

Allianz UK & European Investment Funds

Interim Report & Financial Statements (unaudited)

28 February 2021

Allianz Global Investors

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* 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 subfunds, each of which is operated as a distinct fund, with its own portfolio of investments. Each subfund 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 subfund represents a segregated portfolio of assets and accordingly, the assets of a subfund belong exclusively to that subfund 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 subfunds and shall not be available for such purpose.

The subfunds of the Allianz UK & European Investment Funds are:

Subfund	Launch date
Allianz Continental European Fund	16 May 2002
Allianz European Equity Income Fund	16 May 2002
Allianz Gilt Yield Fund	16 May 2002
Allianz Strategic Bond Fund	16 May 2002
Allianz UK Equity Income Fund	16 May 2002
Allianz UK Mid Cap Fund	16 May 2002
Allianz UK Opportunities Fund	16 May 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 8EX

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 subfunds 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 subfund, and can fluctuate according to the movements within the portfolio of investments.

Subfunds 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.

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 subfunds. The ACD will charge a dilution levy where a subfund 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.

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 subfund:
 - 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 subfund:
 - 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 subfund are set out within the individual Financial Statements for that subfund.

Accounting Policies and Financial Risk Management

1. Accounting policies

Basis for preparation

The Financial Statements of the subfunds 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 2020.

2. Financial Risk Management

The subfunds 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 subfunds 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 subfund.

The subfunds 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 subfunds 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 subfund'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 subfund 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 subfund'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, Allianz Index-Linked Gilt 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 subfunds, 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 subfund suffering a loss.

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

Accounting Policies and Financial Risk Management continued

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 subfund. The subfund therefore has significant exposure to credit risk.

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

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 subfunds therefore have significant exposure to interest rate risk.

The remaining subfunds invest predominantly in equities, the values of which are not directly affected by changes in prevailing market interest rates. Therefore these subfunds 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 subfund (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 subfund 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 subfund. However, derivatives when used to implement investment

policies, may increase volatility of the subfund's share price. The Allianz Gilt Yield Fund, Allianz Index-Linked Gilt Fund and Allianz Strategic Bond Fund utilise derivatives to implement the investment policy.

Counterparty risk

A subfund conducts transactions through or with brokers, clearing houses, market counterparties and other agents. A subfund 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 subfund may invest into instruments such as notes, swaps or warrants, the performance of which is linked to a market or investment to which the subfund seeks to be exposed. Such instruments are issued by a range of counterparties and through its investment the subfund will be subject to the counterparty risk of the issuer, in addition to the investment exposure it seeks.

The subfunds 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 subfund'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 subfund causing loss to investors. The subfunds exposure to its counterparty will be mitigated by the fact that the counterparty will forfeit its collateral if it defaults on the transaction.

Accounting Policies and Financial Risk Management continued

Risk and Reward Profile

Subfund	Typically lower rewards Typically lower risk				Typically higher rewards Typically higher risk		
	1	2	3	4	5	6	7
Allianz Gilt Yield Fund				4			
Allianz Strategic Bond Fund				4			
Allianz Continental European Fund						6	
Allianz European Equity Income Fund						6	
Allianz UK Equity Income Fund						6	
Allianz UK Opportunities Fund						6	
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 subfund.

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 subfund. The categorisation of the subfund is not guaranteed and may change in the future. Even the lowest category 1 does not mean a risk-free investment.

Why is the subfund in this category?

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

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

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

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	Marcus Morris-Eyton and Darina Valkova	
Benchmark	S&P Europe Ex-UK LargeMidCap Growth Index Net Total Return GBP	
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) S (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 Available only at discretion of ACD
	S Shares	Lump sum £10,000,000 Available only at discretion of ACD
Initial charge	A Shares	Nil
	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.

Fund Information continued

As at 28 February 2021 (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 2021	399	22,257	1,792.36
C Shares Accumulation	28 February 2021	129,181	42,622,636	303.08
S Shares Income	28 February 2021	2,007	1,825,736	109.95
S Shares Accumulation	28 February 2021	93,039	44,811,528	207.62

Operating Charges

Share Class	Year Ended	(%)
A Shares Accumulation	31 August 2020	1.57
C Shares Accumulation	31 August 2020	0.79
S Shares Income	31 August 2020	0.54
S Shares Accumulation	31 August 2020	0.49

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 2020	-
	30 April 2021	-
C Shares Accumulation	31 October 2020	0.7300
	30 April 2021	-
S Shares Income	31 October 2020	0.0265
	30 April 2021	0.0453
S Shares Accumulation	31 October 2020	0.9818
	30 April 2021	-

Please note: Investors are reminded that the Fund distributes annually with the exception of the income class that distributes bi-annually.

Investment Review

Performance Summary

Over the six-month period under review, from 1st September 2020 to 28th February 2021, the Fund's 'A' class produced a total return of 8.57% and 'C' shares produced a total return of 8.86% (midday prices net of fees in GBP). The Fund's benchmark, S&P Europe ex UK Growth Total Return, produced a total return of 5.21% over the period.

Allianz Continental European Fund outperformed its benchmark over the six-month period.

Both stock selection and sector allocation had a positive effect on performance versus benchmark, with the latter particularly due to the strategy's overweights of IT and Industrials, and underweight to Consumer Staples. Stock selection within the Healthcare, Consumer Staples and Financials sectors was especially strong.

On a single stock level, Infineon (leading semiconductor manufacturer) was the top active contributor to performance, with its share price gaining +50% during the period. Infineon's FY Q1 results impressed again, with operating margin arriving 18% ahead of consensus due to better fab utilisation. Infineon is sharing in the same acceleration of broad-based semiconductor demand from automotive, mobile and industrial end markets, coupled with tight supply. Second best contributor Ambu (pioneering in the single-use endoscope market) achieved outstanding returns of over 130% in 2020. January added more gains, while the company recently seemed to be under high pressure to deliver new endoscopes and take market share, as competitors awoken. Ambu reported strong results in Q1, with revenue growth of 39% supported by a one-off order from the NHS to build safety inventory. Ambu's aScope 4 Broncho has been an important part of Covid-19 treatment in the Europe and Rest of World regions, and the pandemic has driven awareness of the benefits of single-use endoscopes, such as safety, speed and cost. VAT Group is another semiconductor name on the top active contributors list. Guidance specifies sales growth of 20% and an EBITDA margin of above 30%, largely in line with market expectations. It was Management's longer-term outlook that boosted the stock, with sales expectations of 10% CAGR through to 2025 and a notably higher EBITDA margin of 30-35% over the cycle, with an impressive ROIC of over 40%. ASML, Epiroc and DSV Panalpina also outperformed.

On the other hand, shares of Kingspan (manufacturer of energy efficient building materials) detracted most from performance, falling on negative news flow surrounding its role in the Grenfell tragedy, due to their K15 product being used inadvertently on about 5% of the panelling. Long-term drivers (energy efficiency) are though accelerating and it began to recover in February. Temenos (banking software provider) had a difficult time, with a faster shift to cloud resulting in weaker than expected license sales. However, recurring revenues have been boosted (16% in Q3 2020) and long-term value proposition remains intact. Chr Hansen (global market leader of food cultures, enzymes and probiotics) fell on concerns of prolonged recession. As Healthy food preferences continue to rise on the back of health awareness in the pandemic, its innovation pipeline and strong position in niche market will likely boost Chr. Hansen's ability to expand organic revenue at double the industry rate post-pandemic. Nemetschek, DCC and Symrise also detracted from performance.

Market Background

Continental European equities closed the six-month period with modest gains (in GBP terms). There was a strong market rally over the fourth quarter of 2020, buoyed by positive vaccine news, hopes that EU/US relations may improve once Joe Biden is in the White House, and relief that the UK and EU had reached agreement on a trade deal. Spain, Italy and France – three of the countries worst affected by the pandemic – were among the best performers. However, gains were tempered early 2021 on the sluggish pace of inoculations within the EU, with disappointment over vaccine supply adding to concerns. Sentiment was lifted slightly in February by hopes that the rollout of vaccines would lead to a rebound in economic growth in the second half of 2021.

In economic news, several Eurozone countries reported relatively resilient GDP numbers for the fourth quarter: Spain's GDP unexpectedly grew 0.4%, while the contraction in French GDP was less than had been forecast. So far in 2021, manufacturing remains a bright spot, with the flash estimate of the IHS Markit purchasing managers' index rising to 57.7 in February. However, services sector activity fell to a three-month low of 44.7 as lockdowns and curfews impacted hospitality businesses. Of more concern, Eurozone inflation surged to 0.9% on a year-on-year basis in January. This was the

Investment Review continued

highest level in 11 months and ended five months of falling prices. The increase was partly due to a reversal of a temporary reduction in German VAT, but also reflects higher energy costs, producer input and shipping prices.

