policy.

Counterparty risk

A sub-fund conducts transactions through or with brokers, clearing houses, market counterparties and other agents. A sub-fund will therefore be subject to the risk of the inability of any such counterparty to perform its obligations, whether due to insolvency, bankruptcy or other causes.

A sub-fund may invest into instruments such as notes, swaps or warrants, the performance of which is linked to a market or investment to which the sub-fund seeks to be exposed. Such instruments are issued by a range of counterparties and through its investment the sub-fund will be subject to the counterparty risk of the issuer, in addition to the investment exposure it seeks.

The sub-funds will only enter into Over the Counter (OTC) derivatives transactions and efficient portfolio management techniques with reputable institutions which are subject to prudential supervision and specialising in these types of transactions. In principle, the counterparty risk for such transactions and techniques should not exceed 10% of the relevant sub-fund's net assets when the counterparty is an approved bank or 5% of its net assets in other cases. However, if a counterparty defaults, the actual losses may exceed these limits. If a counterparty were to default on its obligations this may have an adverse impact on the performance of the relevant sub-fund causing loss to investors. The sub-funds exposure to its counterparty will be mitigated by the fact that the counterparty will forfeit its collateral if it defaults on the transaction.

Financial Risk Management continued

Risk and Reward Profile

	Typically lower rewards Typically lower risk						Typically higher rewards Typically higher risk
Sub-fund	1	2	3	4	5	6	7
Allianz Gilt Yield Fund				4			
Allianz Strategic Bond Fund			3				
Allianz Continental European Fund					5		
Allianz European Equity Income Fund					5		
Allianz UK Equity Income Fund					5		
Allianz UK Opportunities Fund					5		
Allianz UK Mid-Cap Fund						6	
Allianz Index-Linked Gilt Fund					5		

Please note, the category stated above is the same for each class of share within the relevant sub-fund.

This risk and reward indicator is based on past performance data and calculated in accordance with European legislation. It may not be a reliable indication of the future risk profile of the sub-fund. The categorisation of the sub-fund is not guaranteed and may change in the future. Even the lowest category 1 does not mean a risk-free investment.

Why is the sub-fund in this category?

Sub-funds of category 3 have shown in the past a low to medium volatility. The volatility describes how much the value of the sub-fund went up and down in the past. The shares of a sub-fund of category 3 might be subject to low to medium price fluctuations based on historical volatilities observed.

Sub-funds of category 4 have shown in the past a medium volatility. The volatility describes how much the value of the sub-fund went up and down in the past. The shares of a sub-fund of category 4 might be subject to medium price fluctuations based on the historical volatilities observed.

Sub-funds of category 5 have shown in the past a medium to high volatility. The volatility describes how much the value of the sub-fund went up and down in the past. The shares of a sub-fund of category 5 might be subject to medium to high price fluctuations based on historical volatilities observed.

Sub-funds of category 6 have shown in the past a high volatility. The volatility describes how much the value of the sub-fund went up and down in the past. The shares of a sub-fund of category 6 might be subject to high price fluctuations based on the historical volatilities observed.

Statement of the Authorised Corporate Director's Responsibilities

The Financial Statements are prepared in accordance with UK generally accepted accounting principles and applicable accounting standards. The ACD is responsible for keeping such accounting records as are necessary to enable it to ensure that the Financial Statements comply with the Financial Conduct Authority ("FCA") regulations and The Statement of Recommended Practice 'Financial Statements of UK Authorised Funds 2014' issued by the Investment Management Association (now The Investment Association) "IMA SORP".

The Open-Ended Investment Companies Regulations 2001 require the ACD to prepare an annual report for each annual accounting year and a half-yearly report for each half-yearly accounting period of the Company.

The annual long report for the Company is required to contain:

(i) For each sub-fund:

- the full Financial Statements for the annual accounting year which must be prepared in accordance with the requirements of the IMA SORP;
- the report of the ACD in accordance with the COLL requirements; and
- the comparative table in accordance with the COLL requirements;

(ii) the report of the Depository in accordance with the COLL requirements;

(iii) the report of the Auditors in accordance with the COLL requirements.

In preparing the Financial Statements the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The ACD is required to ensure that the Financial Statements in the annual long report give a true and fair view of the net revenue (expense) and the net capital gains (losses) on the property of the Company for the annual accounting period in question and the financial position of the Company as at the end of that year.

The half-yearly long report for the Company is required to contain:

(i) For each sub-fund:

- the full Financial Statements for the half-yearly accounting period which must be prepared in accordance with the requirements of the IMA SORP; and
- the report of the ACD in accordance with the COLL requirements.

The Investment Objective and Policy for each sub-fund are set out within the individual Financial Statements for that sub-fund.

Accounting Policies

Basis for preparation

The Financial Statements of the sub-funds have been prepared on a going concern basis in accordance with FRS 102 and the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by The Investment Association in May 2014 ("IMA SORP").

All accounting and distribution policies are consistent with the most recent annual Financial Statements, 31 August 2018.

Fund Information

Investment Objective and Policy

This Fund's objective is to provide investors with long term capital growth.

The ACD aims to achieve the investment objective by investing in a diversified portfolio of investments in European companies (excluding the United Kingdom). At least 70 % of Fund's assets will be invested in Continental Europe.

The Fund's policy is to invest in shares listed on a European stock exchange. The Fund invests predominantly in larger companies.

The ACD may also utilize deposits and money market instruments in the management of the portfolio. The Fund may also invest up to 10 % of Fund's assets in collective investment schemes.

Fund Details

Fund Manager	Thorsten Winkelmann and Marcus Morris-Eyton	
Benchmark	S&P Europe Ex-UK Large MidCap Growth (British Pound) Net Total Return	
Income allocation date	31 August	
Income pay date	31 October	
Launch dates	Fund	16 May 2002
	A Shares	16 May 2002
	C Shares	18 April 2012
	S Shares	26 January 2016
ISA status	Yes	
Share Classes and types of Shares	A (Accumulation Shares)	
	C (Accumulation Shares)	
	I (Accumulation Shares)	
	S (Accumulation Shares)	
Minimum investment	A Shares	Lump sum £500
		Monthly saving £50
	C Shares	Lump sum £500
		Monthly saving £50
	I Shares	Lump sum £10,000,000
		Available only at discretion of ACD
	S Shares	Lump sum £10,000,000
		Available only at discretion of ACD
Initial charge	A Shares	4.00%
	C Shares	Nil
	I Shares	Nil
	S Shares	Nil
Annual ACD fee	A Shares	1.50%
	C Shares	0.75%
	I Shares	0.65%
	S Shares	0.45%

I Shares are available but not currently in issue.
SP Shares closed on 7 November 2017.

Fund Information continued

As at 28 February 2019 (unaudited)

Net Asset Value

Share Class	Period Ended	Net Asset Value(£000s)	Number of Shares in Issue	Net Asset Value per Share(p)
A Shares Accumulation	28 February 2019	16,506	1,371,788	1,203.26
C Shares Accumulation	28 February 2019	33,891	16,898,632	200.55
S Shares Accumulation	28 February 2019	68,079	49,855,737	136.55

Operating Charges

Share Class	Year Ended	(%)
A Shares Accumulation	31 August 2018	1.65
C Shares Accumulation	31 August 2018	0.83
S Shares Accumulation	31 August 2018	0.53

Operating Charges represent 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.

Summary of Distribution

Share Class	Payment date	Net distribution per share (p)
A Shares Accumulation	31 October 2018	0.3083
C Shares Accumulation	31 October 2018	1.8332
S Shares Accumulation	31 October 2018	1.6764

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

Investment Review

Performance Summary

Over the six-month period under review, from 1st September 2018 to 28th February 2019, the Fund's 'A' share class produced a total return of -13.65% and 'C' shares produced a total return of -13.29% (midday prices net of fees in GBP). The Fund's benchmark, the S&P Europe ex UK LargeMidCap Growth Total Return, produced a total return of -6.81% over the period.

Allianz Continental European Fund underperformed its benchmark over the 6-month period, due to the sentiment driven sell-off activity in Q4.

Both the stock selection and sector allocation had a negative effect on performance, with the latter due to the strategy's strong overweight of IT and underweights of Utilities and Healthcare. While the technology selloff continued throughout the fourth quarter 2018, investors sought shelter in the cheapest, defensive areas of the market, where the portfolio has limited or no exposure.

On a single stock level, Scor (conservatively managed global reinsurer with continuing growth opportunities), Novo Nordisk(pharmaceutical company with leading positions in structurally growing diabetes care and obesity markets, benefiting from its strong global brand and high barriers to entry) and Assa Abloy (the largest global supplier of intelligent door openings solutions: 3x Sales of closest peer) were the best contributors to the performance on an active level. Anheuser-Busch Inbev outperformed as well.

On the other hand, shares of Fresenius (diversified healthcare group, suffered from headwinds at Helios due to German hospital reforms as well as the market pricing in the US litigation associated with its failed merger with Akorn), Zalando(high growth online retailer, rebounding from the sharp fall in Q4 2018, with solid FY2018 results), Kardex (leading supplier of automated storage solutions and material handling systems, affected by market fears regarding business cycle uncertainties and economic slowdown) underperformed the benchmark. Amadeus IT, Temenos and VAT Group also detracted from performance.

Market Background

Continental European equities suffered a sharp global selloff over the fourth quarter 2018, touching a two-year low as most markets delivered double-digit losses, and closed the 6-month period with losses, despite shares rallied strongly over the first two months of 2019. While sentiment was lifted by hopes of progress in the US/China trade dispute and the associated implications for global trades, politics remained a concern as Spain's government called a snap general election after the socialist government's budget proposals were rejected by parliament. In France, public demonstrations ("Gilet Jaunes") underline challenges to President Macron's reformist stance.

In economic news, Continental Europe economic activity faltered as exports were hit by higher tariffs, German carmakers struggled to comply with new emissions tests and Italian growth stagnated due to the country's standoff with Brussels. The flash estimate of the Eurozone composite purchasing managers' index edged up slightly in February, after reaching its lowest level in four years 51.3 in December. The manufacturing component, however, slid below the 50 level that separates expansion from contraction to reach the lowest level in six years. Headline inflation eased, falling to 1.4% year on year in January, but core inflation picked up to 1.2%. Against the weak economic backdrop, the European Central Bank confirmed it was discussing the possibility of another round of long-term loans to banks.

Portfolio Review

The Continental European Fund strategy seeks consistent long-term outperformance across the business cycle through a well-researched investment process based on bottom-up fundamental stock selection. We identify stocks with above average structural earnings and cash flow growth, which the market has not yet fully anticipated, with strong franchises which are able to benefit from their unique competitive position in order to sustain superior returns over the long term.

During the past 6 months, we initiated positions in Ambu (leading supplier of single use endoscopy equipment, pioneering the transition from multi- to single-use endoscopies in an industry with 150m procedures per year), Sika (market leader in construction chemicals and number 4 player in adhesives, once again a holding after legal uncertainties with

Investment Review continued

St. Gobain were solved), Wirecard (a high-growth digital payment company outpacing the structurally fast growing payment market) and Addtech (an acquisition led industrial business that aims to grow the top line by double digits per annum).

Over the period we sold the holdings in Roche (a big pharma company challenged by biosimilar competition for c. 50% of its pharma sales, with overall growth lagging the peer group and loosing visibility), Julius Baer (private bank that failed to show strong earnings and profitability growth in rather supportive market environment), Anheuser-Busch Inbev (brewing company, with the potential growth ahead assumed to be only single digit), Continental (global automotive supplier lacking any near term visibility), and Ingenico (global payment service provider challenged by the integration efforts of the acquisitions they made over the last years).

Outlook

The 2018 Q4 market selloff questioned whether our high quality growth names could continue to deliver, given a weakening macroeconomic backdrop and numerous geopolitical risks that weighed on sentiment.

However we have argued for the defensive characteristics of our portfolio holdings, not necessarily in terms of sector label but rather strong competitive advantages, brands, pricing power, and management teams, insulated by barriers to entry, to protect our company fundamentals.

Therefore it was pleasing to see the resilience of our names shine through this earnings season, defying the negativity of late 2018 and justifying the premium attached to investing in quality, sustainable growth:

- While China is showing weakness, demand here is actually accelerating for LVMH who had a record year for sales and profit, and China is also a key driver for L'Oreal who is prospering here on rising consumption and eCommerce

- Despite a slowdown in construction, building materials supplier Kingspan delivered ahead of expectations (also defiant of its 20% UK exposure), Assa Abloy demonstrated residential smart lock growth of 25%, and construction software name Nemetschek is as strong as ever

- Higher priced names such as Dassault and Ambu were also still able to surprise the market positively.

These examples again illustrate the meaningful competitive advantages our holdings possess, and the strong structural themes that are at play across the portfolio.

The bout of c. 6% earnings downgrades in late 2018 largely affected sectors the portfolio was not exposed to (such as Utilities) and now appears overdone. There is support for economic stabilisation, reduced risk of a no-deal Brexit, and the more dovish Fed (and now ECB) should be encouraging for Quality Growth and Information Technology, where the strategy is overweight.

Importantly, the Management teams of our portfolio companies remain confident going forward, as are we.

29 March 2019

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.

Portfolio Statement

As at 28 February 2019

Holding		Market Value £'000	% of Net Assets
	OVERSEAS EQUITIES - 99.12% (2018 - 98.69%)		
	Belgium - 0.00% (2018 - 1.69%)		
	Denmark - 14.95% (2018 - 12.70%)		
149,877	Ambu	2,619	2.21
42,507	Coloplast	3,148	2.66
70,567	DSV	4,411	3.72
148,485	Novo Nordisk	5,470	4.62
30,447	SimCorp	2,064	1.74
		17,712	14.95
	France - 11.46% (2018 - 12.02%)		
15,420	Dassault Systemes	1,711	1.45
17,594	Legrand	869	0.73
14,575	L'Oréal	2,753	2.32
13,771	LVMH Moet Hennessy Louis Vuitton	3,565	3.01
16,673	Sartorius Stedim Biotech	1,494	1.26
73,518	SCOR	2,473	2.09
49,591	SMCP	706	0.60
		13,571	11.46
	Germany - 20.70% (2018 - 22.84%)		
71,039	Fresenius	2,968	2.50
15,067	Fuchs Petrolub Preference Shares	509	0.43
15,994	Henkel Preference Shares	1,205	1.02
254,615	Infineon Technologies	4,205	3.55
30,833	OSRAM Licht	1,007	0.85
2,644	Rational	1,299	1.10
76,780	SAP	6,190	5.22
41,945	Scout24	1,667	1.41
25,908	Symrise	1,725	1.46
25,890	United Internet	711	0.60
14,094	Wirecard	1,433	1.21
59,188	Zalando	1,603	1.35
		24,522	20.70
	Ireland - 10.19% (2018 - 9.62%)		
62,080	DCC	4,032	3.40
32,563	Kerry	2,533	2.14
12,698	Kingspan A shares	436	0.37
79,934	Kingspan B shares	2,745	2.32
219,807	Ryanair	2,328	1.96
		12,074	10.19
	Italy - 2.53% (2018 - 2.50%)		
100,636	Banca Generali	1,897	1.60
55,307	De' Longhi	1,101	0.93
		2,998	2.53
	Netherlands - 7.39% (2018 - 6.71%)		
29,197	ASML	4,022	3.39
49,135	GrandVision	806	0.68
20,180	TKH	743	0.63
78,564	Unilever	3,188	2.69
		8,759	7.39
	Spain - 5.62% (2018 - 5.82%)		
68,200	Amadeus IT	3,926	3.31
120,745	Industria de Diseno Textil	2,731	2.31
		6,657	5.62

Portfolio Statement continued

As at 28 February 2019

Holding		Market Value £'000	% of Net Assets
	Sweden - 12.73% (2018 - 11.57%)		
37,142	AddTech	600	0.51
211,818	Assa Abloy	3,297	2.78
145,047	Atlas Copco	2,936	2.48
91,643	Elekta	803	0.68
150,853	Epiroc	1,129	0.95
73,790	Hexagon	2,906	2.45
239,394	Hexpol	1,607	1.36
145,942	Trelleborg	1,804	1.52
		15,082	**12.73**
	Switzerland - 13.55% (2018 - 13.22%)		
325	Chocoladefabriken Lindt & Spruengli	1,577	1.33
15,389	Kardex	1,537	1.30
6,579	Partners	3,575	3.02
53,407	Richemont	3,069	2.59
20,121	Sika	2,046	1.73
19,505	Temenos	2,103	1.77
27,139	VAT	2,146	1.81
		16,053	**13.55**
	Investment assets	117,428	99.12
	Net other assets	1,048	0.88
	Net assets	**118,476**	**100.00**

Unless otherwise stated, all investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market.

