


Allianz Gilt Yield I Inc

GB0031383390

Morningstar Analyst Rating
 **Bronze**
 5 Mar 2018
 00:00, UTC-0600

Morningstar Category
 GBP Government Bond

Category Index
 FTSE UK GBI GBP

Total Assets
 1,860.00
 Mil GBP

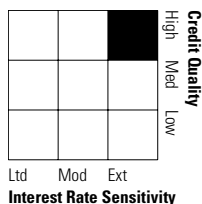
Current Yield %
 2.59

Inception Date
 16/05/02

Domicile/Currency
 GBR/GBP

Morningstar Rating
 ★★ ★

Fixed Income Style

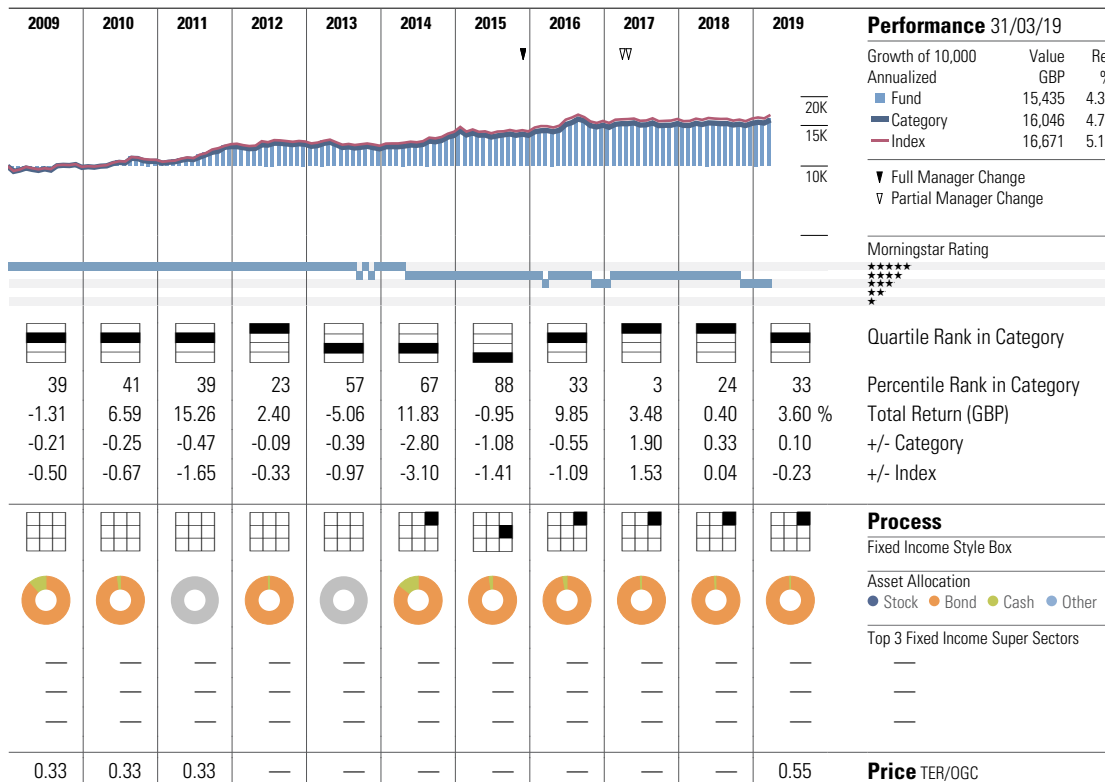


People

| | |
|----------------------|-------|
| Mike Riddell | 11/15 |
| Kacper Brzezniak | 04/17 |
| Total Named Managers | 2 |

Morningstar Pillars

| | |
|-------------|----------|
| Process | Positive |
| Performance | Neutral |
| People | Positive |
| Parent | Neutral |
| Price | Neutral |



Analyst View

Ashis Dash, CFA, Associate Director

The manager's expertise within the UK gilt market is key to our conviction here.

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Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

The Morningstar Analyst Rating for Funds is a crucial-looking analysis of a fund. Morningstar has identified five key areas critical to predicting the future success of a fund: People, Parent, Process, Performance, and Price. The pillars are used in determining the Morningstar Analyst Rating for a fund. Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). Neutral represents funds in which our analysts don't have a strong positive or negative conviction over the long term (defined as a full market cycle or at least five years) and Negative represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance over the long term (defined as a full market cycle or at least five years). Past performance of a security may or may not be sustained in future and is no indication of future performance. For detailed information about the Morningstar Analyst Rating for Funds, please visit <http://global.morningstar.com/managerdisclosures>

05 Mar, 2018 | Despite manager Mike Riddell's short tenure here, his expertise within the gilt market and ability to use the fund's various drivers to add value have increased our conviction. The fund's Morningstar Analyst Rating has thus been upgraded to Bronze from Neutral.