Germany's GDP expanded 0.3% in the last three months of 2020, better than the initial estimate of 0.1% growth, helped by strong exports and solid construction activity. Flash estimates of purchasing managers' indices showed manufacturing activity picked up to a three-year high of 60.6 in February, but activity in the services sector slipped to a nine-month low of 45.9 as the country's lockdown was extended until at least 7 March.

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 exited the positions in Unilever (after their decision to move the headquarter entirely to the UK, out of the continental Europe), TKH Group (strong share price recovery of +40% in the prior period providing a good opportunity to sell the name with flatlining growth and relative low visibility) and Banca Generali (still taking share in a weak market, but the macro/regulatory environment prevents higher visibility).

We used the proceeds to strengthen the portfolio names with higher visibility and added Cancom (No.2 IT reseller and service provider in Europe behind Bechtle, another existing portfolio name) to our portfolio. About 20% of the Cancom's revenue comes from its proprietary cloud software solution AHP. Cancom is expected to grow at a double-digit rate, supported by similar drivers like for Bechtle, such as rising IT budgets amongst European SMEs, shortened IT replacement cycles, need for enhanced cyber security, cloud and network solutions, and increased IT outsourcing due to increased complexity of IT systems.

Outlook

The last week of February saw a new development in global equity markets. Expectations of a global, vaccine-led economic recovery, and a 1.9 trillion USD stimulus package from President Biden, are combining to stoke fears of excessive inflation. This is forcing investors to countenance the possibility of higher interest rates.

Expectations are undoubtedly high. In the US, manufacturing PMI (purchasing manager index) data reached 60.8 – its highest level since 2018. In the UK, positive vaccine news has pushed pound sterling to its highest level against the dollar in 3 years. Japanese 10-year government bonds traded as high as 0.18%, their highest level since the Bank of Japan introduced negative interest rates in early 2016.

At a stock level, this should continue benefitting the cyclical names that languished throughout 2020. However, the speed of such exuberance after last year's contraction is prompting fears that central banks will implement higher interest rates to cool an economy that has grown too hot, too fast.

Valuations in high growth names, as well as bond proxies like consumer staples and utilities, are thus pulling back. Yet this rapid recovery scenario is by no means certain. There is still the potential for vaccine rollouts, economic activity and subsequent earnings growth all to fall short of current expectations. Likewise, central banks – most notably the US Federal Reserve – have made clear that they are willing to look through short-term jumps in inflation in order to avoid destabilising the broader economy.

Equity markets therefore are adjusting to incorporate an uncertain reality. By contrast, we remain committed to our principles of investing in quality growth companies for the long-term.

Themes that were playing out in 2021 are evolving:

Quality is still being very well rewarded. With cyclical sectors outperforming last year, many of the strongest companies have already recovered well, even if their end markets remain challenged. This suggests any rotations from here are lower Quality and less sustainable.

Digitalisation was emphasised by the pandemic and has become even more critical, now materialising in a strong

Investment Review continued

demand picture for our numerous companies linked to the semiconductor cycle.

ESG considerations continue to play an increasingly influential role in Europe, which has become more evident in our recent attributions, and will likely continue.

Overall we remain positive on our positioning looking ahead, feeling that the winners only became stronger, and still have numerous growth drivers or defence levers like pricing power to pull.

Portfolio Statement

As at 28 February 2021

Holding		Market Value	% of
		£'000	Net Assets
	OVERSEAS EQUITIES - 98.15% (2020 - 98.63%)		
	Denmark - 21.97% (2020 - 20.67%)		
239,405	Ambu	8,024	3.57
48,947	Chr Hansen	2,979	1.33
51,169	Coloplast	5,666	2.52
81,722	DSV	10,848	4.83
82,843	GN Store Nord	5,110	2.27
69,184	Netcompany	4,469	1.99
172,849	Novo Nordisk	8,992	4.00
37,343	SimCorp	3,270	1.46
		49,358	21.97
	France - 13.19% (2020 - 11.36%)		
33,638	Dassault Systemes	5,033	2.24
27,767	Legrand	1,739	0.78
26,543	L'Oréal	7,038	3.13
17,934	LVMH Moet Hennessy Louis Vuitton	8,191	3.65
9,983	Sartorius Stedim Biotech	3,174	1.41
65,046	SCOR	1,527	0.68
45,603	Worldline	2,926	1.30
		29,628	13.19
	Germany - 20.31% (2020 - 22.06%)		
21,684	adidas	5,471	2.44
10,806	Bechtle	1,457	0.65
27,128	CANCOM	1,246	0.56
84,857	Fresenius	2,586	1.15
368,742	Infineon Technologies	11,298	5.03
22,202	MTU Aero Engines	3,826	1.70
50,037	Nemetschek	2,277	1.01
1,886	Rational	1,167	0.52
85,143	SAP	7,622	3.39
15,860	Stroeer	1,005	0.45
26,814	Symrise	2,269	1.01
72,607	Zalando	5,401	2.40
		45,625	20.31
	Ireland - 5.97% (2020 - 7.15%)		
76,153	DCC	4,382	1.95
40,686	Kerry	3,555	1.58
19,238	Kingspan A shares	1,009	0.45
84,966	Kingspan B shares	4,465	1.99
		13,411	5.97
	Italy - 2.34% (2020 - 2.80%)		
127,578	Amplifon	3,659	1.63
59,152	De' Longhi	1,588	0.71
		5,247	2.34
	Netherlands - 6.46% (2020 - 7.26%)		
35,777	ASML	14,506	6.46
		14,506	6.46
	Spain - 2.00% (2020 - 2.26%)		
44,564	Amadeus IT	2,333	1.04
90,205	Industria de Diseno Textil	2,153	0.96
		4,486	2.00
	Sweden - 11.89% (2020 - 10.69%)		
202,113	AddTech	2,098	0.93
242,677	Assa Abloy	4,447	1.98
166,159	Atlas Copco	6,898	3.07
112,425	Elekta	1,091	0.48
285,924	Epiroc	4,395	1.96
90,521	Hexagon	5,480	2.44
293,701	Hexpol	2,304	1.03
		26,713	11.89

Portfolio Statement continued

As at 28 February 2021

Holding		Market Value £'000	% of Net Assets
Switzerland - 14.02% (2020 - 14.38%)			
381	Chocoladefabriken Lindt & Spruengli	2,328	1.04
16,821	Kardex	2,613	1.16
5,673	Lonza	2,640	1.18
7,552	Partners	6,551	2.92
40,432	Sika	7,777	3.46
34,630	Temenos	3,402	1.51
30,571	VAT	6,188	2.75
		31,499	14.02
	Investment assets	220,473	98.15
	Net other assets	4,153	1.85
	Net assets	224,626	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 2020.

Statement of Total Return

For the six months ended 28 February 2021 (unaudited)

	2021 £000s	2021 £000s	2020 £000s	2020 £000s
Income:				
Net capital gains/(losses)		18,874		(2,703)
Revenue	587		497	
Expenses	(721)		(501)	
Interest payable and similar charges	-		-	
Net expense before taxation	(134)		(4)	
Taxation	7		26	
Net (expense)/revenue after taxation		(127)		22
Total return before distributions		18,747		(2,681)
Distributions		(36)		17
Change in net assets attributable to shareholders from investment activities		18,711		(2,664)

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2021 (unaudited)

	2021 £000s	2021 £000s	2020 £000s	2020 £000s
Opening net assets attributable to shareholders		217,267		131,749
Amounts receivable on issue of shares	40,589		26,652	
Amounts payable on cancellation of shares	(51,957)		(3,013)	
		(11,368)		23,639
Dilution adjustment		19		-
Change in net assets attributable to shareholders from investment activities (see above)		18,711		(2,664)
Retained distributions on accumulation shares		(3)		-
Closing net assets attributable to shareholders		224,626		152,724

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 2021 (unaudited)

	28 February 2021 £000s	28 February 2021 £000s	31 August 2020 £000s	31 August 2020 £000s
Assets:				
Fixed assets:				
Investments		220,473		214,294
Current assets:				
Debtors	3,195		1,525	
Cash and bank balances	2,432		1,831	
Total assets		226,100		217,650
Liabilities:				
Creditors:				
Distribution payable	(1)		-	
Other creditors	(1,473)		(383)	
Total liabilities		(1,474)		(383)
Net assets attributable to shareholders		224,626		217,267

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	Nil
	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 2021 (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 2021	2,539	1,977,336	128.39
A Shares Accumulation	28 February 2021	14,584	6,724,590	216.88
C Shares Income	28 February 2021	1,498	1,520,739	98.49
C Shares Accumulation	28 February 2021	4,070	3,168,792	128.45

Operating Charges

Share Class	Year Ended	(%)
A Shares Income	31 August 2020	1.63
A Shares Accumulation	31 August 2020	1.83
C Shares Income	31 August 2020	0.35
C Shares Accumulation	31 August 2020	0.84

Operating Charges Figures are lower than usual due to a distribution fee policy change. More representative charges without this benefit to the Fund would be 2.18% for the A Income class, 1.93% for the A Accumulation class, 1.37% for the C Income class and 1.19% for the C Accumulation class.