Note: Comparative figures show percentages for each category of holding at 31 August 2018

Statement of Total Return

For the six months ended 28 February 2019 (unaudited)

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Income:				
Net capital losses		(20,422)		(1,537)
Revenue	460		476	
Expenses	(460)		(520)	
Interest payable and similar charges	-			-
Net revenue/(expense) before taxation	-		(44)	
Taxation	(44)		6	
Net expense after taxation		(44)		(38)
Total return before distributions		**(20,466)**		**(1,575)**
Distributions		(7)		(8)
Change in net assets attributable to shareholders from investment activities		**(20,473)**		**(1,583)**

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2019 (unaudited)

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Opening net assets attributable to shareholders		**150,498**		**142,894**
Amounts receivable on issue of shares	16,972		8,664	
Amounts payable on cancellation of shares	(28,534)		(30,451)	
		(11,562)		(21,787)
Dilution adjustment		13		15
Change in net assets attributable to shareholders from investment activities (see above)		(20,473)		(1,583)
Closing net assets attributable to shareholders		**118,476**		**119,539**

Section 3.30 of the IMA SORP issued in May 2014 requires comparative figures for the above statement. For interim Financial Statements this will result in the closing comparative net assets not being equal to net assets at the start of the current period.

Please note that the 'Distributions' figure includes 'Revenue received on creation of shares' and 'Revenue deducted on cancellation of shares'.

Balance Sheet

As at 28 February 2019 (unaudited)

	28 February 2019 £000s	28 February 2019 £000s	31 August 2018 £000s	31 August 2018 £000s
Assets:				
Fixed assets:				
Investments		117,428		148,532
Current assets:				
Debtors	1,445		539	
Cash and bank balances	1,205		1,588	
Total assets		**120,078**		**150,659**
Liabilities:				
Creditors:				
Other creditors	(1,602)		(161)	
Total liabilities		**(1,602)**		**(161)**
Net assets attributable to shareholders		**118,476**		**150,498**

Fund Information

Investment Objective and 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.

Fund Details

Fund Manager	Gregor Rudolph-Dengel and Joerg de Vries-Hippen	
Benchmark	MSCI Europe (ex UK) Index	
Income allocation dates	1st Interim	30 November
	2nd Interim	28 February*
	3rd Interim	31 May
	Final	31 August
Income pay dates	1st Interim	31 December
	2nd Interim	31 March
	3rd Interim	30 June
	Final	30 September
Launch dates	Fund	16 May 2002
	A Shares	16 May 2002**
	C Shares	24 March 2014
ISA status	Yes	
Share Classes and types of Shares	A (Income Shares)	
	A (Accumulation Shares)	
	C (Income Shares)	
	C (Accumulation Shares)	
Minimum investment	A Shares	Lump sum £500
		Monthly saving £50
	C Shares	Lump sum £500
		Monthly saving £50
Initial charge	A Shares	4.00%
	C Shares	Nil
Annual ACD fee	A Shares	1.50%
	C Shares	0.75%

*29 February in a leap year

** Class A income shares were launched on 30 March 2009

Fund Information continued

As at 28 February 2019 (unaudited)

Net Asset Value

Share Class	Period Ended	Net Asset Value(£000s)	Number of Shares in Issue	Net Asset Value per Share(p)
A Shares Income	28 February 2019	3,273	2,237,345	146.3
A Shares Accumulation	28 February 2019	17,890	7,740,206	231.13
C Shares Income	28 February 2019	1,796	1,616,522	111.1
C Shares Accumulation	28 February 2019	4,501	3,348,093	134.42

Operating Charges

Share Class	Year Ended	(%)
A Shares Income	31 August 2018	2.56
A Shares Accumulation	31 August 2018	2.09
C Shares Income	31 August 2018	1.73
C Shares Accumulation	31 August 2018	1.20

Operating Charges represent 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.

Summary of Distribution

Share Class	Payment date	Net distribution per share (p)
A Shares Income	30 September 2018	0.3397
	31 December 2018	1.3264
	31 March 2019	-
A Shares Accumulation	30 September 2018	0.8483
	31 December 2018	1.8771
	31 March 2019	-
C Shares Income	30 September 2018	0.1935
	31 December 2018	1.3091
	31 March 2019	-
C Shares Accumulation	30 September 2018	0.5365
	31 December 2018	1.1425
	31 March 2019	-

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

Investment Review

Performance Summary

Over the six month period under review, 1st September 2018 to 28th February 2019, the Fund's 'A' class (Acc) produced a total return of -4.22%. The Fund's benchmark, the MSCI Europe ex UK – Total Return Index, produced a total return of -6.76%.

In a negative market environment the strategy outperformed the Continental European equity market as represented by the MSCI Europe ex UK – Total Return Index over the course of the reporting period.

Relative performance was largely driven by stock selection (+2.02%). Selection was positive within Financials, Industrials and Utilities. The positioning within Communication Services as well as within Consumer Discretionary (overweight TUI) and Consumer Staples (underweight in Nestle) contributed negatively.

Early in September 2018 investor mood was largely sanguine, but it didn't stay so for long. Already in October market participants started to pay attention to deteriorating macro data, diminishing returns of the US taxation policy reform, trade conflicts, rising populism in Europe and the too hawkish Fed. Before long, the mood soured and investors dashed for safer assets. Positive Stock Selection in the period underlines quality of income streams and defensive characteristics of the portfolio. 9 out of 10 largest portfolio holdings had positive active contributions in the review period with Scor, Enel, KPN and MunichRe leading the way.

Market Background

In the 6 months between September 2018 and February 2019 the broad European market saw unprecedented levels of volatility. The market experienced a drawdown of circa 15% from the high of September 27, 2018 to the bottom of December 27, 2018 before making a swift recovery gaining circa 14% in 2 months. Over this time, different sectors worked best. The drawdown months were marked by exceptionally strong performance of Telecommunication, Utilities, Healthcare and Insurance companies. The recovery, however, was led by Materials, Consumer Discretionary, Industrials, Information Technology.

One feature of the recovery phase is worth-mentioning: investors were not willing to part with all defensive holdings to participate in the cyclicals' rally. Equities in Switzerland, more growth-driven regulated Utilities with renewables' exposure, consumer staples with sound balance sheets and positive top-line growth rates were still highly demanded by the investors. In fact, the broader cyclicals failed to outperform the defensives in early 2019 (while the markets rallied), meaning that the recovery might have been driven rather by technical factors than improving fundamentals of pro-cyclical stocks.

After a modest improvement in February, the Eurozone composite purchasing managers' index fell again in March, with the manufacturing component indicating the sector was experiencing its steepest contraction since April 2013. With inflation remaining below target, the European Central Bank reinstated its policy of offering cheap long-term loans to banks and guided not to raise rates until the end of 2020 at the earliest. Other sources of uncertainty of the late 2018 (Brexit, rising populism, growing sovereign indebtedness, looming bad credit problems in some pockets of the economy) are yet to be resolved. Overall, the negatives seem to be able to balance out the positives, as we continue to look for green shoots in the economic activity to become more constructive.

Portfolio Review

The fund aims to generate sustainable returns and capital appreciation by investing in Continental 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, strength of business model and staunch market position and ESG compliance. The compounding effect of the dividend is key to generating portfolio alpha over time in the eye of rising market volatility and factors contributing to valuation risks.

In the reported period, we made a fair amount of trades to position the fund for violent shifts in investor sentiment first towards defensive and then to more cyclical equities. Above-normal volatility also offered opportunities to introduce new high-quality names to the portfolio that – for various reasons– were overlooked by the market. Those new holdings are BASF, Orange, Storebrand and Uniqa. On the exiting side of the portfolio were Anheuser-Busch (management made a prudent move to cut the dividend), Atlantia (uncertainty caused by the Genoa bridge collapse), Axa (we find Storebrand and Uniqa more attractive) and PostNL. The proceeds were allocated to

Investment Review continued

1&1 Drillisch, E.On, and European shopping mall REITs Unibail and Klepierre.

Outlook

Political uncertainties (ongoing Brexit discussions, European elections, the rise of populist movements all across the continent) and fragile growth indicators continue to weigh on the European equity markets. At the same time, low unemployment is supporting the economic activity.

In 2018 the ECB and the Fed made attempts to further withdraw extraordinary stimulus policies. The equity market drawdown in Q4 2018 made the Central banks realize that they could either raise rates (very slowly) or reduce the balance sheets, but not do both things at the same time. As it looks today, the ECB will likely postpone the tightening in the monetary policy, and perhaps provide more targeted stimulus in the areas where growth problems are most acute. This should offer support for the economy. In addition, European equity valuations and dividend payments are attractive in global comparison.

Europe is a strong consensus underweight with the low visibility around Brexit being one of the common reasons. Given current valuations and a removal of part of the uncertainty - even if it's the undesired outcome in the form of a hard exit from the European Union - might actually provide tailwind.

We continue to think that a dividend-focussed approach to Europe has its attractions. Equity cash-flow and dividend yields in Europe are high, confirming the discount applied to European stocks vs equities in other geographies. In our view, there is an undue neglect of companies with well-supported growing dividend payments. While large parts of the global stock markets trade at elevated valuations, Europe remains attractively priced. In the time of uncertainty, investors will be paying increasing attention to the companies with sustainable business models, strong fundamentals, good managements, high free-cash flow generation, solid and improving balance sheets and willingness to reward shareholders with juicy dividends.

16 April 2019

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.

Portfolio Statement

As at 28 February 2019

Holding		Market Value £'000	% of Net Assets
	OVERSEAS EQUITIES - 86.55% (2018 - 88.92%)		
	Austria - 0.60% (2018 - 0.00%)		
22,048	UNIQA Insurance	164	0.60
	Belgium - 0.00% (2018 - 1.79%)		
	Finland - 0.71% (2018 - 2.91%)		
2,346	Fortum	39	0.14
15,410	Kemira	155	0.57
		194	0.71
	France - 26.22% (2018 - 22.93%)		
4,078	Air Liquide	384	1.40
12,205	Coface	82	0.30
50,596	Eutelsat Communications	759	2.76
26,807	Klepierre REIT*	702	2.56
20,300	Natixis	83	0.30
51,840	Orange	597	2.17
18,730	Sanofi	1,172	4.27
35,023	SCOR	1,178	4.29
28,411	TOTAL	1,216	4.43
8,401	Unibail-Rodamco-Westfield REIT*	1,026	3.74
		7,199	26.22
	Germany - 17.37% (2018 - 17.55%)		
10,118	1&1 Drillisch	301	1.10
5,169	Allianz	862	3.14
6,550	BASF	377	1.37
12,767	Daimler	577	2.10
22,951	Deutsche Telekom	286	1.04
31,730	E.ON	262	0.96
7,187	Muenchener Rueckversicherungs-Gesellschaft	1,264	4.60
9,510	ProSiebenSat.1 Media	129	0.47
137,840	Telefonica Deutschland	344	1.25
45,719	TUI	369	1.34
		4,771	17.37
	Italy - 7.63% (2018 - 8.98%)		
220,070	Enel	1,000	3.64
84,190	Eni	1,094	3.99
		2,094	7.63
	Luxembourg - 2.60% (2018 - 2.83%)		
1,047	RTL	44	0.16
1,057	SES	15	0.05
42,902	SES (France)	655	2.39
		714	2.60
	Netherlands - 14.00% (2018 - 15.06%)		
25,268	ABN AMRO	458	1.67
105,740	ING	1,054	3.84
487,030	Koninklijke KPN	1,137	4.14
50,669	Royal Dutch Shell	1,196	4.35
		3,845	14.00
	Norway - 2.69% (2018 - 2.72%)		
17,320	Storebrand	104	0.38
43,175	Telenor	636	2.31
		740	2.69

Portfolio Statement continued

As at 28 February 2019

Holding		Market Value £'000	% of Net Assets
	Spain - 11.30% (2018 - 11.04%)		
86,310	Banco Santander	314	1.14
21,318	Ferrovial	368	1.34
89,237	Iberdrola	561	2.04
58,000	Logista	1,095	3.99
43,820	Red Electrica	713	2.60
2,610	Tecnicas Reunidas	53	0.19
		3,104	**11.30**
	Switzerland - 3.43% (2018 - 3.11%)		
12,644	Swiss Re	**942**	**3.43**
	Investment assets	23,767	86.55
	Net other assets	3,693	13.45
	Net assets	**27,460**	**100.00**

* Real Estate Investment Trust.

Unless otherwise stated, all investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market.

Note: Comparative figures show percentages for each category of holding at 31 August 2018.

Statement of Total Return

For the six months ended 28 February 2019 (unaudited)

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Income:				
Net capital losses		(1,388)		(1,329)
Revenue	284		237	
Expenses	(246)		(303)	
Interest payable and similar charges	-		-	
Net revenue/(expense) before taxation	38		(66)	
Taxation	2		(11)	
Net revenue/(expense) after taxation		40		(77)
Total return before distributions		**(1,348)**		**(1,406)**
Distributions		(236)		(135)
Change in net assets attributable to shareholders from investment activities		**(1,584)**		**(1,541)**

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2019 (unaudited)

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Opening net assets attributable to shareholders		**29,381**		**32,213**
Amounts receivable on issue of shares	298		320	
Amounts payable on cancellation of shares	(820)		(1,147)	
		(522)		**(827)**
Change in net assets attributable to shareholders from investment activities (see above)		(1,584)		(1,541)
Retained distributions on accumulation shares		184		118
Unclaimed distributions		1		-
Closing net assets attributable to shareholders		**27,460**		**29,963**

Section 3.30 of the IMA SORP issued in May 2014 requires comparative figures for the above statement. For interim Financial Statements this will result in the closing comparative net assets not being equal to net assets at the start of the current period.

Please note that the 'Distributions' figure includes 'Revenue received on creation of shares' and 'Revenue deducted on cancellation of shares'.

Balance Sheet

As at 28 February 2019 (unaudited)

	28 February 2019 £000s	28 February 2019 £000s	31 August 2018 £000s	31 August 2018 £000s
Assets:				
Fixed assets:				
Investments		23,767		26,125
Current assets:				
Debtors	287		187	
Cash and bank balances	3,794		3,263	
Total assets		**27,848**		**29,575**
Liabilities:				
Creditors:				
Distribution payable	-		(11)	
Other creditors	(388)		(183)	
Total liabilities		**(388)**		**(194)**
Net assets attributable to shareholders		**27,460**		**29,381**

Fund Information

Investment Objective and 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.

Investors should be aware that the Fund's capital is at risk and there is no guarantee that the Fund will achieve its investment objective over any particular period or at all.

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.

At least 80% of the value of the Fund will be invested in gilts issued by the United Kingdom Government.

Up to 20 % of the value of the Fund may be invested in Sterling denominated (or hedged back to Sterling) debt securities, which are not issued by the United Kingdom Government, with a rating the same or higher than that of 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).