Riddell took over as lead manager in November 2015 as Allianz GI brought management of the fund in-house; it was previously sub-advised by PIMCO since 2002. Riddell joined Allianz GI in October 2015 after a 12-year stint at M&G. He managed a number of funds at M&G spanning UK gilts, index-linked, global, and emerging-markets bonds since 2010, with his UK gilts experience being particularly relevant here. He is backed by Kacper Brzezniak, who joined Allianz GI in July 2016 and replaced Brian Tomlinson as the deputy manager in April 2017. They also benefit from being part of an experienced 15-member team that includes rates, credit, and sector specialists.

Portfolio managers from various fixed-income teams at Allianz GI meet monthly to establish top-down themes that are then implemented within the context of the funds' respective mandates. Given this fund's UK gilt mandate, Riddell's primary levers for adding value are yield-curve

and duration positioning (managed within plus or minus two years of the fund's benchmark, the FTSE Actuaries UK Conventional Gilts All Stocks Index) and off-benchmark securities up to 20% of assets.

Riddell has actively managed these return drivers. While the fund's positioning around political events in the second half of 2016 led to mixed results, it fared better in 2017, benefitting from Riddell's active duration management, yield-curve positioning (bias to belly of the curve over short and long ends), and off-benchmark allocations (in US and Canada). Standout performance in 2017 also pushed the fund's absolute and risk-adjusted performance ahead of its benchmark and its Morningstar Category despite its higher volatility over Riddell's tenure through January 2018. While we don't expect such wide margins of out-performance to be the norm going forward, we have confidence in the manager's ability to add value over a full market cycle.

Morningstar Global Fund Report

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Morningstar Analyst Rating

| | 2017 | 2018 | 2019 |
|--|------|------|------|
|  Gold | | | |
|  Silver | | | |
|  Bronze | | | |
|  Neutral | | | |
|  Negative | | | |
|  Under Review | | | |
|  Not Ratable | | | |

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The date shown next to the Morningstar Analyst Rating is the date on which Morningstar Manager Research Analyst assigned or reaffirmed the current rating for the fund based on the analyst's latest review and research report for the fund.

The Five (5) Pillars

Morningstar has identified five key areas that we believe are crucial to predicting the future success of funds: People, Parent, Process, Performance, and Price. Each pillar is evaluated when assessing a fund as well as the interaction between the pillars, which we believe is crucial to understanding a fund's overall merit.

People

The overall quality of a fund's investment team is a significant key to its ability to deliver superior performance relative to its benchmark and/or peers. Evaluating a fund's investment team requires that analysts assess several relevant items including how key decisions are made.

Parent

We believe the parent organization is of utmost importance in evaluating funds. The fund's management set the tone for key elements of our evaluation, including capacity management, risk management, recruitment and retention of talent, and incentive pay. Beyond these operational areas, we prefer firms that have a culture of stewardship and put investors first to those that are too heavily weighted to salesmanship.

Process

We look for funds with a performance objective and investment process (for both security selection and portfolio construction) that is sensible, clearly defined, and repeatable. In addition, the portfolio should be constructed in a manner that is consistent with the investment process and performance objective.

Performance

We do not believe past performance is necessarily predictive of future results, and this factor accordingly receives a relatively small weighting in our evaluation process. In particular, we strive not to anchor on short-term performance. However, we do believe that the evaluation of long-term return and risk patterns is vital to determining if a fund is delivering to our expectations.

Price

To reflect actual investor experience, price is evaluated within the context of the relevant market or cross-border region—for example, the United States, Australia, Canada, or Europe. In recognition of differences in scale and distribution costs in various markets, the level at which a fund is penalised for high fees or rewarded for low fees can vary with region. In Europe, for example, funds are penalised if they land in the most expensive quintile of their Morningstar category and are rewarded if they land in the cheapest quintile. The assessment is made using annual expense ratios, but in the case of funds with performance fees, expenses are evaluated excluding any performance fees and then the structure of the performance fee is evaluated separately.

Morningstar Analyst Ratings

Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken.

Gold

Represents funds that our analyst has the highest-conviction in for that given investment mandate. By giving a fund a Gold rating, we are expressing an expectation that it will outperform its relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). To earn a Gold rating, a fund must distinguish itself across the five pillars that are the basis for our analysis.

Silver

Represents funds our analyst has high-conviction in, but not in all of the five pillars. With those fundamental strengths, we expect these funds will outperform their relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years).

Bronze

Represents funds that have advantages that clearly outweigh any disadvantages across the pillars, giving analyst the conviction to award them a positive rating. We expect these funds to beat their relevant performance benchmark and/or peer group within the context of the level of risk taken over a full market cycle (or at least five years).

Neutral

Represents funds in which our analysts don't have a strong positive or negative conviction. In our judgment, these funds are not likely to deliver standout returns, but they aren't likely to seriously underperform their relevant performance benchmark and/or peer group either.

Negative

Represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance, such as high fees or an unstable management team. Because of these faults, we believe these funds are inferior to most competitors and will likely underperform their relevant performance benchmark and/or peer group, within the context of the level of risk taken, over a full market cycle.

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Under Review

This designation means that a change that occurred with the fund or at the fund company requires further review to determine the impact on the rating.

Not Ratable

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