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 2020	0.8376
	31 December 2020	0.0859
	31 March 2021	0.1088
A Shares Accumulation	30 September 2020	1.4818
	31 December 2020	0.2540
	31 March 2021	0.2966
C Shares Income	30 September 2020	0.6951
	31 December 2020	0.1713
	31 March 2021	0.1982
C Shares Accumulation	30 September 2020	0.9110
	31 December 2020	0.2340
	31 March 2021	0.2669

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

Investment Review

Performance Summary

Over the six-month period under review, 1st September 2020 to 28th February 2021, the Fund's 'A' class (Acc) produced a total return of 6.51%. The Fund's benchmark, the MSCI Europe ex UK – Total Return Index, produced a total return of 7.99% over the period (all in GBP).

In a positive market environment, the strategy underperformed 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 impacted by negative contribution from Stock Selection (-1.57%). Sector Allocation effect was positive (+0.18%).

With regards to Sector Allocation, portfolio ran an Underweight (UW) in Consumer Discretionary and an Overweight (OW) in high-dividend paying Utilities. These two factors contributed to a 2.3% underperformance versus the Fund's benchmark. That said, OW in Financials and Industrials, as well as UW in Consumer staples and Healthcare all helped.

Stock Selection was negative on average as well, as defensive dividend payers in Consumer Discretionary, Healthcare and Industrial sectors (which the fund overweighted) underperformed the more cyclical dividend-cutters from the Auto, Banks and Machinery sub-sectors. Good stock selection was within Materials (UPM, Stora Enso), Information Technology (Siltronic, CapGemini, Seagate), though it was not enough to compensate for UW in Auto and Banking sectors.

Currency impact for the period was negative (-0.08%), as the British Pound appreciated by roughly 3%, for an agreement setting out the new rules that apply between the EU and the UK was successfully negotiated.

The reporting period saw two different phases of market environment. In the first phase, markets have been under extreme pressure as investors assessed risks of the US election outcomes and a spiralling global pandemic. This phase was characterised by outperformance of defensive growth/quality stocks. Coincidentally, the news of a new COVID-preventing vaccine from Pfizer was reported on November 9, 2020. From then on, regime change as well as stimulus and economic recovery hopes helped Value and Cyclical investments to outperform.

Over the month of February 2021 stocks with strong value characteristics have seen increasing interest from global investors. As a matter of fact, in February value stocks outperformed growth stocks by the largest margin since early 2000s. Last two weeks of February were especially strong for the Fund in terms of performance against its benchmark, alternative assets and indices.

Among the portfolio stocks that outperformed in February were Allianz, MunichRe, Fortum, Storebrand, Assa Abloy, Siemens, Vinci, UBS, BMW, Volvo, Nexity. Going forward we expect these stocks to do well as the long-suffering value factor is finally beginning to reassert itself.

Market Background

After a phase of price consolidation in late-summer 2020, a fear of another drawdown took over the markets, leading to a correction of 7% in the first two months of autumn. November started off with a new hope: Joe Biden was declared the winner of the US presidential election. Just a week later Pfizer and its partner BioNTech announced that their experimental Covid-19 vaccine was 90% effective in phase III. This news provided market participants with the much-needed reason to look at value stocks, which were at record relative valuation lows versus the most favoured growth companies. Up until November 2020, Value factor has underperformed Growth factor for more than 12 years, and this trend was exacerbated by the coronavirus.

With the cure in sight, Central Banks continued the path to easier money to stimulate economic recovery. To help those in urgent financial need during the Coronavirus crisis, new paycheck protection programmes were agreed to provide wherewithal at times of a severe economic shock. In the environment of ample liquidity and low key interest rates, inflation concerns emerged and valuations of high-duration assets came under pressure. Bank, Insurance, Energy, Industrial Commodities, Consumer Discretionary are among the sectors that started to outperform the broader market, while Growth stocks lagged.

UK shares ended the reported period on a strong footing, as the Index is well represented by Energy, Commodities and Banking sectors.

Investment Review continued

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, 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 reporting period, we focused on repositioning the portfolio away from more defensive sectors (that outperformed but lacked upside potential) towards sectors and companies where there was a catalyst for significant earnings and dividend recoveries as the economies around the world continued to emerge from the pandemic. We also picked up a few undervalued high-quality companies set to benefit from sustainable and lasting structural trends and themes.

While mounting inflation fears as well as rising interest rates create challenges for income investors in stocks, we believe that cyclically depressed valuations of sustainable income growers with lasting competitive advantages offer good opportunities. These stocks are expected to achieve both high income and dividend growth in the years to come.

In the reporting period we initiated positions in Banco Santander, BMW, Deutsche Telekom, Air Liquide, Ericsson, Evonik, Faurecia, KBC, UBS and Volvo to increase cyclicality. We reduced portfolio exposure to Consumer Staples (by selling all Logista, Danone, Salmar) and Utilities (exitting E.ON). We also increased Energy exposure slightly by buying more Total and Fortum.

Outlook

In the first two months of 2021 European equity markets started to bounce back strongly from their November 2020 lows and investors continued to rebalance portfolios towards more cyclical and value stocks. Demand for equities is high, as interest rates started to turn up on short- and long-term bonds. The bond market is significantly larger than the equities market, therefore interest rate moves offer both a threat and an opportunity.

The threat comes from a possibility of uncontrolled interest rate spikes, that could disrupt the market and cause massive capital outflows from bonds and equities alike. Investors fear that excessive monetary and fiscal stimulus at a time of economic weakness could trigger future rises in prices. Higher inflation would then put pressure on the bond market.

The opportunity clearly exists with a stronger than expected economic recovery. In such a scenario, rising interest rates may indicate faster growth and improving market fundamentals. This could then provide a very supportive backstop to equity and especially value factor performance in the coming quarters.

We believe that the second scenario is currently more likely. Evidence continues to build that the economy is strengthening as countries progress with vaccinations. Yet, we are mindful of possible setbacks over the course of this recovery, particularly if infection rates reverse their decline, leading to more lockdowns, and economic growth falls below expectations. Therefore, any investments in more cyclical companies (where significant upside is likely) should be considered only if cash generation, business model, balance sheet, sustainable dividend and ESG policies fit in the market picture.

Valuations continue to be elevated in growth pockets of the market, but these stocks have become somewhat cheaper. Most-favoured technology stocks are now trading 10-20% off their recent peaks, enticing investors to take another look at them.

We continue to see opportunities in some cyclical stocks, such as in insurance, banking, infrastructure, specialty chemicals, consumer staples, energy sectors – all meeting our quality and yield criteria.

As it has been a pattern over the recent years, volatility is likely to remain elevated. We will probably see increasing disparity between sectors and countries, offering opportunities for active investing and the income strategy in the months and quarters to come.

Portfolio Statement

As at 28 February 2021

Holding	Market Value		% of Net Assets
	£'000		
	OVERSEAS EQUITIES - 87.22% (2020 - 85.33%)		
	Belgium - 3.92% (2020 - 2.38%)		
7,205	Groupe Bruxelles Lambert	514	2.27
7,150	KBC	375	1.65
		889	3.92
	Finland - 8.47% (2020 - 6.08%)		
39,695	Fortum	715	3.15
36,097	Stora Enso	514	2.27
25,149	UPM-Kymmene	693	3.05
		1,922	8.47
	France - 19.26% (2020 - 19.16%)		
2,570	Air Liquide	281	1.24
4,843	Capgemini	562	2.48
6,520	Faurecia	240	1.06
11,643	Nexity	410	1.81
10,063	Sanofi	669	2.95
4,208	Schneider Electric	453	2.00
14,025	SCOR	329	1.45
27,831	TOTAL	927	4.09
6,523	Vinci	494	2.18
		4,365	19.26
	Germany - 15.36% (2020 - 14.88%)		
4,886	Allianz†	847	3.73
6,790	Bayerische Motoren Werke	418	1.84
21,755	Deutsche Telekom	284	1.25
10,560	Evonik	255	1.12
14,454	Fresenius	440	1.94
3,548	Muenchener Rueckversicherungs-Gesellschaft	749	3.30
4,420	Siemens	495	2.18
		3,488	15.36
	Ireland - 0.00% (2020 - 1.06%)		
	Italy - 4.07% (2020 - 4.52%)		
112,809	Enel	770	3.39
40,977	Snam	154	0.68
		924	4.07
	Netherlands - 1.52% (2020 - 2.84%)		
4,608	Akzo Nobel	345	1.52
		345	1.52
	Norway - 3.20% (2020 - 4.27%)		
95,831	Storebrand	594	2.62
11,167	Telenor	131	0.58
		725	3.20
	Spain - 8.53% (2020 - 10.72%)		
101,310	Banco Santander	255	1.12
83,850	Iberdrola	759	3.34
25,522	Industria de Diseno Textil	609	2.68
813	Logista	11	0.05
25,237	Red Electrica	304	1.34
		1,938	8.53
	Sweden - 10.21% (2020 - 4.85%)		
32,254	Assa Abloy	591	2.60
12,802	Atlas Copco	532	2.34
18,077	Essity	400	1.76
34,460	Telefonaktiebolaget LM Ericsson	310	1.37
26,170	Volvo	485	2.14
		2,318	10.21
	Switzerland - 12.68% (2020 - 14.57%)		
1,838	Kuehne + Nagel International	315	1.39
7,329	Nestle	558	2.46
14,298	Novartis	898	3.96
277	Partners	240	1.06
6,246	Swiss Re	423	1.86
39,190	UBS	442	1.95
		2,876	12.68
	Investment assets	19,790	87.22
	Net other assets	2,901	12.78
	Net assets	22,691	100.00

† This investment is a related party.