Fund Details

Fund Manager	Mike Riddell	
Benchmark	FTSE Actuaries UK Conventional Gilts All Stocks Index	
Underlying Yield to 29 March 2019	C Shares	0.88%
	I Shares	1.09%
	Y Shares	1.07%
Distribution Yield to 29 March 2019	C Shares	0.96%
	I Shares	1.17%
	Y Shares	1.14%
Income allocation dates	Interim	28 February*
	Final	31 August
Income pay dates	Interim	30 April
	Final	31 October
Launch dates	Fund	16 May 2002
	C Shares	16 May 2002
	I Shares	16 May 2002
	Y Shares	20 February 2017
ISA status	Yes	
Share Classes and types of Shares	C (Income Shares)	
	I (Income Shares)	
	Y (Accumulation Shares)	
Minimum investment	C Shares	Lump sum £500
		Monthly saving £50
	I Shares	Lump sum £10,000,000
	Y Shares	Lump sum £100,000,000 (Available to Approved Investors only)
Initial charge	C Shares	Nil
	I Shares	Nil
	Y Shares	Nil
Annual ACD fee	C Shares	0.50%
	I Shares	0.30%
	Y Shares	0.30%

*29 February in a leap year

Fund Information continued

As at 28 February 2019 (unaudited)

Net Asset Value

Share Class	Period Ended	Net Asset Value(£000s)	Number of Shares in Issue	Net Asset Value per Share(p)
C Shares Income	28 February 2019	71,982	40,508,851	177.70
I Shares Income	28 February 2019	1,700,129	917,961,562	185.21
Y Shares Accumulation	28 February 2019	21	399	5,213.12

Operating Charges

Share Class	Year Ended	(%)
C Shares Income	31 August 2018	0.55
I Shares Income	31 August 2018	0.32
Y Shares Accumulation	31 August 2018	0.35

Operating Charges represent 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.

Summary of Distribution

Share Class	Payment date	Net distribution per share (p)
C Shares Income	31 October 2018	1.2525
	30 April 2019	1.1868
I Shares Income	31 October 2018	1.3259
	30 April 2019	1.2456
Y Shares Accumulation	31 October 2018	95.7517
	30 April 2019	25.0012

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

Investment Review

Performance Summary

Over the six month period under review, 1st September 2018 to 28th February 2019, the Fund's 'C Inc' class produced a total return of 0.93%. The Fund's benchmark, the FTSE All Stocks Total Return, produced a total return of 0.87% over the period.

The key reasons for this outperformance were the fund's long duration positioning through late 2018 and the fund's exposure to US treasuries and Canadian government bonds (hedged back to GBP), which outperformed gilts over the period. While the Fund's relative value strategies added positively to returns, the Fund's large curve flattening position in October and November and the short duration positioning in the first two months of 2019 were negative for the Fund.

Market Background

Over the last 6 months the gilt market was largely driven by developments in Westminster and expectations of a Brexit resolution. The expectations of a soft Brexit outcome might result in better UK economic growth over the short to medium term, and possibly therefore more UK rate hikes, which would hurt short dated gilts, but longer dated gilts would do better as inflation expectations move lower. Nonetheless a soft Brexit is probably also the most likely scenario to lead to a general election and a Corbyn victory, which would likely be negative for medium and longer dated gilts if there has to be a lot more issuance to fund extra spending, which in an economy at or close to full employment, may create inflationary pressure. On the other hand, sterling is likely to rally in a soft Brexit scenario, which would be positive for gilts given the effect of lower inflation.

A hard Brexit would likely be supportive for gilts given the increased uncertainty and weaker growth, which would mean fewer rate hikes. But if the sterling depreciation is very severe, then it may lead to rate hikes as the BoE tries to prevent inflation soaring. Also, in the longer term, a hard Brexit (or anything greatly restricting immigration) may lead to a tight labour market, resulting in the need for additional hikes as the country's productive potential falls.

Through Q1 2019, we had generally been positioned for a softer Brexit scenario through our short duration bias, although moved duration shorter or longer as our conviction increased or lessened.

Globally, central banks had moved more dovish in recent months, sharply backing away from the rhetoric seen through 2018 regarding the need for higher interest rates. The Federal Reserve has seen the largest change, moving from suggesting 3-4 rate hikes by the end of 2019, to communicating no change in interest rates is likely. We think this may be an overreaction to a previously over-hawkish messaging in December. We also think that the US data will force their hand into becoming more hawkish at a later date, but they'll have to wait for a bit until they can, in order to retain market confidence in their forward guidance. Gilts yields are often driven by global government bond yields, so this sets a dovish global context for gilts particularly at the short end, although this doesn't mean we could see some re-pricing in short-end gilts on the basis of a revised market outlook for BoE rate hikes.

Portfolio Review

The fund's central 5 strategies to generate returns are duration, curve positioning, relative value, cross market and inflation.

Given expectations of deteriorating macroeconomic fundamentals, the Fund held a bias to be long duration from September through Q4. From December, we felt that poor global economic data was more priced in to most rate markets, and that the main driving factor for gilts going forward would be growing expectations of a 'soft' or 'no' Brexit scenario, or at least that a 'No-deal' Brexit would be taken off the table. We therefore held a short duration bias from the end of December. The long duration position helped performance in the first leg of the big gilt rally in December, but the decision to move short duration in Q1 was negative for relative performance as the market moved to price a higher chance of a no-deal Brexit, and gilts rallied.

The key position within our curve strategy was a 10s50s curve flattener through Q4 and into Q1. The gilt curve had slowly steepened through the summer, but these moves started become violent in October and November. With near record curve steepening, our flattener position moved against us. The 10 year part of the curve became particularly expensive as speculation of a hard Brexit grew. Following a peak at the end of November, the flattener position which we maintained then rallied strongly into late January before moving sideways. Over

Investment Review continued

the period under review, we saw several relative value opportunities to optimize yield on the curve, particularly through periods of higher market volatility.

Given expectations for a positive Brexit outcome, we anticipated a rally in sterling and a falling of inflation expectations. Given this, we held no inflation-linked gilts over the whole period. Meanwhile our cross market strategies were positive for returns, as the US, Canada and German government bond positions outperformed, particularly at the short end of the curve where rate hikes were priced out.

Outlook

Financial markets have behaved in the last few months as though we are in a 'Goldilocks economy' again. This means that economic growth is not too hot, not too cold – so growth does not create inflationary pressures. Worryingly, the last few times we've seen the term 'Goldilocks economy' appear in financial media included 2006, before the global financial crisis, and Q4 2017 to Q1 2018, before an all-round poor year across asset classes. Following the turn of a more dovish federal reserve at the end of 2018, market volatility has been massaged down by lower interest rates. With a Federal Reserve now not intent on hiking anytime soon, with interest rates lower, reasonable growth and inflation prints moving downwards in recent months, the market has piled into risky assets, on the belief that economic data will improve going forward. Should this consensus view be upset by returning market volatility, we could see gilt yields move lower still, although our core conviction remains that a Brexit resolution will result in the UK gilt market move from pricing in a chance of a rate cut, to potentially pricing in a rate hike once the tail risk of a 'no deal' Brexit is removed.

11 April 2019

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.

Portfolio Statement

As at 28 February 2019

Holding/Nominal		Market Value £'000	% of Net Assets
	Sterling Denominated Fixed Rate Government Bonds - 85.88% (2018 - 92.80%)		
£16,000,000	Treasury 1% 22/04/2024	15,988	0.90
£152,000,000	Treasury 1.5% 22/07/2047	141,783	8.00
£177,200,000	Treasury 1.625% 22/10/2071	173,977	9.82
£220,370,000	Treasury 1.75% 22/07/2019	221,177	12.48
£9,000,000	Treasury 2.75% 07/09/2024	9,843	0.56
£35,900,000	Treasury 3.25% 22/01/2044	46,231	2.61
£36,900,000	Treasury 3.5% 22/07/2068	59,073	3.33
£270,000,000	Treasury 3.75% 07/09/2019	274,088	15.47
£22,000,000	Treasury 3.75% 07/09/2021	23,601	1.33
£32,000,000	Treasury 4% 07/03/2022	34,999	1.97
£83,800,000	Treasury 4.25% 07/06/2032	111,462	6.29
£46,650,000	Treasury 4.25% 07/03/2036	64,513	3.64
£30,000,000	Treasury 4.25% 07/12/2049	47,478	2.68
£118,000,000	Treasury 4.5% 07/12/2042	180,169	10.17
£25,500,000	Treasury 5% 07/03/2025	31,418	1.77
£60,000,000	Treasury 6% 07/12/2028	86,206	4.86
		1,522,006	85.88
	Sterling Denominated Fixed Rate Corporate Bonds - 1.12% (2018 - 1.20%)		
£20,000,000	Nordic Investment Bank 1.125% 15/12/2023	19,791	1.12
	Canadian Dollar Denominated Fixed Rate Government Bonds - 6.28% (2018 - 0.00%)		
CAD105,000,000	Canadian Government Bond 2.75% 01/06/2022	61,777	3.48
CAD85,000,000	Canadian When Issued Government Bond 2.25% 01/03/2024	49,589	2.80
		111,366	6.28
	US Dollar Denominated Fixed Rate Government Bonds - 5.39% (2018 - 5.68%)		
$65,000,000	Treasury 2.375% 31/01/2023	48,682	2.75
$60,000,000	Treasury 3.125% 15/11/2028	46,825	2.64
		95,507	5.39
	DERIVATIVES - 0.61% (2018 - (0.20)%)		
	Sterling Open Futures Contracts - 0.11% (2018 - (0.03)%)		
(2,000)	UK Long Gilt Bond Futures December 2018	1,875	0.11
	Euro Open Futures Contracts - 0.03% (2018 - 0.00%)		
800	Euro-Bund Futures March 2019	498	0.03
	Sterling Open Forward Exchange Contracts - 0.00% (2018 - (0.17)%)		
	Canadian Dollar Open Forward Exchange Contracts - 0.25% (2018 - 0.00%)		
-	Sold CAD 195,800,000 : Bought GBP 116,275,023	4,490	0.25
	Euro Open Forward Exchange Contracts - 0.00% (2018 - 0.00%)		
-	Bought EUR 3,079,660 : Sold GBP 2,700,000	(56)	0.00
-	Sold EUR 3,339,729 : Bought GBP 2,900,000	32	0.00
-	Sold EUR 2,000,000 : Bought GBP 1,734,898	18	0.00
		(6)	0.00
	US Dollar Open Forward Exchange Contracts - 0.22% (2018 - 0.00%)		
-	Sold USD 121,650,000 : Bought GBP 95,084,287	3,714	0.21
-	Sold USD 4,610,007 : Bought GBP 3,577,709	115	0.01
		3,829	0.22
		10,686	0.61

Portfolio Statement continued

As at 28 February 2019

Holding/Nominal		Market Value £'000	% of Net Assets
	Investment assets[1]	1,759,356	99.28
	Net other assets	12,776	0.72
	Net assets	**1,772,132**	**100.00**

[1] Includes investment liabilities.

Unless otherwise stated, all investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market.

Note: Comparative figures show percentages for each category of holding at 31 August 2018.

Statement of Total Return

For the six months ended 28 February 2019 (unaudited)

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Income:				
Net capital gains/(losses)		9,037		(45,112)
Revenue	11,668		9,562	
Expenses	(2,780)		(2,443)	
Interest payable and similar charges	(6)		(13)	
Net revenue before taxation	8,882		7,106	
Taxation	-		-	
Net revenue after taxation		8,882		7,106
Total return before distributions		**17,919**		**(38,006)**
Distributions		(11,477)		(9,311)
Change in net assets attributable to shareholders from investment activities		**6,442**		**(47,317)**

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2019 (unaudited)

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Opening net assets attributable to shareholders		**1,640,652**		**1,410,891**
Amounts receivable on issue of shares	191,227		172,590	
Amounts payable on cancellation of shares	(66,195)		(74,674)	
		125,032		97,916
Change in net assets attributable to shareholders from investment activities (see above)		6,442		(47,317)
Unclaimed distributions		6		4
Closing net assets attributable to shareholders		**1,772,132**		**1,461,494**

Section 3.30 of the IMA SORP issued in May 2014 requires comparative figures for the above statement. For interim Financial Statements this will result in the closing comparative net assets not being equal to net assets at the start of the current period.

Please note that the 'Distributions' figure includes 'Revenue received on creation of shares' and 'Revenue deducted on cancellation of shares'.

Balance Sheet

As at 28 February 2019 (unaudited)

	28 February 2019 £000s	28 February 2019 £000s	31 August 2018 £000s	31 August 2018 £000s
Assets:				
Fixed assets:				
Investments		1,759,412		1,635,503
Current assets:				
Debtors	18,771		24,563	
Cash and bank balances	6,675		24,194	
Total assets		**1,784,858**		**1,684,260**
Liabilities:				
Investment liabilities		(56)		(3,301)
Creditors:				
Distribution payable	(11,915)		(11,778)	
Other creditors	(755)		(28,529)	
Total liabilities		**(12,726)**		**(43,608)**
Net assets attributable to shareholders		**1,772,132**		**1,640,652**

Fund Information

Investment Objective and Policy

The Allianz Index-Linked Gilt Fund aims to achieve income and capital growth through investment predominantly in Inflation-Linked UK Government Securities.

The ACD will adopt a policy of active management and will invest in index-linked gilts, overseas index-linked government bonds, index-linked government guaranteed bonds, gilts, conventional government bonds, corporate and supranational bonds. The ACD may gain exposure indirectly through the use of derivative instruments including but not limited to futures, options, options on swaps and swap agreements (e.g. interest rate swaps, inflation linked swaps).

At least 80% of the Fund's assets will be invested in index-linked gilts issued by the United Kingdom Government.

Up to 20% of the Fund's assets may be invested in Sterling denominated (or hedged back to Sterling) government backed index linked securities which are not issued by the United Kingdom Government, but with a rating the same or higher than that of the United Kingdom Government.

Up to 5% of the Fund's assets may be invested in investment grade debt securities, which are rated lower than that of the United Kingdom Government, including but not limited to, conventional government bonds, conventional and inflation linked corporate bonds and supranational bonds.

The ACD may also utilise deposits and money market instruments in the management of the portfolio and their value, together with money market funds, may make up to a maximum of 10% of the Fund's assets.

The Fund may also invest up to a maximum of 10% of the Fund's assets in collective investment schemes.

The Fund may from time to time hold a concentrated portfolio because of its investments in a limited number of debt securities.

Fund Details

Fund Manager	Mike Riddell	
Benchmark	FTSE Actuaries UK Government Index-Linked All Stocks Total Return GBP Midday Index	
Income allocation dates	Interim	28 February*
	Final	31 August
Income pay dates	Interim	30 April
	Final	31 October
Launch dates	Fund	1 February 2018
	E Shares	1 February 2018
	W Shares	1 February 2018
ISA status	Yes	
Share Classes and types of Shares	E Shares (Accumulation)	
	E Shares (Income)	
	W Shares (Accumulation)	
	W Shares (Income)	
Minimum investment	E Shares	Lump sum £10,000,000
	W Shares	Lump sum £10,000,000
Initial charge	E Shares	Nil
	W Shares	2.00%
Annual ACD fee	E Shares	0.20%**
	W Shares	0.30%***

* 29 February in a leap year
** 0.20% p.a. minus the additional expense payable in respect of the E Shares.
*** 0.30% p.a. minus the additional expense payable in respect of the W Shares.

Fund Information continued

As at 28 February 2019 (unaudited)

Net Asset Value

Share Class	Period Ended	Net Asset Value(£000s)	Number of Shares in Issue	Net Asset Value per Share(p)
E Shares Income	28 February 2019	96,587	93,842,350	102.92
E Shares Accumulation	28 February 2019	2,045	1,947,638	105.02
W Shares Income	28 February 2019	1,173	1,141,299	102.76
W Shares Accumulation	28 February 2019	1,341	1,278,101	104.91

Operating Charges

Share Class	Year Ended	(%)
E Shares Income [1]	31 August 2018	0.20
E Shares Accumulation [1]	31 August 2018	0.20
W Shares Income [2]	31 August 2018	0.30
W Shares Accumulation [2]	31 August 2018	0.30

Operating Charges represent 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.

[1] Operating Charges have been capped at 0.20%

[2] Operating Charges have been capped at 0.30%

Summary of Distribution

Share Class	Payment date	Net distribution per share (p)
E Shares Income	31 October 2018	1.2168
	30 April 2019	0.8695
E Shares Accumulation	31 October 2018	1.2164
	30 April 2019	0.8332
W Shares Income	31 October 2018	-
	30 April 2019	2.1296
W Shares Accumulation	31 October 2018	1.1647
	30 April 2019	0.8019

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

Investment Review

Performance Summary

Over the six month period under review, 1st September 2018 to 28th February 2019, the Fund's 'E Inc' class produced a total return of 2.26%. The Fund's benchmark, the FTSE All Stocks Total Return, produced a total return of 0.95% over the period.

The key reasons for this outperformance were the fund's duration & cross market strategies. Our curve positioning and breakeven strategies also proved supportive for returns.