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 2020.

Statement of Total Return

For the six months ended 28 February 2021 (unaudited)

	2021 £000s	2021 £000s	2020 £000s	2020 £000s
Income:				
Net capital gains/(losses)		829		(2,084)
Revenue	138		213	
Expenses	(182)		(198)	
Interest payable and similar charges	(3)		(2)	
Net (expense)/revenue before taxation	(47)		13	
Taxation	(19)		18	
Net (expense)/revenue after taxation		(66)		31
Total return before distributions		763		(2,053)
Distributions		(63)		(207)
Change in net assets attributable to shareholders from investment activities		700		(2,260)

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2021 (unaudited)

	2021 £000s	2021 £000s	2020 £000s	2020 £000s
Opening net assets attributable to shareholders		22,430		27,488
Amounts receivable on issue of shares	517		210	
Amounts payable on cancellation of shares	(1,009)		(1,561)	
		(492)		(1,351)
Change in net assets attributable to shareholders from investment activities (see above)		700		(2,260)
Retained distributions on accumulation shares		53		155
Unclaimed distributions		-		2
Closing net assets attributable to shareholders		22,691		24,034

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 2021 (unaudited)

	28 February 2021 £000s	28 February 2021 £000s	31 August 2020 £000s	31 August 2020 £000s
Assets:				
Fixed assets:				
Investments		19,790		19,139
Current assets:				
Debtors	145		264	
Cash and bank balances	2,894		3,439	
Total assets		22,829		22,842
Liabilities:				
Creditors:				
Distribution payable	(5)		(27)	
Other creditors	(133)		(385)	
Total liabilities		(138)		(412)
Net assets attributable to shareholders		22,691		22,430

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 United Kingdom 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 (e.g. 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		
28 August 2020	I Shares	0.52%
	Y Shares	0.40%
Distribution Yield to		
28 August 2020	I Shares	0.52%
	Y Shares	0.40%
Income allocation		
dates	Interim	28 February*
	Final	31 August
Income pay dates	Interim	30 April
	Final	31 October
Launch dates	Fund	16 May 2002
	I Shares	16 May 2002
	Y Shares	20 February 2017
ISA status	Yes	
Share Classes and	I (Income Shares)	
types of Shares	Y (Accumulation Shares)	
Minimum investment	I Shares	Lump sum £10,000,000
	Y Shares	Lump sum £100,000,000 (Available to Approved Investors only)
Initial charge	I Shares	Nil
	Y Shares	Nil
Annual ACD fee	I Shares	0.30%
	Y Shares	0.30%

*29 February in a leap year

Fund Information continued

As at 28 February 2021 (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 2021	N/A	N/A	N/A
I Shares Income	28 February 2021	2,536,534	1,296,697,623	195.61
Y Shares Accumulation	28 February 2021	1	20	5,595.58

Operating Charges

Share Class	Year Ended	(%)
C Shares Income	31 August 2020	0.41
I Shares Income	31 August 2020	0.32
Y Shares Accumulation	31 August 2020	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 2020	N/A
	30 April 2021	N/A
I Shares Income	31 October 2020	0.8153
	30 April 2021	0.5629
Y Shares Accumulation	31 October 2020	16.3433
	30 April 2021	-

Share Class C Income was closed on 3 July 2020.

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

Investment Review

Performance Summary

Over the six month period under review, 1st September 2020 to 28th February 2021, the Fund's '1 Inc' class produced a total return of -5.95%. The Fund's benchmark, the FTSE Actuaries UK Conventional Gilts All Stocks Total Return, produced a total return of -5.04% over the period.*

* Source: Allianz Global Investors/Datastream. Fund performance based on midday prices using the mid market price portfolio valuation, net of fees and expenses, with net revenue re-invested in Sterling. Performance per comparative table based on bid market price portfolio valuation at midday on the last day of the accounting period and with related accounting adjustments. Benchmark performance based on midday prices.

Market Background

The last six months have seen the gilt market weather Brexit-related developments, a second wave of coronavirus infections, and most recently a bond sell-off amidst the broader global deflation theme.

After months of negotiations, the EU and UK finally reached a deal on their trading arrangements, a week before the end of the Brexit transition period at the end of 2020. While the trade deal with the European Union removed some of the uncertainty facing the UK, the agreement was relatively "skeletal" and included little to address the service sector. Markets however welcomed the news on the trade deal which helped propel the rally in the British pound, lasting well into the new year.

As the second wave of the pandemic materialized, the UK entered another national lockdown at the start of November to avoid a 'medical and moral disaster' and to curb the wave of infections. Economic data reflected the virus' resurgence as the recovery after the first wave of the pandemic came to a grinding halt. The economy faced stalling growth amid falling retail sales and increasing unemployment as the reintroduction of restrictions across the UK took its toll on the economic recovery – the unemployment rate in December rose to the highest level for five years at 5.1% and while the economy expanded 15.5% in the third quarter, output remained around 10% lower than the end of 2019. By the end of the year, many economists forecasted a double-dip recession for the UK as the tough lockdowns were expected to last well into 2021. To counter the double-dip contraction risk, the Bank of England (BoE) responded with fresh stimulus measures. The BoE announced in November a bigger-than-expected boost (£150 billion) to government bond purchases

with an additional signal that it could increase the pace if needed. On fiscal policy, the U.K. Chancellor, Rishi Sunak, stated that the budget deficit would reach £394bn in 2020, or 19% of GDP – the largest deficit in peacetime – and warned that Britain would face its deepest recession in more than 300 years with 2.6 million unemployed and the economy contracting 11.3%.

With extremely loose global fiscal and monetary policy responses, coupled with the start of the international vaccination drive near the end of the year, market narrative was dominated by one of global deflation. This played out in February as markets were rocked by large moves in government bond yields, akin to the 2013 taper tantrum. Yield curves in major G10 countries steepened, broadly tracking the moves in US treasuries – US bonds sold off violently with the yield on the 10-year treasury briefly topping 1.6%, its highest level since before the start of the pandemic in early 2020, while the 30-year bond yield breached 2.3%, a level last seen in the closing days of 2019. The UK saw similar record moves where the 10-year gilt yield breached 0.8%, a rise of around 50 basis points over the month, and the largest monthly sell-off since 2016.

Portfolio Review

The Fund's central five strategies to generating returns are duration, curve positioning, relative value, inflation, and cross market.

Duration

For most of the six-month period, we remained underweight duration relative to our benchmark as we disliked the poor asymmetry profile of government bonds and were bearish on global government bonds. We largely expressed this underweight preference through UK gilts, while preferring to hold duration exposure in our cross-market positions (Australia and Canada). However, in December we decreased our underweight and by January ran a slight overweight headline duration exposure relative to our benchmark against a backdrop of the growing macro risks and very little upcoming conventional gilt supply, using the bouts of volatility in yields to add to duration when cheap. The decision to move longer duration in January hurt the Fund, as it meant the Fund underperformed as gilt yields soared in line with global

Investment Review continued

government bonds in February. We end the period overweight gilts relative to our benchmark as well as running a small overweight position in Australian and Canadian government bonds through our cross market strategy.

Curve positioning

At the start of the six-month period, our curve positioning reflected a steepening bias where we expressed our relative underweight in the long-end of the curve, and our overweight exposure in the shorter-end. Our largest underweight position was expressed in the belly of the curve on the back of our expectation that the net supply of gilts would turn positive as the BoE started tapering some of its bond purchases.

However, as the macro risks grew and the BoE committed to expand its purchase program, we closed our underweight gilts position in the new year by adding to gilts in the belly – hence now run a small flattening bias in our portfolio. This reflects our expectation for a lack of gilt supply in the short-term, coupled with the BoE continuing the asset purchase facility whereby the belly of the curve is most affected. The moderate flattening bias we had on was a drag on performance during the global bond sell-off considering the large gilt curve steepening.