Market Background

We started the period under review with the conviction that UK inflation will edge lower over the next few months, where the pass through effects from sterling weakness in 2016-17 were rapidly diminishing, and the recent strengthening in sterling means that UK Core CPI could fall below 1.5% by the end of the year. As commodity prices fell in Q4 2018 and sterling strengthened on positive Brexit news, UK inflation continued to fall. However, UK inflation expectations rose sharply in September and October. The market essentially began pricing in a significant fall in sterling from a negative Brexit outcome, and we held a strong conviction that market implied inflation would fall.

We also saw periods of heightened volatility in the gilt market, particularly the index linked gilt curve steepening in November, with 50 year real yields selling off 22bps while 10 year real yields rallied 17 bps. This was a very large curve move, and we saw similar moves in conventional gilts. Lower liquidity and upcoming long-end supply may have contributed to these moves.

The outlook for Brexit was a significant factor driving gilts and index-linked gilts over the 6 month period. Expectations of growth, risk premia, the Bank of England response and sterling (inflation) could be pushing in different directions on the final Brexit result, and this contributed to higher volatility in gilt markets. To illustrate, a soft Brexit outcome might result in better UK economic growth over the short to medium term, and possibly therefore more UK rate hikes, which would hurt short dated gilts, but longer dated gilts would do better as inflation expectations move lower. Nonetheless a soft Brexit would probably also be the most likely scenario to lead to a general election and a Corbyn victory, which would likely be negative for medium and longer dated gilts if there has to be a lot more issuance to fund extra spending, which in an economy at or close to full employment, may create inflationary pressure. On the other hand, sterling is likely to rally in a soft Brexit scenario, which would be positive for gilts given the effect of lower inflation.

A hard Brexit would likely be supportive for gilts given the increased uncertainty and weaker growth, which would mean fewer rate hikes. But if the sterling depreciation is very severe, then it may lead to rate hikes as the BoE tries to prevent inflation soaring. Also, in the longer term, a hard Brexit (or anything greatly restricting immigration) may lead to a tight labour market, resulting in the need for additional hikes as the country's productive potential falls.

Portfolio Review

The fund's central 5 strategies to generate returns are duration, curve positioning, relative value, cross market and inflation.

Through the start of the period, our duration strategy added positively to returns. We held a bias to be long duration, and as financial market volatility picked up, global government bond yields and inflation expectations fell. Following this move in gilts, we moved to a short duration bias, on the basis that our central scenario of a soft Brexit outcome would contribute to higher index-linked gilt yields. This short duration bias hurt performance as index-linked gilt yields continued to fall.

In our curve strategy, we generally held an overweight to the belly of the curve which had been looking relatively cheap. At the start of the period, we held a 10s30s curve flattener, and through 2019 we held an overweight to the short end of the curve.

We saw several relative value opportunities through the gilt market volatility, which we used to optimize the yield on the portfolio and to gain from normalization of these dislocations.

On our breakeven strategy, we positioned for lower inflation expectations. This was primarily taken through holding a long 50 year conventional gilt position over inflation-linked gilts, which initially hurt performance as inflation expectations rose, but then fell well through the rest of the period into February and was supportive for performance.

Investment Review continued

Our cross market positions through 2018 consisted of a 5% position in Italian inflation-linked gilts, which initially hurt performance as spreads over bunds rose, but then following a budget resolution in November spreads tightened and the cross market positions added positively to returns. Around the turn of the year we added some US TIPS, which performed well as US treasuries outperformed inflation-linked gilts.

Outlook

Financial markets have behaved in the last few months as though we are in a 'Goldilocks economy' again. This means that economic growth is not too hot, not too cold – so growth does not create inflationary pressures. Worryingly, the last few times we've seen the term 'Goldilocks economy' appear in financial media included 2006, before the global financial crisis, and Q4 2017 to Q1 2018, before an all-round poor year across asset classes. Following the turn of a more dovish federal reserve at the end of 2018, market volatility has been massaged down by lower interest rates. With a Federal Reserve now not intent on hiking anytime soon, with interest rates lower, reasonable growth and inflation prints moving downwards in recent months, the market has piled into risky assets, on the belief that economic data will improve going forward.

Should this consensus view be upset by returning market volatility, we could see gilt yields move lower still, although our core conviction remains that a Brexit resolution will result in the UK government bond and index-linked gilt yields rising as the market moves from pricing in a chance of a rate cut, to potentially pricing in a rate hike once the tail risk of a 'no deal' Brexit is removed. We also view index-linked gilts as relatively expensive to other inflation-linked bonds, given that the market is pricing in an elevated level of inflation that we do not believe will ultimately be realized.

11 April 2019

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.

Portfolio Statement

As at 28 February 2019

Holding/Nominal		Market Value £'000	% of Net Assets
	Sterling Denominated Fixed Rate Government Bonds - 82.95% (2018 - 95.91%)		
£1,450,000	Treasury Inflation Linked 0.125% 22/11/2019	1,686	1.67
£2,700,000	Treasury Inflation Linked 0.125% 22/03/2024	3,538	3.50
£5,111,000	Treasury Inflation Linked 0.125% 22/03/2026	6,530	6.46
£4,174,000	Treasury Inflation Linked 0.125% 22/03/2029	6,110	6.04
£1,600,000	Treasury Inflation Linked 0.125% 22/11/2036	2,423	2.40
£10,400,000	Treasury Inflation Linked 0.125% 10/08/2041	15,611	15.43
£6,600,000	Treasury Inflation Linked 0.125% 22/03/2044	11,781	11.65
£4,200,000	Treasury Inflation Linked 0.125% 22/03/2046	7,236	7.15
£4,120,000	Treasury Inflation Linked 0.125% 22/03/2058	8,487	8.39
£5,104,000	Treasury Inflation Linked 0.375% 22/03/2062	13,058	12.91
£830,000	Treasury Inflation Linked 2.5% 16/04/2020	2,976	2.94
£372,000	Treasury Inflation Linked 2.5% 17/07/2024	1,342	1.33
£3,172,000	Treasury 1.625% 22/10/2071	3,114	3.08
		83,892	**82.95**
	Euro Denominated Fixed Rate Government Bonds - 4.54% (2018 - 3.32%)		
€4,400,000	Italy Buoni Poliennali Del Tesoro 3.1% 15/09/2026	**4,588**	**4.54**
	US Dollar Denominated Fixed Rate Government Bonds - 7.33% (2018 - 0.00%)		
$5,750,000	Treasury Inflation Indexed Bonds 0.125% 15/04/2022	4,392	4.34
$4,000,000	Treasury Inflation Indexed Bonds 0.75% 15/07/2028	3,024	2.99
		7,416	**7.33**
	DERIVATIVES - 0.64% (2018 - 0.00%)		
	Sterling Open Futures Contracts - 0.09% (2018 - 0.00%)		
(102)	Long Gilt June 2019 Futures	**96**	**0.09**
	Sterling Open Forward Exchange Contracts* - 0.00% (2018 - 0.00%)		
	Euro Open Forward Exchange Contracts* - 0.25% (2018 - 0.00%)		
-	Bought EUR 237,575 : Sold GBP 209,815	(6)	(0.01)
-	Sold EUR5,621,787 : Bought GBP 5,086,969	260	0.26
		254	**0.25**
	US Dollar Open Forward Exchange Contracts* - 0.30% (2018 - 0.00%)		
-	Sold USD9,765,063 : Bought GBP 7,640,587	**306**	**0.30**
		656	**0.64**
	Investment assets[1]	96,552	95.46
	Net other assets	4,594	4.54
	Net assets	**101,146**	**100.00**

* Forwards are not approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market.

[1] Includes derivative liabilities.

Unless otherwise stated, all investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market.

Note: Comparative figures show percentages for each category of holding at 31 August 2018.

Statement of Total Return

For the six months ended 28 February 2019 (unaudited)

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Income:				
Net capital gains		1,656		42
Revenue	765		7	
Expenses	(88)		(1)	
Interest payable and similar charges	(1)		-	
Net revenue before taxation	676		6	
Taxation	-		-	
Net revenue after taxation		676		6
Total return before distributions		**2,332**		**48**
Distributions		(749)		-
Change in net assets attributable to shareholders from investment activities		**1,583**		**48**

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2019 (unaudited)

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Opening net assets attributable to shareholders		**63,574**		**-**
Amounts receivable on issue of shares	41,487		5,631	
Amounts payable on cancellation of shares	(5,525)		-	
		35,962		5,631
Change in net assets attributable to shareholders from investment activities (see above)		1,583		48
Retained distributions on accumulation shares		27		-
Closing net assets attributable to shareholders		**101,146**		**5,679**

Section 3.30 of the IMA SORP issued in May 2014 requires comparative figures for the above statement. For interim Financial Statements this will result in the closing comparative net assets not being equal to net assets at the start of the current period.

Please note that the ‘Distributions’ figure includes ‘Revenue received on creation of shares’ and ‘Revenue deducted on cancellation of shares’.

Balance Sheet

As at 28 February 2019 (unaudited)

	28 February 2019 £000s	28 February 2019 £000s	31 August 2018 £000s	31 August 2018 £000s
Assets:				
Fixed assets:				
Investments		96,558		63,086
Current assets:				
Debtors	4,445		648	
Cash and bank balances	1,305		603	
Total assets		**102,308**		**64,337**
Liabilities:				
Investment liabilities		(6)		(2)
Creditors:				
Distribution payable	(840)		(726)	
Other creditors	(316)		(35)	
Total liabilities		**(1,162)**		**(763)**
Net assets attributable to shareholders		**101,146**		**63,574**

Fund Information

Investment Objective and Policy

The objective of the Fund is to maximise total return, consistent with preservation of capital and prudent investment management, primarily through investment directly in debt securities issued by corporate, government, supranational institutions and local regional agencies or by gaining exposure indirectly through the use of derivatives, as well as any other security. The Fund will invest internationally although at least 80 % of its assets shall be invested in Sterling denominated (or hedged back to Sterling) debt securities.

Investors should be aware that the Fund's capital is at risk and there is no guarantee that the Fund will achieve its investment objective over any particular period or at all.

The ACD aims to achieve the investment objective by investing (directly or indirectly) in treasury bills, certificates of deposit, medium term notes, private placements, structured notes, preference shares, convertible bonds, gilts, investment grade and below investment grade bonds, bonds of emerging markets issuers, agency bonds and asset or mortgage backed securities or floating rate notes. The ACD may also utilise deposits, derivatives and other money market instruments in the management of the portfolio. The Fund may also invest in collective investment schemes.

More than 35% of the value of the property of the Fund may be invested in Government and public securities issued or guaranteed by any of the following states; the United Kingdom (including the Scottish Administration, the Executive Committee of the Northern Ireland Assembly, the National Assembly of Wales), Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United States of America.

The Fund will invest primarily in investment grade debt securities (with fixed, variable or floating rates of interest and may vary inversely with respect to a reference rate), but may invest in debt securities that are rated below investment grade.

The Fund may use derivative instruments such as futures, options, options on swaps, swap agreements (e.g. interest rate swaps, credit default swaps and index swaps) and currency forward contracts.

The Fund may use the derivative instruments listed above for hedging purposes and/or for investment purposes, which may be up to a significant degree. 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) to hedge a currency exposure (ii) 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 (iii) to tailor the Fund's interest rate exposure to the ACD's outlook for interest rates and/or (iv) 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).

Fund Details

Fund Manager	Mike Riddell	
Benchmark	Bloomberg Barclays Global Aggregate hedged to Sterling	
Underlying Yield to 29 March 2019	A Shares	2.35%
	C Shares	3.00%
	I Shares	3.21%
Distribution Yield to 29 March 2019	A Shares	2.51%
	C Shares	3.16%
	I Shares	3.37%
Income allocation dates	Interim	28 February*
	Final	31 August
Income pay dates	Interim	30 April
	Final	31 October
Launch dates	Fund	16 May 2002
	A Shares	16 May 2002
	C Shares	1 April 2005
	I Shares	28 July 2016
ISA status	Yes	
Share Classes and types of Shares	A (Income Shares)	C (Income Shares)
	I (Income Shares)	
Minimum investment	A Shares	Lump sum £500
		Monthly saving £50
	C Shares	Lump sum £500
		Monthly saving £50
	I Shares	Lump sum £10,000,000
Initial charge	A Class	4.00%
	C Class	Nil
	I Class	Nil
Annual ACD fee	A Class	1.25%
	C Class	0.60%
	I Class	0.39%

*29 February in a leap year

SP Shares closed on 7 November 2017.

Fund Information continued

As at 28 February 2019 (unaudited)

Net Asset Value

Share Class	Period Ended	Net Asset Value(£000s)	Number of Shares in Issue	Net Asset Value per Share(p)
A Shares Income	28 February 2019	18,648	11,876,988	157.01
C Shares Income	28 February 2019	36,455	23,149,604	157.47
I Shares Income	28 February 2019	19,066	18,834,097	101.23

Operating Charges

Share Class	Year Ended	(%)
A Shares Income	31 August 2018	1.52
C Shares Income	31 August 2018	0.79
I Shares Income	31 August 2018	0.52

Operating Charges represent 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.

Summary of Distribution

Share Class	Payment date	Net distribution per share (p)
A Shares Income	31 October 2018	0.1746
	30 April 2019	0.9953
C Shares Income	31 October 2018	0.7165
	30 April 2019	1.5499
I Shares Income	31 October 2018	0.5800
	30 April 2019	1.1046

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

Investment Review

Performance Summary

Over the six month period under review, 1st September 2018 to 28th February 2019, the Fund's 'C Inc' class produced a total return of 6.83%. The Fund's benchmark, the Barclays Global Aggregate Total Return GBP Hedged, produced a total return of 1.62% over the period*.

The key reasons for this outperformance were our rates, credit and inflation strategies.

Market Background

Most risky assets started to come under pressure in October, and saw sharp falls in December, US high yield credit spreads widened and equity prices fell as oil continued weakening in December, signaling weak global demand growth, and currencies linked to oil production came under pressure. The phenomenon was not just oil related, with the S&P500 falling 9% and industrial metal prices also falling over 5% - also supporting the view that global demand was weakening. Alongside poor data and higher volatility, markets moved to price in lower inflation across most developed markets.

Not all risky assets performed so poorly in December. Following the higher volatility and signs of weaker data, central banks finally reacted to the weaker data, by communicating few or no more rate hikes. Bond markets started pricing in a chance of rate cuts in some cases. On the back of this, risky assets had a big rally in January and February, as did commodities, reversing most of the losses seen in Q4.

Portfolio Review

The fund's primary drivers of returns are rates, credit, inflation and FX.

Rates

Our rates strategy was a significant contributor to positive returns through Q4 2018. We had been positioned overweight duration, which benefitted as yields on government bonds dropped globally. In November we also had added a position to express the view that the US yield curve would steepen as interest rate cuts were priced in. This was a key position within our rates strategy, which has added positively as the market has moved to price out hikes in the US. In December, following the strong performance in Canadian rates, we reduced some Canadian duration, while maintaining our 0.6 years duration contribution from Czech rates. While Czech interest rate swaps had performed in line with expectations, the bonds were yet to move significantly by month end. At this time we also started building up a position in local currency emerging market debt, on the view that lower US interest rates would contribute to a weaker US dollar, and be positive for emerging markets. We continued adding to our local emerging market debt positions as we entered the New Year.

Credit

Our Italian government bonds were negative for returns in October, however following the resolution of the budget debacle, the spreads on Italian government bonds over German bunds fell considerably until the end of February. This contributed positively to fund returns. We had also held a large short in US high yield debt, through credit default swaps, which benefitted performance as spreads rose considerably through the equity market sell off. We took profit on half of our US high yield short at the turn of the year, and added some USD and EUR denominated corporate names at issue, removing the underweight we had in corporate bonds. We added some hard currency emerging market debt positions which performed well, on a similar basis to the local currency EM positions. The final key trade in this strategy has been long a bucket of Chinese real estate names, which have benefitted from the latest round of policy easing and strong property price growth.

Inflation

We held the view that UK inflation expectations would fall, which was negative through September until the first half of December, as inflation expectations grew, but this moved back in our favour over the remainder of the review period. We also held a similar view on Eurozone inflation, which we took profit on as inflation expectations in the Eurozone fell significantly.