Relative Value

We engaged in many switch and butterfly trades throughout the period as we saw significant dislocations along the curve, exacerbated by the bouts of gilt market volatility and the ongoing quantitative easing (QE) activity by the BoE. To highlight a few examples, we bought a 2047 gilt and sold the 2050 gilt and 2041 gilt. Additionally, we switched out of the 2039 gilt into the 2038 gilt.

Inflation

Throughout the period, we held no index-linked gilts. We maintain our preference for conventional to index-linked gilts, in part because the QE program set out by the BoE only considers conventional gilts, and in part the UK inflation-market continues to look expensive.

Cross Market

Over the period, we maintained our overweight exposure in cross market bonds through an overweight in long-end Australian government bonds and a small position in Canadian government bonds. As the Reserve Bank of Australia (RBA) have targeted yield curve control, longer-end bonds had cheapened significantly throughout 2020 as the short-end remains anchored, which made long-end bonds attractive to us. However, in the February bond sell-off, the already steep Australian yield curve steepened even further with the moves seen in the yields one of the largest ever recorded. Our positioning considering the moves early in the year significantly hurt the performance of the Fund. We have since hedged some of our duration exposure in Australia by going short 3-year Australian bond futures.

We started to reduce our spread products exposure in the new year which we picked up at cheap valuations on the back of the market dislocations in April and March. Altogether government-guaranteed bond exposure represented close to 0.1 years in duration as at the end of February, from around 1.0 year exposure at the end of 2020. Although historically we have had little exposure to spread products as we prefer to express our views through the sovereign, the Fund is able to take advantage of market dislocations in these products as it can hold up to 20% in supranational and agency bonds, as long as they are equal or lower credit risk than the UK government

Portfolio Statement

As at 28 February 2021

Nominal		Market Value	% of
		£'000	Net Assets
	Australian Dollar Denominated Fixed Rate Government Bonds - 4.62% (2020 - 5.58%)		
AUD32,550,000	Australia Government Bond 1.75% 21/06/2051	14,215	0.56
AUD65,000,000	Australia Government Bond 2.75% 21/05/2041	37,120	1.46
AUD65,000,000	Australia Government Bond 3% 21/03/2047	37,958	1.50
AUD45,000,000	Australia Government Bond 3.25% 21/06/2039	27,901	1.10
		117,194	4.62
	Canadian Dollar Denominated Fixed Rate Government Bonds - 1.43% (2020 - 0.00%)		
C\$20,000,000	Canada Government Bond 0.25% 01/11/2022	11,333	0.45
C\$20,000,000	Canada Government Bond 0.25% 01/02/2023	11,325	0.44
C\$25,000,000	Canada Government Bond 0.25% 01/03/2026	13,636	0.54
		36,294	1.43
	Sterling Denominated Fixed Rate Government Bonds - 89.71% (2020 - 80.77%)		
£55,000,000	Treasury 0.125% 31/01/2024	54,841	2.16
£30,000,000	Treasury 0.125% 31/01/2028	29,002	1.14
£99,000,000	Treasury 0.375% 22/10/2030	94,628	3.73
£77,000,000	Treasury 0.5% 22/10/2061	57,432	2.26
£53,500,000	Treasury 0.625% 07/06/2025	54,256	2.14
£228,700,000	Treasury 0.625% 31/07/2035	211,749	8.35
£55,000,000	Treasury 0.625% 22/10/2050	44,794	1.77
£43,900,000	Treasury 0.875% 31/01/2046	39,646	1.56
£191,000,000	Treasury 1.25% 22/07/2027	199,582	7.87
£96,500,000	Treasury 1.25% 22/10/2041	94,745	3.74
£244,700,000	Treasury 1.5% 22/07/2047	251,155	9.90
£183,000,000	Treasury 1.625% 22/10/2054	195,301	7.70
£100,500,000	Treasury 1.75% 07/09/2037	108,114	4.26
£22,000,000	Treasury 2.5% 22/07/2065	30,821	1.22
£22,000,000	Treasury 3.75% 07/09/2021	22,426	0.88
£25,000,000	Treasury 4% 22/01/2060	45,314	1.79
£128,000,000	Treasury 4.75% 07/12/2030	175,096	6.90
£139,250,000	Treasury 4.25% 07/06/2032	188,162	7.42
£40,000,000	Treasury 4.25% 07/03/2036	57,056	2.25
£25,000,000	Treasury 4.75% 07/12/2038	39,091	1.54
£10,500,000	Treasury 4.25% 07/09/2039	15,705	0.62
£11,000,000	Treasury 4.25% 07/12/2046	17,857	0.70
£177,400,000	Treasury 6% 07/12/2028	248,695	9.81
		2,275,468	89.71
	Sterling Denominated Fixed Rate Corporate Bonds - 2.77% (2020 - 12.31%)		
£25,709,000	European Bank for Reconstruction & Development 5.625% 07/12/2028	34,643	1.37
£15,000,000	Nordic Investment Bank 1.125% 15/12/2022	15,238	0.60
£20,000,000	Nordic Investment Bank 1.125% 15/12/2023	20,431	0.80
		70,312	2.77
	DERIVATIVES - 0.32% (2020 - 0.04%)		
	Australian Open Futures Contracts - 0.06% (2020 - 0.00%)		
(5,500)	Australian 3 Year Bond March 2021	1,655	0.06
		1,655	0.06
	Sterling Open Futures Contracts - 0.13% (2020 - 0.06%)		
(2,781)	Long Gilt June 2021	3,323	0.13
		3,323	0.13
	Australian Dollar Open Forward Exchange Contracts - 0.11% (2020 - (0.03)%)		
	Bought AUD 11,000,000 : GBP 6,209,241	(88)	-
	Sold AUD 250,500,000 : GBP 142,208,854	2,804	0.11
		2,716	0.11
	Canadian Dollar Open Forward Exchange Contracts - 0.02% (2020 - 0.00%)		
	Sold CAD 65,000,000 : GBP 37,327,160	464	0.02
		464	0.02
	US Dollar Open Forward Exchange Contracts - 0.00% (2020 - 0.01%)		
	Investment assets ¹	2,507,426	98.85
	Net other assets	29,109	1.15
	Net assets	2,536,535	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 2020.

Statement of Total Return

For the six months ended 28 February 2021 (unaudited)

	2021 £000s	2021 £000s	2020 £000s	2020 £000s
Income:				
Net capital (losses)/gains		(163,505)		23,401
Revenue	7,175		11,400	
Expenses	(4,113)		(3,686)	
Interest payable and similar charges	(41)		(91)	
Net revenue before taxation	3,021		7,623	
Taxation	-		-	
Net revenue after taxation		3,021		7,623
Total return before distributions		(160,484)		31,024
Distributions		(6,847)		(11,061)
Change in net assets attributable to shareholders from investment activities		(167,331)		19,963

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2021 (unaudited)

	2021 £000s	2021 £000s	2020 £000s	2020 £000s
Opening net assets attributable to shareholders		2,415,391		2,202,328
Amounts receivable on issue of shares	312,119		257,177	
Amounts payable on cancellation of shares	(23,645)		(35,805)	
		288,474		221,372
Change in net assets attributable to shareholders from investment activities (see above)		(167,331)		19,963
Unclaimed distributions		1		1
Closing net assets attributable to shareholders		2,536,535		2,443,664

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 2021 (unaudited)

	28 February 2021 £000s	28 February 2021 £000s	31 August 2020 £000s	31 August 2020 £000s
Assets:				
Fixed assets:				
Investments		2,507,514		2,385,196
Current assets:				
Debtors	36,954		19,448	
Cash and bank balances	25,123		22,051	
Total assets		2,569,591		2,426,695
Liabilities:				
Investment liabilities		(88)		(1,194)
Creditors:				
Distribution payable	(7,299)		(9,451)	
Other creditors	(25,669)		(659)	
Total liabilities		(33,056)		(11,304)
Net assets attributable to shareholders		2,536,535		2,415,391

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 Index Midday Total Return GBP	
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 Shares) E Shares (Income) W Shares (Accumulation) W Shares (Income)	
Minimum investment	E Shares	Lump sum £25,000,000 (Available to Approved Investors only)
	W Shares	Lump sum £10,000,000 (Available to Approved Investors only)
Initial charge	E Shares	Nil
	W Shares	Nil
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 2021 (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 2021	131,765	116,799,280	112.81
E Shares Accumulation	28 February 2021	7,719	6,649,440	116.08
W Shares Income	28 February 2021	2,091	1,860,070	112.42
W Shares Accumulation	28 February 2021	1,496	1,292,858	115.73

Operating Charges

Share Class	Year Ended	(%)
E Shares Income ¹	31 August 2020	0.20
E Shares Accumulation ¹	31 August 2020	0.20
W Shares Income ²	31 August 2020	0.30
W Shares Accumulation ²	31 August 2020	0.30

¹ Operating Charges have been capped at 0.20%.

² Operating Charges have been capped at 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.

Summary of Distribution

Share Class	Payment date	Net distribution per share (p)
E Shares Income	31 October 2020	-
	30 April 2021	-
E Shares Accumulation	31 October 2020	-
	30 April 2021	-
W Shares Income	31 October 2020	-
	30 April 2021	-
W Shares Accumulation	31 October 2020	-
	30 April 2021	-

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

Investment Review

Performance Summary

Over the six month period under review, 1st September 2020 to 28th February 2021, the Fund's 'W Inc' class produced a total return of -4.47%. The Fund's benchmark, the FTSE Actuaries UK Government Index-Linked All Stocks Total Return GBP (Midday) Index, produced a total return of -4.85% over the period.*

* 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

The last six months have seen the index-linked gilt market weather Brexit-related developments, a second wave of coronavirus infections, and most recently a bond sell-off amidst the broader global reflation theme.

After months of negotiations, the EU and UK finally reached a deal on their trading arrangements, a week before the end of the Brexit transition period at the end of 2020. While the trade deal with the European Union removed some of the uncertainty facing the UK, the agreement was relatively "skeletal" and included little to address the service sector. Markets however welcomed the news on the trade deal which helped propel the rally in the British pound, lasting well into the new year.

The UK government published its outcome of the RPI consultation in November, announcing that it will not offer compensation to holders of inflation-linked gilts once the change to CPIH from RPI is implemented in February 2030. The change was in line with the consensus view with markets positioned short or underweight long dated U.K. inflation-linked gilts ahead of the decision.

As the second wave of the pandemic materialized, the UK entered another national lockdown at the start of November to avoid a 'medical and moral disaster' and to curb the wave of infections. Economic data reflected the virus' resurgence as the recovery after the first wave of the pandemic came to a grinding halt. The economy faced stalling growth amid falling retail sales and increasing unemployment as the reintroduction of restrictions across the UK took its toll on the economic recovery – the unemployment rate in December rose to the highest level for five years at 5.1% and while the economy expanded 15.5% in the third quarter, output

remained around 10% lower than the end of 2019. By the end of the year, many economists forecasted a double-dip recession for the UK as the tough lockdowns were expected to last well into 2021. To counter the double-dip contraction risk, the Bank of England (BoE) responded with fresh stimulus measures. The BoE announced in November a bigger-than-expected boost (£150 billion) to government bond purchases with an additional signal that it could increase the pace if needed. On fiscal policy, the U.K. Chancellor, Rishi Sunak, stated that the budget deficit would reach £394bn in 2020, or 19% of GDP – the largest deficit in peacetime – and warned that Britain would face its deepest recession in more than 300 years with 2.6 million unemployed and the economy contracting 11.3%.

With extremely loose global fiscal and monetary policy responses, coupled with the start of the international vaccination drive near the end of the year, market narrative was dominated by one of global reflation. This played out in February as markets were rocked by large moves in government bond yields, akin to the 2013 taper tantrum. Yield curves in major G10 countries steepened, broadly tracking the moves in US treasuries – US bonds sold off violently with the yield on the 10-year treasury briefly topping 1.6%, its highest level since before the start of the pandemic in early 2020, while the 30-year bond yield breached 2.3%, a level last seen in the closing days of 2019. The UK saw similar record moves where the 10-year gilt yield breached 0.8%, a rise of around 50 basis points over the month, and the largest monthly sell-off since 2016.

Portfolio Review

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

Duration

Over the six month period, we remained underweight headline duration relative to our benchmark on the back of our view that government bonds were offering increasingly poor asymmetry, given the historically low yields and our central outlook for a continued global economic recovery. Moreover, we believe that the UK inflation market looks expensive and that too high of an inflation is being priced in the market.

Investment Review continued

Another reason why we remained bearish index-linked gilts at the end of the review period was due to technical factors. We saw the upcoming 2021 index-linked gilt syndication as a potential catalyst that could finally drive break-evens lower. The lack of supply whilst the RPI consultation was ongoing has been one of the reasons why index-linked gilts have traded at expensive levels. Our short duration position throughout the period was the main driver for relative positive returns against our benchmark, considering the significant bond sell-off in early 2021. We end the period -0.62 years in headline duration relative to our benchmark.

Curve Positioning

We maintained our curve positioning over the period by remaining overweight the long-end relative to our benchmark and expressing an underweight exposure in the short-end i.e. a flattener position. While we prefer to express our overweight in the long-end section of the curve (30+ years), we moved underweight the ultra-long end (40-50 years) and are overweight the 30-40 year bucket.

Relative Value

We saw several dislocations along the curve over the period and engaged in switch and butterfly trades throughout. To highlight a few, we bought a 2055 index-linked gilt and sold the 2050 and 2062 index-linked gilts. Additionally, we switched out of the 2040s into the 2036 index-linked gilt.

Breakevens

We added to our long conventional Gilt exposure in February 2021 by purchasing the 2046 gilt, thus we maintained our 50-year and 15-year conventional Gilt exposure versus our overall underweight inflation-linked Gilt exposure over the period. We also maintained our short position in a long conventional Gilt future.

Cross Market

We continued to remain long US TIPS by around 0.3 years throughout the period, as we have a strong conviction view that UK market implied inflation is too high, especially when comparing to other inflation markets. While market implied inflation rates in other countries remains significantly below their respective central bank targets, the UK inflation markets are implying a rate around 3%.

Portfolio Statement

As at 28 February 2021

Nominal		Market Value £'000	% of Net Assets
Sterling Denominated Fixed Rate Government Bonds - 91.16% (2020 - 88.81%)			
£1,000,000	Treasury 0.625% 31/07/2035	926	0.65
£1,500,000	Treasury 0.625% 22/10/2050	1,221	0.85
£1,500,000	Treasury 1.25% 22/10/2041	1,473	1.03
£1,000,000	Treasury Inflation Linked 0.125% 22/03/2024	1,338	0.94
£2,000,000	Treasury Inflation Linked 0.125% 22/03/2029	3,093	2.16
£3,000,000	Treasury Inflation Linked 0.125% 22/11/2036	4,944	3.46
£1,351,000	Treasury Inflation Linked 0.125% 10/08/2041	2,222	1.55
£2,790,000	Treasury Inflation Linked 0.125% 22/03/2044	5,489	3.84
£7,300,000	Treasury Inflation Linked 0.125% 22/03/2046	13,918	9.73
£5,730,000	Treasury Inflation Linked 0.125% 22/03/2051	10,344	7.23
£1,800,000	Treasury Inflation Linked 0.125% 22/11/2056	3,994	2.79
£1,850,000	Treasury Inflation Linked 0.125% 22/03/2058	4,345	3.04
£1,400,000	Treasury Inflation Linked 0.125% 22/11/2065	3,729	2.61
£870,000	Treasury Inflation Linked 0.25% 22/03/2052	2,005	1.40
£2,034,000	Treasury Inflation Linked 0.375% 22/03/2062	5,920	4.14
£4,900,000	Treasury Inflation Linked 0.625% 22/11/2042	11,785	8.24
£3,300,000	Treasury Inflation Linked 0.75% 22/03/2034	6,193	4.33
£1,229,818	Treasury Inflation Linked 1.125% 22/11/2037	3,036	2.12
£3,600,000	Treasury Inflation Linked 1.25% 22/11/2027	7,100	4.96
£3,550,000	Treasury Inflation Linked 1.25% 22/11/2032	7,275	5.08
£5,350,000	Treasury Inflation Linked 1.25% 22/11/2055	20,633	14.42
£4,100,000	Treasury Inflation Linked 1.875% 22/11/2022	6,429	4.49
£582,000	Treasury Inflation Linked 2.5% 17/07/2024	2,073	1.45
£250,000	Treasury Inflation Linked 4.125% 22/07/2030	923	0.65
		130,408	91.16
US Dollar Denominated Fixed Rate Government Bonds - 6.85% (2020 - 9.32%)			
\$5,000,000	Treasury Inflation Indexed Bonds 0.125% 15/04/2022	3,950	2.76
\$5,200,000	Treasury Inflation Indexed Bonds 0.5% 15/04/2024	4,149	2.90
\$2,000,000	Treasury Inflation Indexed Bonds 0.875% 15/01/2029	1,702	1.19
		9,801	6.85
DERIVATIVES - 1.11% (2020 - 1.02%)			
Sterling Open Futures Contracts - 0.04% (2020 - 0.02%)			
(50)	Long Gilt June 2021 Futures	60	0.04
		60	0.04
Sterling Interest Rate Swaps - 0.41% (2020 - 0.37%)			
15,000,000	Receive 3.6% Pay Variable 15/05/2024	599	0.41
		599	0.41
US Dollar Open Forward Exchange Contracts - 0.66% (2020 - 0.63%)			
	Bought USD 4,442,338 : GBP 3,270,000	(80)	(0.06)
	Sold USD 18,200,000 : GBP 14,094,596	1,026	0.72
		946	0.66
	Investment assets ¹	141,814	99.12
	Net other assets	1,257	0.88
	Net assets	143,071	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 2020.