* There is a timing difference between measurement of the Fund (midday) and the benchmark (end of day) which may account for some divergence in relative performance.

Investment Review continued

FX

As we entered 2019, we held some long emerging market FX positions, mainly through leaving our local currency bonds unhedged. These positions have been positive for returns this year, as have our selective shorts in certain EM FX, such as PHP and BRL. While we have taken profit on EM FX long positions in February and more recently gone outright short EM FX, we are still long some EM local currency bonds and EM external debt.

Outlook

Financial markets have behaved in the last few months as though we are in a 'Goldilocks economy' again. This means that economic growth is not too hot, not too cold – so growth does not create inflationary pressures. Despite positioning for this liquidity-driven rally, we don't believe the market narrative that this goldilocks economy will continue, with stronger economic growth and abated inflationary pressures. This Goldilocks narrative has contributed to many risky assets no longer offering the attractive valuations they were at the turn of the year, and valuations in several asset classes largely do not, in our opinion, reflect the risks to the global economy.

Worryingly, the last few times we've seen the term 'Goldilocks economy' appear in financial media included 2006, before the global financial crisis, and Q4 2017 to Q1 2018, before an all-round poor year across asset classes. Following the turn of a more dovish Federal Reserve at the end of 2018and inflation prints moving downwards in recent months, risky assets have performed strongly, which will likely only be maintained if economic data significantly improves going forward.

11 April 2019

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.

Portfolio Statement

As at 28 February 2019

Nominal/Holding		Market Value £'000	% of Net Assets
	Sterling Denominated Fixed Rate Government Bonds - 0.93% (2018 - 14.81%)		
£700,000	Treasury 1.625% 22/10/2071	687	0.93
	Sterling Denominated Fixed Rate Corporate Debt Securities - 3.90% (2018 - 5.21%)		
£350,000	ABP Finance 6.25% 14/12/2026	420	0.57
£200,000	Arqiva Financing 5.34% 30/06/2030	232	0.31
£200,000	Trafford Centre Finance 4.75% 28/04/2024	212	0.28
£1,000,000	Travis Perkins 4.375% 15/09/2021	1,028	1.39
£1,000,000	Volkswagen Financial Services 2.75% 10/07/2023	999	1.35
		2,891	3.90
	Sterling Denominated Variable Rate Corporate Debt Securities - 2.28% (2018 - 3.11%)		
£300,000	Greene King Finance 2.98638% 15/03/2036	246	0.33
£650,000	NGG Finance 5.625% 18/06/2073	694	0.94
£300,000	Telereal Securitisation 4.0902% 10/12/2033	310	0.42
£500,000	Trafford Centre Finance 1.648% 28/07/2038	438	0.59
		1,688	2.28
	Euro Denominated Fixed Rate Government Bonds - 25.33% (2018 - 16.20%)		
€ 1,050,000	French Republic Government Bond 1.5% 25/05/2050	877	1.18
€ 1,500,000	Israel Government International Bond 2.5% 16/01/2049	1,315	1.77
€ 1,800,000	Italy Buoni Poliennali Del Tesoro 0.95% 01/03/2023	1,512	2.04
€ 3,500,000	Italy Buoni Poliennali Del Tesoro 2.2% 01/06/2027	2,937	3.96
€ 5,450,000	Italy Buoni Poliennali Del Tesoro 3.35% 01/03/2035	4,698	6.33
€ 2,650,000	Italy Buoni Poliennali Del Tesoro 3.85% 01/09/2049	2,283	3.08
€ 500,000	Italy Buoni Poliennali Del Tesoro 5% 01/08/2034	517	0.70
€ 2,400,000	Kingdom of Belgium Government Bond 0.8% 22/06/2028	2,106	2.84
€ 1,450,000	Kingdom of Belgium Government Bond 1.7% 22/06/2050	1,246	1.68
€ 1,500,000	Turkey Government International Bond 4.625% 31/03/2025	1,298	1.75
		18,789	25.33
	Euro Denominated Fixed Rate Corporate Debt Securities - 4.05% (2018 - 2.88%)		
€ 1,400,000	Aroundtown 2% 02/11/2026	1,179	1.59
€ 1,000,000	Atlantia 1.875% 13/07/2027	781	1.05
€ 200,000	Elisa 1.125% 26/02/2026	170	0.23
€ 1,000,000	Vonovia Finance 2.125% 22/03/2030	872	1.18
		3,002	4.05
	Euro Denominated Variable Rate Corporate Debt Securities - 0.61% (2018 - 0.87%)		
€ 500,000	Merck KGaA 3.375% 12/12/2074	453	0.61
	Euro Denominated Variable Rate Perpetual Corporate Debt Securities - 1.70% (2018 - 2.29%)		
€ 800,000	NN 4.5% Perpetual	729	0.98
€ 600,000	TOTAL 2.625% Perpetual	530	0.72
		1,259	1.70
	US Dollar Denominated Fixed Rate Government Bonds - 11.40% (2018 - 34.78%)		
$750,000	Angolan Government International Bond 9.375% 08/05/2048	604	0.81
$2,400,000	Argentine Republic Government International Bond 6.875% 11/01/2048	1,374	1.85
$2,000,000	Egypt Government International Bond 8.7002% 01/03/2049	1,547	2.09
$750,000	Jordan Government International Bond 7.375% 10/10/2047	550	0.74
$700,000	Lebanon Government International Bond 6.85% 23/03/2027	449	0.61
$1,500,000	Qatar Government International Bond 5.75% 20/01/2042	1,334	1.80
$1,000,000	Treasury 2.75% 15/08/2047	707	0.95
$1,000,000	Treasury 3% 15/02/2048	743	1,.00
$1,500,000	Treasury Inflation Indexed Bonds 0.125% 15/04/2022	1,146	1.55
		8,454	11.40
	US Dollar Denominated Fixed Rate Corporate Debt Securities - 10.57% (2018 - 1.18%)		
$850,000	Agile 8.5% 18/07/2021	669	0.90
$2,000,000	Altria 6.2% 14/02/2059	1,499	2.02
$700,000	China Aoyuan 7.5% 10/05/2021	532	0.72
$1,200,000	China Evergrande 8.75% 28/06/2025	811	1.09
$750,000	Country Garden 7.25% 04/04/2021	573	0.77

Portfolio Statement continued

As at 28 February 2019

Nominal/Holding		Market Value £'000	% of Net Assets
$750,000	Ecopetrol 5.875% 28/05/2045	567	0.77
$500,000	Fortune Star 5.25% 23/03/2022	363	0.49
$600,000	Greentown China 5.875% 11/08/2020	453	0.61
$500,000	Longfor 3.9% 16/04/2023	369	0.50
$500,000	Petroleum Co of Trinidad & Tobago 9.75% 14/08/2019	369	0.50
$550,000	Powerlong Real Estate 5.95% 19/07/2020	407	0.55
$700,000	Times China 7.85% 04/06/2021	536	0.72
$900,000	Yuzhou Properties 7.9% 11/05/2021	690	0.93
		7,838	10.57
	US Dollar Denominated Variable Rate Perpetual Corporate Debt Securities - 0.00% (2018 - 0.56%)		
	Australian Dollar Denominated Fixed Rate Corporate Debt Securities - 0.74% (2018 - 0.99%)		
AUD 1,000,000	International Bank for Reconstruction & Development 2.8% 12/01/2022	548	0.74
	Canadian Dollar Denominated Fixed Rate Government Bonds - 2.35% (2018 - 2.08%)		
CAD 1,500,000	Canadian Government Bond 5.75% 01/06/2029	1,159	1.56
CAD 1,000,000	Canadian When Issued Government Bond 2.25% 01/03/2024	583	0.79
		1,742	2.35
	Czech Koruna Denominated Fixed Rate Government Bonds - 11.89% (2018 - 0.00%)		
CZK 170,000,000	Czech Republic Government Bond 0.45% 25/10/2023	5,352	7.21
CZK 100,000,000	Czech Republic Government Bond 2.4% 17/09/2025	3,469	4.68
		8,821	11.89
	Danish Krone Denominated Fixed Rate Government Bonds - 2.19% (2018 - 2.97%)		
DKK 12,500,000	Denmark Government Bond 1.75% 15/11/2025	1,622	2.19
	Japanese Yen Denominated Fixed Rate Government Bonds - 3.05% (2018 - 7.79%)		
JPY 250,000,000	Japan Government Forty Year Bond 0.4% 20/03/2056	1,544	2.08
JPY 100,000,000	Japan Government Thirty Year Bond 0.8% 20/03/2048	715	0.97
		2,259	3.05
	Mexican Peso Denominated Fixed Rate Government Bonds - 2.43% (2018 - 0.00%)		
MXN 46,500,000	Mexican Bonos 8.5% 18/11/2038	1,800	2.43
	Polish Zloty Denominated Fixed Rate Government Bonds - 1.33% (2018 - 0.00%)		
PLN 5,000,000	Republic of Poland Government Bond 2.75% 25/04/2028	990	1.33
	Russian Ruble Denominated Fixed Rate Government Bonds - 2.37% (2018 - 0.00%)		
RUB 165,000,000	Russian Federal Bond Domestic 7.05% 19/01/2028	1,762	2.37
	Turkish Lira Denominated Fixed Rate Government Bonds - 2.38% (2018 - 0.00%)		
TRY 14,000,000	Turkey Government Bond 12.4% 08/03/2028	1,766	2.38
	DERIVATIVES - 5.59% (2018 - (2.15)%)		
	Sterling Open Futures Contracts - 0.00% (2018 - (0.03)%)		
(85)	Long Gilt Future June 2019	79	0.10
1,300	Sterling 98.125 PUT FSO March 2019	(24)	(0.03)
(2,600)	Sterling 98.375 PUT FSO March 2019	162	0.22
1,300	Sterling 98.625 PUT FSO March 2019	(217)	(0.29)
		-	0.00
	Sterling Interest Rate Swaps - 0.05% (2018 - (0.06)%)		
14,000,000	Pay 3.5% Receive Variable 18/01/2023	(148)	(0.20)
14,000,000	Receive 3.5% Pay Variable 18/01/2028	119	0.16
7,400,000	Receive 3.5% Pay Variable 15/09/2028	65	0.09
		36	0.05

Portfolio Statement continued

As at 28 February 2019

Nominal/Holding		Market Value £'000	% of Net Assets
	Sterling Written Call Options - 0.00% (2018 - 0.03%)		
	Australian Dollar Open Forward Exchange Contracts - 0.02% (2018 - 0.02%)		
-	Bought AUD 4,000,000 : Sold JPY317,980,400	(12)	(0.02)
-	Bought AUD 2,900,000 : Sold GBP 1,676,746	(121)	(0.16)
-	Sold AUD 3,920,000 : Bought GBP2,248,779	146	0.20
		13	0.02
	Brazilian Real Open Forward Exchange Contracts - 0.00% (2018 - (0.04)%)		
	Canadian Dollar Open Forward Exchange Contracts - 0.55% (2018 - (0.07)%)		
-	Bought CAD 6,350,000 : Sold USD 4,746,799	60	0.08
-	Bought CAD 1,700,000 : Sold JPY142,305,640	5	0.01
-	Sold CAD 14,800,000 : Bought GBP 8,795,525	346	0.46
		411	0.55
	Czech Koruna Open Forward Exchange Contracts - 0.32% (2018 - 0.00%)		
-	Sold CZK 234,201,042 : Bought GBP 8,077,342	237	0.32
	Euro Open Forward Exchange Contracts - 1.52% (2018 - (0.17)%)		
-	Bought EUR 1,020,000 : Sold GBP 902,309	(27)	(0.04)
-	Sold EUR 33,326,521 : Bought GBP 29,740,606	1,125	1.52
-	Sold EUR 630,000 : Bought GBP 568,427	28	0.04
		1,126	1.52
	Euro Open Futures Contracts - 0.11% (2018 - (0.01)%)		
(80)	Euro-Bono Bond March 2019	(203)	(0.27)
75	Euro-Btp March 2019	269	0.36
30	Euro-Bund March 2019	19	0.02
		85	0.11
	Euro Interest Rate Swaps - 0.83% (2018 - (0.55)%)		
142,500,000	Pay 0.7% Receive Variable 13/11/2024	(2,152)	(2.90)
145,500,000	Receive 1.2% Pay Variable 13/11/2026	2,765	3.73
		613	0.83
	Japanese Yen Open Forward Exchange Contracts - 0.66% (2018 - 0.60%)		
-	Bought JPY 664,233,287 : Sold USD 6,000,000	2	0,.00
-	Bought JPY 834,602,868 : Sold GBP 5,683,275	(19)	(0.02)
-	Bought JPY 241,973,600 : Sold AUD 3,100,000	(21)	(0.03)
-	Sold JPY 830,000,000 : Bought GBP 6,111,029	478	0.64
-	Sold JPY 325,300,000 : Bought GBP 2,260,875	53	0.07
		493	0.66
	Japanese Yen Open Futures Contracts - 0.00% (2018 - (0.01)%)		
	Mexican Peso Open Forward Exchange Contracts - (0.01)% (2018 - 0.00%)		
-	Sold MXN 16,700,000 : Bought GBP 648,416	(4)	(0.01)
	Polish Zloty Open Forward Exchange Contracts - 0.07% (2018 - 0.00%)		
-	Sold PLN 5,093,300 : Bought GBP 1,065,515	51	0.07
	Swedish Krona Open Forward Exchange Contracts - 0.00% (2018 - 0.01%)		
	US Dollar Open Forward Exchange Contracts - 0.78% (2018 - (1.08)%)		
-	Bought USD 3,667,224 : Sold AUD 5,100,000	18	0.02
-	Bought USD 3,600,000 : Sold EUR 3,142,901	5	0.01
-	Bought USD 126,441 : Sold EUR 110,000	1	0,.00
-	Bought USD 2,750,000 : Sold BRL 10,287,200	(4)	(0.01)
-	Bought USD 1,300,000 : Sold CZK 29,350,646	(6)	(0.01)

Portfolio Statement continued

As at 28 February 2019

Nominal/Holding		Market Value £'000	% of Net Assets
-	Bought USD 3,750,000 : Sold PHP 197,497,200	(48)	(0.06)
-	Bought USD 41,000,000 : Sold SAR 154,188,700	(56)	(0.08)
-	Bought USD 18,184,526 : Sold GBP 14,222,381	(564)	(0.76)
-	Sold USD 38,716,417 : Bought GBP 30,314,661	1,235	1.67
		581	**0.78**
	US Dollar Credit Default Swaps - (0.44)% (2018 - (1.15)%)		
6,500,000	CDS US Dollar Barclays 5% 20/06/2023	**(329)**	**(0.44)**
	US Dollar Open Futures Contracts - 0.01% (2018 - 0.00%)		
(90)	US 5 Year Note (CBT) June 2019 Futures	**8**	**0.01**
	US Dollar Interest Rate Swaps - 1.12% (2018 - (0.07)%)		
95,000,000	Receive 3.2% Pay Variable 13/05/2023	1,929	2.60
28,000,000	Receive 2.9% Pay Variable 06/08/2028	405	0.54
50,400,000	Pay 3.4% Receive Variable 13/11/2033	(1,322)	(1.78)
12,000,000	Pay 2.9% Receive Variable 06/08/2048	(176)	(0.24)
		836	**1.12**
	US Dollar Written Put Options - 0.00% (2018 - 0.05%)		
	US Dollar Written Call Options - 0.00% (2018 - 0.39%)		
	Investment assets[1]	70,528	95.09
	Net other assets	3,641	4.91
	Net assets	**74,169**	**100.00**

[1] Includes derivative liabilities.

Unless otherwise stated, all investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market.

Note: Comparative figures show percentages for each category of holding at 31 August 2018.

Statement of Total Return

For the six months ended 28 February 2019 (unaudited)

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Income:				
Net capital gains/(losses)		3,875		(2,210)
Revenue	906		947*	
Expenses	(252)		(339)	
Interest payable and similar charges	(36)		(127)*	
Net revenue before taxation	618		481	
Taxation	(2)		-	
Net revenue after taxation		616		481
Total return before distributions		**4,491**		**(1,729)**
Distributions		(616)		(482)
Change in net assets attributable to shareholders from investment activities		**3,875**		**(2,211)**

*Restated due to the reallocation of swap income from revenue to interest payable.