Statement of Total Return

For the six months ended 28 February 2021 (unaudited)

	2021 £000s	2021 £000s	2020 £000s	2020 £000s
Income:				
Net capital losses		(4,755)		(2,292)
Revenue	(1,293)		303	
Expenses	(151)		(129)	
Interest payable and similar charges	-		(5)	
Net (expense)/revenue before taxation	(1,444)		169	
Taxation	-		-	
Net (expense)/revenue after taxation		(1,444)		169
Total return before distributions		(6,199)		(2,123)
Distributions		-		(276)
Change in net assets attributable to shareholders from investment activities		(6,199)		(2,399)

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2021 (unaudited)

	2021 £000s	2021 £000s	2020 £000s	2020 £000s
Opening net assets attributable to shareholders		143,587		135,257
Amounts receivable on issue of shares	34,127		30,169	
Amounts payable on cancellation of shares	(28,444)		(22,070)	
		5,683		8,099
Dilution adjustment		-		5
Change in net assets attributable to shareholders from investment activities (see above)		(6,199)		(2,399)
Retained distributions on accumulation shares		-		16
Closing net assets attributable to shareholders		143,071		140,978

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 2021 (unaudited)

	28 February 2021 £000s	28 February 2021 £000s	31 August 2020 £000s	31 August 2020 £000s
Assets:				
Fixed assets:				
Investments		141,894		142,389
Current assets:				
Debtors	1,651		496	
Cash and bank balances	1,152		775	
Total assets		144,697		143,660
Liabilities:				
Investment liabilities		(80)		(21)
Creditors:				
Other creditors	(1,546)		(52)	
Total liabilities		(1,626)		(73)
Net assets attributable to shareholders		143,071		143,587

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), Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden and Switzerland.

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 and Kacper Brzezniak	
Benchmark	Bloomberg Barclays Global Aggregate Index hedged to GBP	
Underlying Yield to 28		
August 2020	A Shares	0.19%
	C Shares	0.84%
	I Shares	1.05%
Distribution Yield to		
28 August 2020	A Shares	0.19%
	C Shares	0.84%
	I Shares	1.05%
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 (Inc)	28 July 2016
	I Shares (Acc)	10 April 2019
ISA status	Yes	
Share Classes and types of Shares	A (Income Shares)	
	C (Income Shares)	
	I (Income Shares)	
	I (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
Initial charge	A Class	Nil
	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

Fund Information continued

As at 28 February 2021 (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 2021	25,735	12,708,015	202.51
C Shares Income	28 February 2021	808,308	397,781,865	203.20
I Shares Income	28 February 2021	1,287,054	984,784,473	130.69
I Shares Accumulation	28 February 2021	850,863	627,995,083	135.49

Operating Charges

Share Class	Year Ended	(%)
A Shares Income	31 August 2020	1.29
C Shares Income	31 August 2020	0.63
I Shares Income	31 August 2020	0.42
I Shares Accumulation	31 August 2020	0.42

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 2020	4.6802
	30 April 2021	2.0781
C Shares Income	31 October 2020	5.3539
	30 April 2021	2.7641
I Shares Income	31 October 2020	3.5854
	30 April 2021	1.9206
I Shares Accumulation	31 October 2020	3.5459
	30 April 2021	1.9689

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

Investment Review

Performance Summary

Over the six month period under review, 1st September 2020 to 28th February 2021, the Fund's 'C Inc' class produced a total return of -1.68%. The Fund's benchmark, the Bloomberg Barclays Global Aggregate Total Return GBP Hedged, produced a total return of -1.11%.*

The key reason for this underperformance was due to our rates strategy where some of our large positions were negatively affected by the global bond sell-off in February 2021. However, some of this underperformance was offset by our inflation strategy, where our long US and EU breakeven positions benefited from the global reflation narrative.

* Source: Allianz Global Investors/Datastream. Fund performance based on midday prices using the mid market price portfolio valuation, net of fees and expenses, with net revenue re-invested in Sterling. Performance for the 'I' class has not been included as it has been in existence for less than twelve months. Performance per comparative table based on bid market price portfolio valuation at midday on the last day of the accounting period and with related accounting adjustments. Benchmark performance based on midday prices.

Market Background

Risk assets surged at the start of the review period, with November one of the strongest months on record, driven by positive news on several COVID-19 vaccines, optimism over Joe Biden's victory in the US presidential election and further US stimulus measures. Sentiment was also lifted by relief that the UK and EU had agreed on a last-minute deal regarding their future trading relationship. In December, a handful of countries started to roll out the BioNTech/Pfizer vaccine following regulatory approval, with other countries expected to follow shortly as vaccines are approved. The news came as the pandemic intensified, forcing many European countries to re-impose strict lockdown measures over the Christmas holiday period.

Meanwhile, it was a mixed quarter for government bonds. US bond yields rose amid fears that enhanced fiscal stimulus would feed into higher inflation and with short rates anchored at low levels, the curve started its steepening trend as the global reflation narrative grew. In contrast, bond yields fell across Europe as the European Central Bank extended its monetary support to stem the rise in the euro and raise inflation. The rally took Italian, Spanish and Portuguese bond yields to record lows.

Economic news was bifurcated. In China, data added to evidence of an ongoing recovery from the pandemic-induced slowdown at the start of 2020. While third-quarter GDP prints were uniformly strong across the developed world, fourth-quarter data indicated the recovery was fading in the face of new lockdowns. Central banks responded, with the European Central Bank extending its bond-buying programme by EUR 500 billion and the Federal Reserve pledging not to curtail its measures until it saw "substantial further progress" towards full employment and higher inflation.

The start of 2021 saw bond volatility make a strong comeback. Taken with their weak performance in January, February saw global bonds suffer the worst start to a year since 2015 amid fears that the rollout of COVID-19 vaccines may spur economic growth and fan inflation. In the US, the yield on the 10-year Treasury briefly rose above 1.6%, its highest level in more than a year. Australian bond yields also regained pre-pandemic levels, with the yield on the 10-year benchmark bond rising almost 80 basis points over the month, while 10-year Japanese government bond yields traded as high as 0.18%, the highest level since the Bank of Japan introduced negative interest rates in early 2016. In Europe, the 10-year German Bund yield traded as high as -0.2%, compared to under -0.5% at the end of January, while the equivalent dated UK Gilt yield breached 0.8%, a rise of around 50 basis points over the month.

Portfolio Review

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

Rates

We maintained a consistent relative duration underweight by 2-3 years throughout the review period as global rates markets were very much at odds with not only our global economic outlook, but also the improved story that was priced into all other global financial markets. In pricing in no rate hikes for at least half a decade, government bonds were essentially indicating the world was in a long-term Great Depression up until the sell-off in February. The fund's underweight rate duration position was therefore a positive contributor during the government bond selloff. However, what weighed on the fund's performance in February were some of our key

Investment Review continued

positions, namely our Australian government bonds and our long EM local debt positions.

Australian government bonds were among our few favoured global rates positions throughout the period, given the exceptional steepness of the curve and much higher yields relative to other developed markets. This long position weighed on performance this year, but particularly in February as long-term yields increased sharply. Australia 30-year yields had jumped from 1.96% end Dec 2020 to 2.34% by February 16th, but then sold off another 25bps, taking 30-year yields to 2.59% by February 22nd. Although the size of the position was not huge at 1.3 years duration, the long Australia rates position has cost the fund 0.8% in absolute terms so far this year. Our long emerging markets position were also hit over the month of February as US real yields finally started to move higher.

Credit

At the start of the review period, we continued to sell down our single name credit exposure which we amassed during the market dislocations in early 2020, and by October we were positioned underweight credit spread duration against our benchmark. In the same month, we also bought protection against Turkey which we have held throughout the period (via CDS), partly on Turkey-specific fears, partly based on a Europe slowdown contagion scenario, and importantly as a hedge against the large EM positions we had started to build in our portfolio.

Credit markets were pricing in a much more benign scenario over the review period with spreads reaching close to pre-crisis levels, not offering protection against spread widening, let alone defaults. Our view throughout the period was that credit was starting to look increasingly vulnerable once government bond yields (and particularly real yields) came under pressure, thus we have moved underweight high yield credit via CDS in the US and EU and have run a consistent underweight credit spread duration relative to our benchmark throughout the period.

Within our credit strategy, we have run a bearish position in Italy for several months. This is on valuation concerns, where the spread on Italy over Germany was historically very tight, implying negligible political risk and indeed negligible default risk is priced in, which worried us considering Italy's already high debt levels pre-COVID have rocketed higher. The short

Italy position also acted as a partial hedge versus the long EM positions.