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2019 (unaudited)

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Opening net assets attributable to shareholders		**56,764**		**120,537**
Amounts receivable on issue of shares	28,914		11,655	
Amounts payable on cancellation of shares	(15,406)		(70,134)	
		13,508		(58,479)
Dilution adjustment		11		61
Change in net assets attributable to shareholders from investment activities (see above)		3,875		(2,211)
Unclaimed distributions		11		6
Closing net assets attributable to shareholders		**74,169**		**59,914**

Section 3.30 of the IMA SORP issued in May 2014 requires comparative figures for the above statement. For interim Financial Statements this will result in the closing comparative net assets not being equal to net assets at the start of the current period.

Please note that the 'Distributions' figure includes 'Revenue received on creation of shares' and 'Revenue deducted on cancellation of shares'.

Balance Sheet

As at 28 February 2019 (unaudited)

	28 February 2019 £000s	28 February 2019 £000s	31 August 2018 £000s	31 August 2018 £000s
Assets:				
Fixed assets:				
Investments		75,981		55,611
Current assets:				
Debtors	1,670		368	
Cash and bank balances	2,871		3,966	
Total assets		**80,522**		**59,945**
Liabilities:				
Investment liabilities		(5,453)		(2,493)
Creditors:				
Bank overdrafts	-		(3)	
Distribution payable	(685)		(231)	
Other creditors	(215)		(454)	
Total liabilities		**(6,353)**		**(3,181)**
Net assets attributable to shareholders		**74,169**		**56,764**

Fund Information

Investment Objective and Policy

The Fund aims to achieve high and increasing income together with capital growth.

The ACD aims to achieve the investment objective by investing in securities listed on the London Stock Exchange although it may invest internationally and in all economic sectors. It is the general intention of the ACD to invest in shares which offer above average current dividend income yield or, if not, the prospect of superior long term dividend growth. A small proportion of the Fund's investments may be held in convertibles and investment trust income shares in order to enhance the income yield.

The ACD may also utilise deposits in the management of the portfolio. The Fund may also invest in collective investment schemes.

Fund Details

Fund Manager	Simon Gergel	
Benchmark	FTSE All Share Index	
Income allocation dates	Interim	28 February*
	Final	31 August
Income pay dates	Interim	30 April
	Final	31 October
Launch dates	Fund	20 June 2002
	A Shares	20 June 2002
	C Shares	23 April 2014
ISA status	Yes	
Share Classes and types of Shares	A (Income Shares)	
	C (Income Shares)	
Minimum investment	A Shares	Lump sum £500
		Monthly saving £50
	C Shares	Lump sum £500
		Monthly saving £50
Initial charge	A Shares	4.00%
	C Shares	Nil
Annual ACD fee	A Shares	1.25%
	C Shares	0.75%

*29 February in a leap year

Fund Information continued

As at 28 February 2019 (unaudited)

Net Asset Value

Share Class	Period Ended	Net Asset Value(£000s)	Number of Shares in Issue	Net Asset Value per Share(p)
A Shares Income	28 February 2019	38,728	14,195,933	272.81
C Shares Income	28 February 2019	8,898	8,912,245	99.84

Operating Charges

Share Class	Year Ended	(%)
A Shares Income	31 August 2018	1.40
C Shares Income	31 August 2018	0.95

Operating Charges represent 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.

Summary of Distribution

Share Class	Payment date	Net distribution per share (p)
A Shares Income	31 October 2018	8.6294
	30 April 2019	5.2730
C Shares Income	31 October 2018	3.1148
	30 April 2019	1.9914

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

Investment Review

Performance Summary

Over the 6 month period under review, 1st September 2018 to 28th February 2019, the Fund's 'C' class shares produced a total return of -6.3%. The Fund's benchmark, the FTSE All Share Total Return Index, produced a total return of -3.7%. The main reason for the 2.7% underperformance was disadvantageous industry allocation.

Market Background

The period under review can be defined by the precipitous decline in global markets that we saw in the fourth quarter of 2018. The S&P 500 approached official 'bear market' status, from an early October peak to a late-December trough losing near 20% of value. Outside of the US, markets fared little better, with both European and Asian markets posting steep declines. Technology stocks led the market down, as stretched valuations coincided with a number of stock-specific negative announcements, against a back-drop of increasing concerns over international trade, the trajectory for interest rates, and global growth. Markets worldwide rebounded significantly at the beginning of 2019, and as of the period end had recouped much of their losses as these concerns eased.

In the UK, Brexit has continued to consume all oxygen from the political and increasingly economic agenda, especially towards the end of the period. The Prime Minister finally brought her withdrawal agreement before Parliament in January, and suffered the largest defeat for government legislation in the long history of the institution. As the UK government and EU have continued in vain to try to reach an acceptable compromise, sentiment towards UK assets has vacillated between relative comfort that a disruptive 'no deal' will be avoided, and pessimism that it may occur by mistake.

Against this negative backdrop UK markets have relatively outperformed, supported greatly by the overseas earnings of many listed stocks and a relative weighting of the index towards commodity-linked stocks and away from technology. Domestically linked companies have traded at supressed valuations, though many outperforming towards the end of the period the market begun to take a slightly more sanguine view of Brexit risk.

Portfolio Review

The portfolio comprises predominantly high yielding UK equities in order to achieve the objective of delivering both high and growing income and capital appreciation. The Fund maintains a limited exposure to continental European equities and we write a selective portfolio of covered call options to supplement the income stream.

The fund underperformed during the period due primarily to weak industry allocation, though during a period of high volatility and correlation, stock selection also detracted slightly.

Strong individual contributors during the period include our holdings in Greene King, Ashmore, and Enel. All returned more than 20% on an absolute basis. However the portfolio was negatively impacted by a number of stock specific issues. Keller Group fell by nearly 50% after a profits warning concerning the group's Asian operations in October. The negative reaction is significantly overdone and the business is now trading on a very depressed valuation. Inmarsat too reported disappointing profits owing to pressure in the maritime business. BAE Systems has seen its share price suppressed for geopolitical reasons related to tensions between Saudi Arabia and the international community.

The Fund's active, contrarian, and value driven stock picking philosophy was in clear evidence during the period, as we added a number of new positions across a range of sectors.

In a significant new holding, British American Tobacco, we further reduced our long-standing underweight in consumer goods and have moved to an overweight in the tobacco sector. After a great deal of careful consideration we reinvested in tobacco last year after a long hiatus. Very attractive valuations have outweighed the structural risks to long-term earnings growth. Buying into BAT reflects a heightened degree of scepticism in the market surrounding this stock in light of the threat of regulatory change in the USA, which we believe BAT will ultimately be able to navigate, and poses relatively low risk to medium term cash flows.

We also entered into a new position in Norcros, which is a manufacturer and supplier of bathroom fixtures, fittings, and tiles into the UK and South Africa. Norcros has market-leading positions, a good record of market share gains, and an effective strategy of accretive bolt-on acquisitions that can quickly generate revenue synergies through cross-selling. The

Investment Review continued

business is on the cusp of winning more major new contracts from large customers, such as housebuilders, which could offer a material uplift to current growth forecasts. The shares are extremely lowly rated for a business without a structural concern.

To fund new positions and allow the fund to reiterate conviction where stocks have underperformed, we have sold out of some stocks where we see relatively fuller valuations, such as Coface or Equiniti, or where our investment view has changed, such as Sainsbury's and Marks & Spencer.

Outlook

Though growth is slowing, the UK economy continues to hold up relatively well. There is inevitably some increasing anxiety over Brexit as we approach the 29th of March 'Article 50' deadline, expressed particularly at the corporate level with many management teams expressing nervousness. The labour market however is supportive with unemployment at record lows. Investor sentiment towards UK assets remains depressed, though many UK stocks derive a majority of their earnings from overseas.

The Fund continues to maintain a very limited exposure to "blue chip" consumer staples sectors like household goods and beverages. Tobacco is now a notable exception as this sector has very significantly fallen out of favour with the market. Except tobacco, we still see high valuations and a lack of investment leading to potentially higher than expected cyclicality or vulnerability to structural change.

Though the dislocations of the market in the fourth quarter of 2018 created a difficult performance environment, volatility leads to greater opportunities for active management to outperform in future periods. We are finding these opportunities both within domestic companies and amongst the more internationally diversified. Most domestic stocks are discounting a very difficult environment, and hence many offer superior risk-adjusted returns under most realistic longer term scenarios.

26 March 2019

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.

Portfolio Statement

As at 28 February 2019

Holding		Market Value £'000	% of Net Assets
	UNITED KINGDOM - 92.39% (2018 - 92.78%)		
	Aerospace & Defence - 7.03% (2018 - 6.78%)		
333,287	BAE Systems	1,554	3.26
222,810	Meggitt	1,180	2.48
270,063	Senior	616	1.29
		3,350	7.03
	Banks - 6.53% (2018 - 8.39%)		
725,000	Barclays	1,192	2.50
312,589	HSBC	1,918	4.03
		3,110	6.53
	Construction & Materials - 5.70% (2018 - 5.25%)		
201,208	Balfour Beatty	577	1.21
124,000	Keller	661	1.38
250,000	Norcros	475	1.00
412,240	Tyman	1,004	2.11
		2,717	5.70
	Electricity - 2.42% (2018 - 2.43%)		
96,543	SSE	1,153	2.42
	Electronic & Electrical Equipment - 1.52% (2018 - 1.74%)		
281,774	Morgan Advanced Materials	725	1.52
	Financial Services - 9.07% (2018 - 9.29%)		
133,379	Ashmore	561	1.18
175,012	IG	992	2.08
413,944	Man	571	1.20
594,667	Standard Life Aberdeen	1,447	3.04
236,233	TP	751	1.57
		4,322	9.07
	Food & Drug Retailers - 0.00% (2018 - 1.19%)		
	Food Producers - 2.19% (2018 - 2.92%)		
150,351	Tate & Lyle	1,041	2.19
	Gas, Water & Multiutilities - 2.18% (2018 - 2.29%)		
134,894	Pennon	1,037	2.18
	General Retailers - 0.00% (2018 - 1.66%)		
	Household Goods & Home Construction - 1.63% (2018 - 1.52%)		
73,000	Bovis Homes	774	1.63
	Life Insurance - 7.36% (2018 - 5.95%)		
408,902	Legal & General	1,132	2.38
70,932	Prudential	1,119	2.35
130,000	St. James's Place	1,251	2.63
		3,502	7.36
	Media - 2.39% (2018 - 3.08%)		
90,813	Informa	638	1.34
392,212	ITV	501	1.05
		1,139	2.39
	Mining - 5.29% (2018 - 4.44%)		
123,505	Antofagasta	1,162	2.44
77,280	BHP	1,357	2.85
		2,519	5.29

Portfolio Statement continued

As at 28 February 2019

Holding		Market Value £'000	% of Net Assets
	Mobile Telecommunications - 1.69% (2018 - 2.12%)		
212,401	Inmarsat	804	1.69
	Oil & Gas Producers - 8.60% (2018 - 9.42%)		
315,848	BP	1,682	3.53
101,550	Royal Dutch Shell	2,414	5.07
		4,096	8.60
	Pharmaceuticals & Biotechnology - 5.46% (2018 - 6.32%)		
171,970	GlaxoSmithKline	2,598	5.46
	Real Estate Investment & Services - 1.25% (2018 - 0.00%)		
200,000	Palace Capital	596	1.25
	Real Estate Investment Trusts - 4.04% (2018 - 2.89%)		
166,899	Hammerson	623	1.31
146,037	Land Securities	1,299	2.73
		1,922	4.04
	Support Services - 6.87% (2018 - 7.26%)		
1,374,940	Begbies Traynor[1]	839	1.76
1,321,000	Kin & Carta	1,301	2.73
357,162	SThree	1,132	2.38
		3,272	6.87
	Tobacco - 6.77% (2018 - 2.99%)		
40,056	British American Tobacco	1,101	2.31
85,118	Imperial Brands	2,124	4.46
		3,225	6.77
	Travel & Leisure - 4.40% (2018 - 4.85%)		
183,450	Greene King	1,206	2.53
212,251	National Express	890	1.87
		2,096	4.40
		43,998	92.39
	OVERSEAS EQUITIES - 8.42% (2018 - 8.60%)		
	France Equities - 0.00% (2018 - 1.06%)		
	Germany Equities - 0.92% (2018 - 0.00%)		
2,503	Muenchener Rueckversicherungs-Gesellschaft	440	0.92
	Guernsey Equities - 1.34% (2018 - 1.47%)		
1,062,362	Sirius Real Estate	638	1.34
	Ireland Equities - 1.26% (2018 - 1.15%)		
445,906	IFG	602	1.26
	Isle of Man Equities - 1.85% (2018 - 1.82%)		
134,522	GVC	883	1.85
	Italy Equities - 1.24% (2018 - 1.38%)		
130,000	Enel	591	1.24
	Jersey Equities - 1.81% (2018 - 1.72%)		
104,270	WPP	862	1.81
		4,016	8.42

Portfolio Statement continued

As at 28 February 2019

Holding		Market Value £'000	% of Net Assets
	DERIVATIVES - 0.00% (2018 - 0.00%)		
	Investment assets	48,014	100.81
	Net other liabilities	(388)	(0.81)
	Net assets	**47,626**	**100.00**

[1] Securities Listed on Alternative Investment Market

Unless otherwise stated, all investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market.

Note: Comparative figures show percentages for each category of holding at 31 August 2018.

Statement of Total Return

For the six months ended 28 February 2019 (unaudited)

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Income:				
Net capital losses		(5,166)		(428)
Revenue	1,128		1,242	
Expenses	(381)		(464)	
Interest payable and similar charges	-		-	
Net revenue before taxation	747		778	
Taxation	2		11	
Net revenue after taxation		749		789
Total return before distributions		**(4,417)**		**361**
Distributions		(1,102)		(1,197)
Change in net assets attributable to shareholders from investment activities		**(5,519)**		**(836)**

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2019 (unaudited)

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Opening net assets attributable to shareholders		**66,634**		**68,582**
Amounts receivable on issue of shares	1,528		2,318	
Amounts payable on cancellation of shares	(15,081)		(4,878)	
		(13,553)		(2,560)
Dilution adjustment		17		-
Change in net assets attributable to shareholders from investment activities (see above)		(5,519)		(836)
Unclaimed distributions		47		29
Closing net assets attributable to shareholders		**47,626**		**65,215**

Section 3.30 of the IMA SORP issued in May 2014 requires comparative figures for the above statement. For interim Financial Statements this will result in the closing comparative net assets not being equal to net assets at the start of the current period.

Please note that the 'Distributions' figure includes 'Revenue received on creation of shares' and 'Revenue deducted on cancellation of shares'.

Balance Sheet

As at 28 February 2019 (unaudited)

	28 February 2019 £000s	28 February 2019 £000s	31 August 2018 £000s	31 August 2018 £000s
Assets:				
Fixed assets:				
Investments		48,014		67,557
Current assets:				
Debtors	311		789	
Cash and bank balances	497		415	
Total assets		**48,822**		**68,761**
Liabilities:				
Investment liabilities		-		(2)
Creditors:				
Distribution payable	(926)		(1,911)	
Other creditors	(270)		(214)	
Total liabilities		**(1,196)**		**(2,127)**
Net assets attributable to shareholders		**47,626**		**66,634**

Fund Information

Investment Objective and Policy

The investment objective of the Allianz UK Mid-Cap Fund is to achieve capital growth, aiming to outperform the Performance Benchmark, the FTSE 250 (excl. investment trusts) Index Total Return.

The ACD aims to achieve the investment objective by investing in securities listed on the London Stock Exchange although it may invest internationally and in all economic sectors. It is the general intention of the ACD to invest in stocks which constitute the FTSE 250 (excl. investment trusts) Index Total Return.

The ACD may also utilise deposits in the management of the portfolio. The Fund may also invest in collective investment schemes.

Fund Details

Fund Manager	Andrew Neville	
Benchmark	FTSE 250 (excl. investment trusts) Index Total Return	
Income allocation date	31 August	
Income pay date	31 October	
Launch dates	Fund	20 June 2002
	A Shares	20 June 2002
	C Shares	13 February 2013
	O Shares	3 May 2018
	W Shares	31 January 2019
ISA status	Yes	
Share Classes and types of Shares	A (Accumulation Shares)	
	C (Accumulation Shares)	
	O (Accumulation Shares)	
	W (Accumulation Shares)	
Minimum investment	A Shares	Lump sum £500
		Monthly saving £50
	C Shares	Lump sum £500
		Monthly saving £50
	O Shares	Lump sum £10,000,000 (Available to Approved Investors only)
	W Shares	Lump sum £10,000,000
Initial charge	A Shares	4.00%
	C Shares	Nil
	O Shares	Nil
	W Shares	Nil
Annual ACD fee	A Shares	1.50%
	C Shares	0.75%
	O Shares	0.20%*
	W Shares	0.54%

* 0.20% p.a. minus the additional expense payable in respect of the O Shares.

Fund Information continued

As at 28 February 2019 (unaudited)

Net Asset Value

Share Class	Period Ended	Net Asset Value(£000s)	Number of Shares in Issue	Net Asset Value per Share(p)
A Shares Accumulation	28 February 2019	21,503	484,433	4,438.83
C Shares Accumulation	28 February 2019	21,227	455,512	4,659.99
O Shares Accumulation	28 February 2019	29	33,930	84.93
W Shares Accumulation[1]	28 February 2019	1	1,000	101.66

[1] Share class W Accumulation was launched on 31st January 2019.

Operating Charges

Share Class	Year Ended	(%)
A Shares Accumulation	31 August 2018	1.64
C Shares Accumulation	31 August 2018	0.82
O Shares Accumulation	31 August 2018	0.20
W Shares Accumulation[1]	31 August 2018	N/A

[1] Share class W Accumulation was launched on 31st January 2019.

Operating Charges represent 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.

Summary of Distribution

Share Class	Payment date	Net distribution per share (p)
A Shares Accumulation	31 October 2018	-
C Shares Accumulation	31 October 2018	33.5072
O Shares Accumulation	31 October 2018	-
W Shares Accumulation[1]	31 October 2018	N/A

[1] Share class W Accumulation was launched on 31st January 2019.

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

Investment Review

Performance Summary

"Over the six month period under review, 1st September 2018 to 28th February 2019, the Fund's '?' class produced a total return of -17.3%. The Fund's benchmark, the FTSE 250 ex Investment Trust index, produced a total return of -7.1% over the period*.

The key reason(s) for this underperformance was stock selection, with weak performance from Accesso Technologies, Blue Prism, Asos and Keywords. Sector positioning also negatively impacted performance, primarily due to an overweight position in industrials and technologies, and underweight positions in real estate.

* Source: Allianz Global Investors/Datastream. Fund performance based on midday prices, net of fees and expenses, with net revenue re-invested in Sterling. Benchmark performance based on midday prices.

Market Background

To understand the movements in the UK mid cap market during the period, notably the almost 20% decline in the final quarter of the year, we have to look overseas. Not at Brexit, nor UK politics, not the Bank of England and not the UK economy. Therefore, the market background discussion will focus on US and Global Markets.

In the period, global equity markets showed elevated levels of nervousness and volatility. In part, this was a result of increased political risks around trade wars, and a concern that US interest rates were going to rise despite signs that the US economy was slowing. It is very hard to see the effects of Brexit in the equity markets other than to observe that many domestic UK stocks are looking very attractive; Outside of the US, there was also mounting signs that the economic environment is slowing, albeit from elevated levels. This was most noticeable in Europe and China, given trade wars (as well as other factors), have impacted important sectors and business confidence. Whilst hard to disaggregate, a key factor in slowing economic growth has to be the aforementioned political risks, which create an uncertain environment for businesses and consumers.

Given the lateness of the economic cycle, global markets are especially sensitive to any sign of slowing economic growth. The inversion of the US yield curve (in common parlance that is when the US government pays a lower interest rate to borrow money for 10 years than it does for 3 months), which is usually seen a precursor to a US recession only served to increased nervousness.

Global equity markets responded quickly to signs of an economic slowdown. Performance in Q418 was very weak, with low liquidity stocks, high valuation, small-cap, and cyclical sectors like industrials and technology worst affected. In contrast, there was rotation into cheap, but defensive companies, as well as sectors that benefit from lower interest rates like utilities and real estate. The market movements in Q4 implied that we were about to enter a recession in the near term.

Hence, towards the end of the period, global central banks ceased measures that would be associated with slowing an economy and moved to measures that are more commonly seen in slowing economies taking a more dovish stance on interest rates. As a result government bond yields which were rising strongly (and beginning to pressure equity market valuations), fell meaningfully.

Such was the strength and sharpness of the rotation in global equity markets, including the UK mid cap market, valuations in many cyclical sectors became quite depressed, with arguably a high probability of global recession priced in.

As an indication of how oversold the UK mid cap market became, during January and February, although UK companies reported lacklustre earnings, shares responded positively, and in some cases no longer fell on bad news. That is a common sign that the market was expecting much worse news.

Despite the Brexit referendum back in June 2016, where the UK voted to leave the European Union, the UK economy grew steadily in the period, although there is increasing anecdotal evidence that capital allocations decisions are being deferred as we get closer to completing negotiations. We may therefore be writing about Brexit effects in our next report but none seen so far!

Portfolio Review

The strategy of the Fund is to seek stocks mainly within the benchmark whose prospects we believe are undervalued and to avoid stocks whose prospects we believe are overvalued.

Investment Review continued

We seek to buy and sell stocks based on rigorous fundamental research.

The Fund performance was disappointing the period. In particular, four companies, all off-benchmark, and highly valued performed poorly. These companies were Accesso Technologies, Blue Prism, Asos and Keywords. They have all performed well over recent years, but were heavily sold off in the period. With Accesso Technologies the market was concerned about increased investment and high capitalisation of costs, with Blue Prism it was concerned about increased competition, and with Keywords it was concerned about disruption in the video game market related to the success of a new video game called 'Fortnite'. Asos also performed poorly after they announced tough end-markets and increased investment. Whilst we continue to hold all these positions, we reduced position sizes early in the period.

In the period we sold Superdry; an apparel retailer whose brand and position as a physical retailer looks increasingly challenged, and Spirax Sarco when it exited the benchmark. We also sold First Derivatives, given high valuation, and accounting concerns which looked unlikely to dissipate.

We started positions in Moneysupermarket; a price comparison website, Derwent London and Helical Bar; two London focused office companies, Howden Joinery; a leading kitchen manufacturer, and Rightmove; an advertising portal for housing. These companies, which are predominantly exposed to the UK domestic economy, have reduced the underweight position the Fund has in companies exposed to UK domestic companies. In addition, we started positions in Rentokil; a global pest control and hygiene company, Hiscox; a leading retail insurance company, and Meggitt; an aerospace after-market company.

Outlook

Whilst we believe that many of the political issues (which so concern the market now) will eventually be resolved, we are mindful that the global economic recovery is quite mature, and the economic outlook is more uncertain than a year ago. The length of the remainder of the economic cycle will in part be driven by the outcome of these political issues, as well as the magnitude of fiscal and monetary support by central banks. Visibility on both of these factors are limited.

The UK economy has proved resilient in the face of high levels of political uncertainty. Whilst the exact timing of Brexit is unclear when negotiations have been completed the improved clarity on the future relationship between the UK and Europe should lead to an improvement in economic activity as previously delayed capital allocation decisions are made. This should be the case in all but a hard Brexit.

For the majority of companies in the Fund, the primary growth drivers are company specific / structural rather than cyclical in nature. These companies should continue to growth in all but the most challenging of economic environments. In addition, these companies are often cash generative with strong balance sheets which should provide relative resilience in an economic downturn should one arise. In this uncertain environment, we are trying to avoid too much exposure to low liquidity stocks, early cycle companies, and companies with large amounts of debt.

29 March 2019

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.

Portfolio Statement

As at 28 February 2019

Holding		Market Value £'000	% of Net Assets
	UNITED KINGDOM EQUITIES - 86.57% (2018 - 87.06%)		
	Aerospace & Defence - 6.74% (2018 - 4.92%)		
248,087	Meggitt	1,314	3.07
687,352	Senior	1,568	3.67
		2,882	6.74
	Construction & Materials - 2.85% (2018 - 3.58%)		
703,301	Melrose Industries	1,218	2.85
	Electronic & Electrical Equipment - 6.15% (2018 - 6.25%)		
127,181	Oxford Instruments	1,268	2.97
52,000	Spectris	1,360	3.18
		2,628	6.15
	Financial Services - 4.88% (2018 - 4.35%)		
201,391	Intermediate Capital	2,086	4.88
	General Industrials - 6.59% (2018 - 6.20%)		
141,122	RPC	1,120	2.62
281,037	Vesuvius	1,696	3.97
		2,816	6.59
	General Retailers - 3.49% (2018 - 4.93%)		
46,630	ASOS[1]	1,493	3.49
	Industrial Engineering - 0.00% (2018 - 2.52%)		
	Leisure Goods - 4.01% (2018 - 3.25%)		
191,420	Frontier Developments[1]	1,715	4.01
	Media - 11.48% (2018 - 4.79%)		
355,254	Auto Trader	1,694	3.96
520,000	Moneysupermarket.com	1,773	4.15
300,156	Rightmove	1,443	3.37
		4,910	11.48
	Mining - 2.61% (2018 - 2.71%)		
173,000	KAZ Minerals	1,118	2.61
	Oil & Gas Producers - 5.53% (2018 - 4.69%)		
1,072,911	Tullow Oil	2,365	5.53
	Personal Goods - 0.00% (2018 - 2.30%)		
	Pharmaceuticals & Biotechnology - 5.09% (2018 - 8.67%)		
82,087	Genus	1,778	4.16
370,000	Indivior	398	0.93
		2,176	5.09

Portfolio Statement continued

As at 28 February 2019

Holding		Market Value £'000	% of Net Assets
	Real Estate Investment & Services - 2.87% (2018 - 0.00%)		
360,000	Helical	1,226	2.87
	Real Estate Investment Trusts - 3.96% (2018 - 0.00%)		
52,451	Derwent London	1,696	3.96
	Software & Computer Services - 5.91% (2018 - 19.87%)		
49,012	accesso Technology[1]	397	0.93
120,667	Blue Prism[1]	1,675	3.92
375,000	NCC	456	1.06
		2,528	5.91
	Support Services - 13.50% (2018 - 8.03%)		
855,000	Capita	1,041	2.43
215,338	HomeServe	2,053	4.80
330,729	Howden Joinery	1,623	3.80
305,000	Rentokil Initial	1,055	2.47
		5,772	13.50
	Travel & Leisure - 0.91% (2018 - 0.00%)		
92,920	National Express	390	0.91
		37,019	86.57
	OVERSEAS EQUITIES - 10.65% (2018 - 9.52%)		
	Bermudian Equities - 3.39% (2018 - 0.00%)		
92,000	Hiscox	1,451	3.39
	Canadian Equities - 4.98% (2018 - 3.42%)		
516,141	Entertainment One	2,128	4.98
	Ireland Equities - 2.28% (2018 - 6.10%)		
87,446	Keywords Studios[1]	974	2.28
		4,553	10.65
	Investment assets	41,572	97.22
	Net other assets	1,188	2.78
	Net assets	42,760	100.00

[1] Securities Listed on Alternative Investment Market.

Unless otherwise stated, all investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market.

Note: Comparative figures show percentages for each category of holding at 31 August 2018.

Statement of Total Return

For the six months ended 28 February 2019 (unaudited)

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Income:				
Net capital (losses)/gains		(9,074)		3,160
Revenue	180		301	
Expenses	(276)		(331)	
Interest payable and similar charges	-		-	
Net expense before taxation	(96)		(30)	
Taxation	-		-	
Net expense after taxation		(96)		(30)
Total return before distributions		**(9,170)**		**3,130**
Distributions		(1)		(1)
Change in net assets attributable to shareholders from investment activities		**(9,171)**		**3,129**

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2019 (unaudited)

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Opening net assets attributable to shareholders		**53,629**		**50,928**
Amounts receivable on issue of shares	561		938	
Amounts payable on cancellation of shares	(2,259)		(3,144)	
		(1,698)		(2,206)
Change in net assets attributable to shareholders from investment activities (see above)		(9,171)		3,129
Closing net assets attributable to shareholders		**42,760**		**51,851**

Section 3.30 of the IMA SORP issued in May 2014 requires comparative figures for the above statement. For interim Financial Statements this will result in the closing comparative net assets not being equal to net assets at the start of the current period.

Please note that the ‘Distributions’ figure includes ‘Revenue received on creation of shares’ and ‘Revenue deducted on cancellation of shares’.

Balance Sheet

As at 28 February 2019 (unaudited)

	28 February 2019 £000s	28 February 2019 £000s	31 August 2018 £000s	31 August 2018 £000s
Assets:				
Fixed assets:				
Investments		41,572		51,794
Current assets:				
Debtors	261		986	
Cash and bank balances	1,374		1,047	
Total assets		**43,207**		**53,827**
Liabilities:				
Creditors:				
Other creditors	(447)		(198)	
Total liabilities		**(447)**		**(198)**
Net assets attributable to shareholders		**42,760**		**53,629**

Fund Information

Investment Objective and Policy

The investment objective of the Allianz UK Opportunities Fund is to achieve capital growth, aiming to outperform the performance Benchmark, the FTSE All-Share Index Total Return.

The ACD aims to achieve the investment objective by investing in all economic sectors of the United Kingdom although it may invest internationally. The ACD will not follow any particular style bias and it will seek to take advantage of opportunities across the UK and other international markets to achieve capital growth. The ACD will predominantly invest into stocks. The Fund may also hold fixed income securities. It is the intention of the ACD to mainly invest in sectors and stocks which are represented on the FTSE All Share Index.

The ACD may also utilise deposits in the management of the portfolio. The Fund may also invest in collective investment schemes.

Fund Details

Fund Manager	Matthew Tillett	
Benchmark	FTSE All-Share Index Total Return	
Income allocation date	31 August	
Income pay date	31 October	
Launch dates	Fund	20 June 2002
	A Shares	20 June 2002
	C Shares	27 March 2014
	I Shares	1 June 2017
	Y Shares	20 February 2017
	O Shares	3 May 2018
ISA status	Yes	
Share Classes and types of Shares	A (Accumulation Shares)	
	C (Accumulation Shares)	
	I (Accumulation Shares)	
	Y (Accumulation Shares)	
	O (Accumulation Shares)	
Minimum investment	A Shares	Lump sum £500
		Monthly saving £50
	C Shares	Lump sum £500
		Monthly saving £50
	I Shares	Lump sum £10,000,000 (Available to Approved Investors only)
	Y Shares	Lump sum £100,000,000 (Available to Approved Investors only)
	O Shares	Lump sum £10,000,000 (Available to Approved Investors only)
Initial charge	A Shares	4.00%
	C Shares	Nil
	I Shares	Nil
	Y Shares	Nil
	O Shares	Nil
Annual ACD fee	A Shares	1.25%
	C Shares	0.75%
	I Shares	0.50%
	Y Shares	0.30%
	O Shares	0.20%*

* 0.20% p.a. minus the additional expense payable in respect of the O Shares.

Fund Information continued

As at 28 February 2019 (unaudited)

Net Asset Value

Share Class	Period Ended	Net Asset Value(£000s)	Number of Shares in Issue	Net Asset Value per Share(p)
A Shares Accumulation	28 February 2019	24,170	424,606	5,692.48
C Shares Accumulation	28 February 2019	40,303	29,936,457	134.63
I Shares Accumulation	28 February 2019	24,414	23,583,909	103.52
Y Shares Accumulation	28 February 2019	113	2,033	5,570.03
O Shares Accumulation	28 February 2019	2	2,024	94.43

Operating Charges

Share Class	Year Ended	(%)
A Shares Accumulation	31 August 2018	1.38
C Shares Accumulation	31 August 2018	0.90
I Shares Accumulation[1]	31 August 2018	0.54
Y Shares Accumulation[2]	31 August 2018	0.40
O Shares Accumulation[3]	31 August 2018	0.20

Operating Charges represent 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.

[1]Operating charges on I Class Accumulation have been capped at 0.54%.

[2]Operating charges on Y Class Accumulation have been capped at 0.40%.

[3]Operating charges on O Class Accumulation have been capped at 0.20%.

Summary of Distribution

Share Class	Payment date	Net distribution per share (p)
A Shares Accumulation	31 October 2018	89.2148
C Shares Accumulation	31 October 2018	2.7688
I Shares Accumulation	31 October 2018	2.8758
Y Shares Accumulation	31 October 2018	203.4025
O Shares Accumulation	31 October 2018	-

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

Investment Review

Performance Summary

Over the 6 month period under review, 1st September 2018 to 28th February 2019, the Fund's 'C' class shares produced a total return of -6.5%. The Fund's benchmark, the FTSE All Share Total Return Index, produced a total return of -3.7%. The main reason for this underperformance was negative contributions from some of the Fund's more cyclical holdings.

Market Background

The period under review can be defined by the precipitous decline in global markets that we saw in the fourth quarter of 2018. The S&P 500 approached official 'bear market' status, from an early October peak to a late-December trough losing near 20% of value. Outside of the US, markets fared little better, with both European and Asian markets posting steep declines. Technology stocks led the market down, as stretched valuations coincided with a number of stock-specific negative announcements, against a back-drop of increasing concerns over international trade, the trajectory for interest rates, and global growth. Markets worldwide rebounded significantly at the beginning of 2019, and as of the period end had recouped much of their losses as these concerns eased.

In the UK, Brexit has continued to consume all oxygen from the political and increasingly economic agenda, especially towards the end of the period. As the UK government and EU have continued in vain to try to reach an acceptable compromise, sentiment towards UK assets has vacillated between relative comfort that a disruptive 'no deal' will be avoided, and pessimism that it may occur by mistake.

Against this negative backdrop UK markets have relatively outperformed, helped by significant overseas earnings a relative weighting of the index towards commodity-linked stocks and away from technology. Domestically linked companies have traded at supressed valuations, though many outperforming towards the end of the period as the market begun to take a slightly more sanguine view of Brexit risk.

Portfolio Review

The Fund aims to deliver attractive long-term risk adjusted returns that are significantly ahead of the FTSE All Share over the long term, defined as rolling 3 and 5 year periods. It seeks to achieve this through a concentrated portfolio that invests on an unconstrained basis across all companies and sectors in the UK stock market. The investment process targets companies that we believe are significantly undervalued relative to their assets or long-term earnings potential and where the downside risks are quantifiable and typically low. The benchmark is the FTSE All Share, but the fund is not constructed with reference to this or any other equity index.

The fund underperformed during the period. As is normally the case, the performance outcome was heavily influenced by major contributions from some of the Fund's key holdings.

The biggest individual contribution was Serica Energy, the north sea oil and gas company, which rose over 60% following the successful completion of a hugely value accretive acquisition. Pan African Resources also recovered strongly, rising over 30%, as the company successfully commissioned a new low cost mining operation. The valuation remains extremely compelling and we are optimistic of further share price gains from here.

Unfortunately, these positive contributions were more than offset by a number of stock specific issues. Keller Group fell by nearly 50% after a profits warning concerning the group's Asian operations in October, which account for only a small part of the business. In our judgement the negative reaction was significantly overdone and we took the opportunity to add to the position. Gulf Marine Services also fell heavily following an unexpected profit warning. Although we continue to see significant long-term value in the company's well invested asset base, the Fund only has a small position due to the company's currently stretched balance sheet.

The Fund's active, contrarian, and value driven stock picking philosophy was in clear evidence during the period, as we added a number of new positions across a range of sectors.

After a great deal of careful consideration we invested in tobacco last year, initially via Imperial Brands and more recently adding British American Tobacco (BAT). Very attractive valuations have outweighed the structural risks to long-term earnings growth. Buying into BAT reflects a heightened degree of scepticism in the market surrounding this stock in light of the threat of regulatory change in the USA, which we believe BAT will ultimately be able to navigate, and poses relatively low risk to medium term cash flows.

Investment Review continued

We also entered into a new position in Norcros, a manufacturer and supplier of bathroom fixtures, fittings, and tiles into the UK and South Africa. Norcros has market-leading positions, a good record of market share gains, and an effective strategy of accretive bolt-on acquisitions that can quickly generate revenue synergies through cross-selling. The shares are extremely lowly rated for a business without a structural concern.

To fund new positions and allow the fund to reiterate conviction where stocks have underperformed, we have sold out of some stocks where we see relatively fuller valuations, such as BP, Shell and National Express, or where our investment view has changed, such as Greene King.

Outlook

Though growth is slowing, the UK economy continues to hold up relatively well. There is inevitably some increasing anxiety over Brexit as we approach the 29th of March 'Article 50' deadline, expressed particularly at the corporate level with many management teams expressing nervousness. The labour market however is supportive with unemployment at record lows. Investor sentiment towards UK assets remains depressed, though many UK stocks derive a majority of their earnings from overseas.

The Fund continues to maintain a very limited exposure to "blue chip" consumer staples sectors like household goods and beverages. Tobacco is now a notable exception as this sector has very significantly fallen out of favour with the market. Except tobacco, we still see high valuations and a lack of investment leading to potentially higher than expected cyclicality or vulnerability to structural change.

Though the dislocations of the market in the fourth quarter of 2018 created a difficult performance environment, volatility leads to greater opportunities for active management to outperform in future periods. We are finding these opportunities both within domestic companies and amongst the more internationally diversified. Most domestic stocks are discounting a very difficult environment, and hence many offer superior risk-adjusted returns under most realistic longer term scenarios.

4 April 2019

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.

Portfolio Statement

As at 28 February 2019

Holding		Market Value £'000	% of Net Assets
	UNITED KINGDOM EQUITIES - 81.01% (2018 - 78.74%)		
	Aerospace & Defence - 4.33% (2018 - 4.18%)		
350,000	Meggitt	1,853	2.08
875,000	Senior	1,997	2.25
		3,850	4.33
	Construction & Materials - 12.55% (2018 - 10.01%)		
386,326	Balfour Beatty	1,109	1.25
425,000	Eurocell	977	1.10
400,000	Keller	2,132	2.39
1,200,000	Melrose Industries	2,078	2.33
900,000	Norcros	1,710	1.92
1,300,000	Tyman	3,166	3.56
		11,172	12.55
	Financial Services - 7.34% (2018 - 9.73%)		
360,000	Ashmore	1,513	1.70
310,000	IG	1,758	1.98
750,000	Standard Life Aberdeen	1,824	2.05
450,000	TP	1,431	1.61
		6,526	7.34
	Gas, Water & Multiutilities - 1.24% (2018 - 1.55%)		
143,802	Pennon	1,106	1.24
	General Retailers - 1.54% (2018 - 2.27%)		
604,883	DFS Furniture	1,373	1.54
	Household Goods & Home Construction - 1.31% (2018 - 0.00%)		
230,000	Crest Nicholson	900	1.01
3,000,000	Eve Sleep[1]	270	0.30
		1,170	1.31
	Life Insurance - 3.24% (2018 - 0.00%)		
300,000	St. James's Place	2,886	3.24
	Media - 4.41% (2018 - 1.65%)		
265,000	Informa	1,861	2.09
400,000	Ocean Outdoor	2,060	2.32
		3,921	4.41
	Mining - 2.51% (2018 - 2.13%)		
23,000,000	Pan African Resources[1]	2,231	2.51
	Oil & Gas Producers - 1.64% (2018 - 4.65%)		
1,250,000	Serica Energy[1]	1,463	1.64
	Oil Equipment, Services & Distribution - 1.58% (2018 - 2.21%)		
5,620,000	Enteq Upstream[1]	1,405	1.58
	Pharmaceuticals & Biotechnology - 0.54% (2018 - 1.12%)		
450,000	Indivior	484	0.54
	Real Estate Investment & Services - 9.28% (2018 - 9.46%)		
13,500,000	Countrywide	1,458	1.64
709,102	Helical	2,415	2.72
750,000	Palace Capital	2,235	2.51
1,100,000	U & I	2,147	2.41
		8,255	9.28

Portfolio Statement continued

As at 28 February 2019

Holding		Market Value £'000	% of Net Assets
	Real Estate Investment Trusts - 2.70% (2018 - 2.55%)		
270,000	Land Securities	2,402	2.70
	Support Services - 13.44% (2018 - 15.22%)		
2,250,000	Begbies Traynor[1]	1,373	1.54
1,650,000	Capita	2,009	2.26
2,400,000	Driver[1]	1,704	1.91
1,250,000	Empresaria[1]	875	0.98
437,500	Gordon Dadds[1]	621	0.70
375,000	Howden Joinery	1,840	2.07
1,775,000	Kin & Carta	1,748	1.96
565,776	SThree	1,794	2.02
		11,964	13.44
	Tobacco - 4.75% (2018 - 3.22%)		
72,000	British American Tobacco	1,980	2.23
90,000	Imperial Brands	2,246	2.52
		4,226	4.75
	Travel & Leisure - 8.61% (2018 - 8.79%)		
1,210,000	Elegant Hotels[1]	847	0.95
1,500,000	Firstgroup	1,336	1.50
175,000	Fuller Smith & Turner	1,872	2.10
4,000,000	Goals Soccer Centres[1]	2,160	2.43
630,000	TEN Entertainment[1]	1,449	1.63
		7,664	8.61
		72,098	81.01
	OVERSEAS EQUITIES - 12.06% (2018 - 17.76%)		
	Guernsey Equities - 3.36% (2018 - 3.95%)		
7,256,654	Better Capital PCC 2012	617	0.69
20,700,000	Mercantile Ports and Logistics[1]	476	0.54
3,165,070	Sirius Real Estate	1,899	2.13
		2,992	3.36
	Ireland Equities - 2.80% (2018 - 4.17%)		
1,845,000	IFG	2,491	2.80
	Isle of Man Equities - 2.51% (2018 - 1.95%)		
340,000	GVC	2,232	2.51
	Netherlands Equities - 0.00% (2018 - 2.71%)		
	Singapore Equities - 2.97% (2018 - 3.10%)		
6,296,249	Capital Drilling	2,644	2.97
	United Arab Emirates Equities - 0.42% (2018 - 1.88%)		
2,175,000	Gulf Marine Services	375	0.42
		10,734	12.06
	Investment assets	82,832	93.07
	Net other assets	6,170	6.93
	Net assets	89,002	100.00

[1] Securities Listed on Alternative Investment Market

Unless otherwise stated, all investments are approved securities being either officially listed in a member state or traded on or under the rules of an eligible securities market.

Note: Comparative figures show percentages for each category of holding at 31 August 2018.

Statement of Total Return

For the six months ended 28 February 2019 (unaudited)

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Income:				
Net capital losses		(5,403)		(1,692)
Revenue	843		781	
Expenses	(354)		(348)	
Interest payable and similar charges	-		-	
Net revenue before taxation	489		433	
Taxation	-		(9)	
Net revenue after taxation		489		424
Total return before distributions		**(4,914)**		**(1,268)**
Distributions		163		(3)
Change in net assets attributable to shareholders from investment activities		**(4,751)**		**(1,271)**

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2019 (unaudited)

	2019 £000s	2019 £000s	2018 £000s	2018 £000s
Opening net assets attributable to shareholders		**72,102**		**61,162**
Amounts receivable on issue of shares	23,699		1,211	
Amounts payable on cancellation of shares	(2,048)		(2,524)	
		21,651		**(1,313)**
Change in net assets attributable to shareholders from investment activities (see above)		(4,751)		(1,271)
Closing net assets attributable to shareholders		**89,002**		**58,578**

Section 3.30 of the IMA SORP issued in May 2014 requires comparative figures for the above statement. For interim Financial Statements this will result in the closing comparative net assets not being equal to net assets at the start of the current period.

Please note that the 'Distributions' figure includes 'Revenue received on creation of shares' and 'Revenue deducted on cancellation of shares'.

Balance Sheet

As at 28 February 2019 (unaudited)

	28 February 2019 £000s	28 February 2019 £000s	31 August 2018 £000s	31 August 2018 £000s
Assets:				
Fixed assets:				
Investments		82,832		69,575
Current assets:				
Debtors	2,200		325	
Cash and bank balances	5,524		2,475	
Total assets		**90,556**		**72,375**
Liabilities:				
Creditors:				
Other creditors	(1,554)		(273)	
Total liabilities		**(1,554)**		**(273)**
Net assets attributable to shareholders		**89,002**		**72,102**

Authorised Corporate Director's Report to the Shareholders

REPORT OF THE AUTHORISED CORPORATE DIRECTOR TO THE SHAREHOLDERS OF THE Allianz UK & European Investment Funds FOR SIX MONTHS ENDED 28 February 2019.

In accordance with the requirements of the Regulations, we hereby certify the report on behalf of Allianz Global Investors GmbH, UK Branch.

Birte Trenkner	Tobias Pross
Authorised signatory	Authorised signatory

02 May 2019

Additional Information

How will I be kept informed of my investment?

You will receive a full statement of your investments as at 5 April and 5 October sent to you at the end of April and end of October respectively. You can also request a valuation at any time by calling 0800 073 2001.

In addition, the share prices are published daily on our website at www.allianzglobalinvestors.co.uk

Interim and audited annual long form reports as at 28/29 February and 31 August can be obtained from our website or by calling the number above.

Taxation

Capital gains tax

Individual investors are only liable to capital gains tax if their total chargeable gains (net of allowable losses) in the year exceed the annual exemption (£11,700 for the 2018/2019 year, £11,300 for the 2017/2018 year). If gains in excess of this exemption are realised, the excess is taxable at the rate of UK capital gains tax applicable to the investor, being either 10% or (for higher & additional rate taxpayers) 20%.

Income tax

Distributions, whether they are paid out or accumulated, are treated as income for tax purposes.

Dividend distributions (Equity Funds)

In April 2016, the 10% tax credit was abolished and a £5,000 tax free dividend allowance was introduced for 2016/2017 and 2017/2018.

From 6 April 2018 the tax-free dividend allowance was reduced to £2,000. Dividends above this level will be taxed at 7.5% (basic rate), 32.5% (higher rate) and 38.1% (additional rate).

Dividends received by Pensions and ISAs will be unaffected.

Interest distributions (Bond Funds)

From 6 April 2016, an interest tax-free allowance was introduced. The allowance is dependent on the Income Tax band of the investor, £1,000 (basic rate), £500 (higher rate) and £0 (additional rate).

The Finance Act 2017 has abolished the requirement for OEICs to deduct income tax from interest distributions to Shareholders with effect from 6 April 2017.

All interest distributions after 6 April 2017 will be paid gross, i.e. without the deduction of income tax. Investors are advised to consult with their independent tax advisor to determine the effects to them, if any as a result of this change in UK legislation.

Risk warning

Investors are reminded that the value of shares of a subfund and the income from the shares may go down as well as up and is not guaranteed. An investor may not get back the amount he/she has invested. The past is no guide to future performance. Details of the risk factors are published in the full prospectus which may be accessed at www.allianzglobalinvestors.co.uk. Alternatively, call our Investor Services team on 0800 317 573 to request a copy free of charge.

Complaints

A copy of our leaflet, "Allianz Global Investors Complaints Process", is available on request. Any eligible complainant having any complaint in respect of the Fund should inform Allianz Global Investors GmbH, UK Branch, in writing of the details of the complaint. This will then be investigated and a reply provided as soon as possible and any appropriate remedial action taken. In addition, eligible complainants will have a right of complaint directly to the Financial Ombudsman Service if he/she is not satisfied with the outcome of the investigation into the complaint. Details of the Financial Services Compensation Scheme established under the Financial Services and Market Act 2000, under which an investor may be entitled to receive compensation if the ACD is

Additional Information continued

unable to meet any of its liabilities to the investor are available on written request from the ACD.

Telephones

For our mutual protection, calls are recorded and may be used for quality control and training purposes, however, Allianz Global Investors GmbH, UK Branch, reserves the right to use such recordings in the event of a dispute.

Allianz Global Investors GmbH, UK Branch
199 Bishopsgate
London EC2M 3TY

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