Inflation

Our macro outlook over the six-month period was for the global recovery to continue, and thus for global inflation to tick higher, hence we ran an overweight position to European and US inflation breakevens as we believed these were relatively cheap regions to own inflation. These positions benefitted from the global reflation narrative, contributing to positive returns to the fund. Against our long positions, we ran a large short UK inflation position on the back of our view that the UK inflation market looked expensive, i.e. too much inflation was being priced in by the market. Our short UK inflation position was a significant drag in February's global bond sell-off considering that 5y UK RPI rallied by around 15bps.

Foreign Exchange

Throughout the period, we often used the foreign exchange strategy to express our hedges through protective positions in our portfolio. For example, we held long positions in JPY throughout the last quarter of 2020 and short positions in AUD which acted as a hedge against a risk-off move in the market. We also remained short GBP throughout the period which generally tended to be positively correlated with risk-on positions.

While we often used foreign exchange to hedge the risk of certain positions, our overall foreign exchange positioning reflected our risk-on positioning via our emerging market positions. Emerging market currencies had substantially lagged the risk asset rally since March 2020 and by mid-September, we believed that resurgent economic growth in Asia and very favourable terms of trades that several non-oil commodity EM exporters were experiencing was making valuations in some EM currencies relatively cheap. We added a basket of EMFX positions throughout the period, namely CLP, BRL, MXN, ZAR, PEN, COP, and RUB which we funded with EUR and GBP as these currencies showcased much less directional risk than the USD. Furthermore, in 2021 we also went slightly short JPY via options expecting a repricing of central bank rates expectation.

Portfolio Statement

As at 28 February 2021

Nominal		Market Value £'000	% of Net Assets
Sterling Denominated Fixed Rate Government Bonds - 5.07% (2020 - 0.44%)			
£20,000,000	Treasury 0.625% 22/10/2050	16,289	0.55
£20,750,000	Treasury 0.875% 31/01/2046	18,739	0.63
£30,000,000	Treasury 1.25% 22/10/2041	29,454	0.99
£35,700,000	Treasury 1.5% 22/07/2047	36,642	1.23
£21,000,000	Treasury 1.625% 22/10/2054	22,412	0.75
£20,000,000	Treasury 4.75% 07/12/2030	27,359	0.92
		150,895	5.07
Sterling Denominated Fixed Rate Corporate Debt Securities - 0.00% (2020 - 0.39%)			
Euro Denominated Fixed Rate Government Bonds - 3.76% (2020 - 2.80%)			
€93,200,000	Bundesrepublik Deutschland Bundesanleihe 0% 15/05/2035	81,497	2.74
€27,000,000	Bundesrepublik Deutschland Bundesanleihe 1.25% 15/08/2048	30,228	1.02
		111,725	3.76
Euro Denominated Fixed Rate Corporate Debt Securities - 1.36% (2020 - 16.79%)			
€10,400,000	Cellnex Finance 2% 15/02/2033	8,746	0.29
€17,000,000	Cellnex Telecom 1.75% 23/10/2030	14,509	0.49
€19,800,000	Cellnex Telecom 1.875% 26/06/2029	17,385	0.58
		40,640	1.36
US Dollar Denominated Fixed Rate Government Bonds - 10.28% (2020 - 13.78%)			
\$27,790,500	Argentine Republic Government International Bond 0.125% 09/07/2035	6,436	0.22
\$1,261,359	Argentine Republic Government International Bond 1% 09/07/2029	361	0.01
\$23,050,000	Egypt Government International Bond 7.5% 16/02/2061	15,625	0.53
\$22,200,000	Egypt Government International Bond 8.875% 29/05/2050	17,136	0.58
\$22,120,000	Lebanon Government International Bond 6.85% 23/03/2027	2,065	0.07
\$14,350,000	Mexico Government International Bond 5% 27/04/2051	11,204	0.38
\$53,000,000	Treasury 0.625% 15/05/2030	35,444	1.19
\$59,500,000	Treasury 0.625% 15/08/2030	39,644	1.33
\$80,500,000	Treasury 1.625% 15/08/2029	59,192	1.99
\$35,069,500	Treasury 2.25% 15/11/2027	27,032	0.91
\$67,000,000	Treasury 2.875% 15/08/2028	53,795	1.81
\$43,000,000	Treasury 3.125% 15/11/2028	35,133	1.18
\$6,421,000	Venezuela Government International Bond 7.65% 21/04/2020	438	0.01
\$2,472,800	Venezuela Government International Bond 8.25% 13/10/2024	176	0.01
\$2,765,600	Venezuela Government International Bond 9% 07/05/2023	189	0.01
\$5,600,000	Venezuela Government International Bond 9.25% 15/09/2027	382	0.01
\$2,756,000	Venezuela Government International Bond 9.25% 07/05/2028	188	0.01
\$2,800,000	Venezuela Government International Bond 11.75% 21/10/2026	191	0.01
\$5,840,000	Venezuela Government International Bond 11.95% 05/08/2031	398	0.01
\$4,800,000	Venezuela Government International Bond 12.75% 23/08/2022	327	0.01
		305,356	10.28
US Dollar Denominated Fixed Rate Corporate Debt Securities - 2.98% (2020 - 15.75%)			
\$23,150,000	BAT Capital 5.282% 02/04/2050	18,350	0.62
\$17,300,000	Broadcom 4.3% 15/11/2032	13,877	0.47
\$19,340,000	Ecopetrol 6.875% 29/04/2030	16,932	0.57
\$30,700,000	Lukoil Securities 3.875% 06/05/2030	23,384	0.79
\$19,600,000	Nissan Motor 4.81% 17/09/2030	15,683	0.53
		88,226	2.98
Australian Dollar Denominated Fixed Rate Government Bonds - 7.23% (2020 - 9.34%)			
AUD 83,000,000	Australia Government Bond 1.75% 21/06/2051	36,246	1.22
AUD 100,700,000	Australia Government Bond 2.75% 21/05/2041	57,507	1.93
AUD 109,500,000	Australia Government Bond 3% 21/03/2047	63,944	2.15
AUD 92,530,000	Australia Government Bond 3.25% 21/06/2039	57,371	1.93
		215,068	7.23
Australian Dollar Denominated Fixed Rate Corporate Debt Securities - 0.02% (2020 - 0.03%)			
AUD 1,000,000	International Bank for Reconstruction & Development 2.8% 12/01/2022	569	0.02
		569	0.02
Brazilian Real Denominated Fixed Rate Government Bonds - 3.37% (2020 - 0.00%)			
BRL 468,000,000	Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2025	66,066	2.22
BRL 240,000,000	Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2027	34,132	1.15
		100,198	3.37

Portfolio Statement continued

As at 28 February 2021

Nominal		Market Value £'000	% of Net Assets
	Canadian Dollar Denominated Fixed Rate Government Bonds - 11.23% (2020 - 6.09%)		
CAD 46,000,000	Canadian Government Bond 0.25% 01/11/2022	26,067	0.88
CAD 40,000,000	Canadian Government Bond 0.25% 01/02/2023	22,650	0.76
CAD 155,000,000	Canadian Government Bond 0.25% 01/03/2026	84,542	2.84
CAD 135,000,000	Canadian Government Bond 0.5% 01/09/2025	75,086	2.53
CAD 59,000,000	Canadian Government Bond 1.25% 01/03/2025	34,049	1.15
CAD 78,500,000	Canadian Government Bond 1.25% 01/06/2030	43,930	1.48
CAD 81,000,000	Canadian Government Bond 2.75% 01/06/2022	47,363	1.59
		333,687	11.23
	Chinese Yuan Denominated Fixed Rate Government Bonds - 0.30% (2020 - 0.40%)		
CNY 80,900,000	China Government Bond 3.25% 22/11/2028	8,958	0.30
		8,958	0.30
	Colombian Peso Denominated Fixed Rate Government Bonds - 1.75% (2020 - 0.00%)		
COP 262,000,000,000	Colombian TES 7.25% 26/10/2050	52,026	1.75
		52,026	1.75
	Japanese Yen Denominated Fixed Rate Government Bonds - 20.04% (2020 - 14.18%)		
JPY 3,200,000,000	Japan Government Five Year Bond 0.1% 20/12/2021	21,642	0.73
JPY 6,992,000,000	Japan Government Five Year Bond 0.1% 20/03/2024	47,468	1.60
JPY 9,050,000,000	Japan Government Five Year Bond 0.1% 20/06/2025	61,500	2.07
JPY 2,192,000,000	Japan Government Forty Year Bond 0.4% 20/03/2056	13,124	0.44
JPY 5,350,000,000	Japan Government Ten Year Bond 0.1% 20/09/2029	36,124	1.22
JPY 10,400,000,000	Japan Government Ten Year Bond 0.1% 20/09/2030	69,904	2.35
JPY 6,900,000,000	Japan Government Ten Year Bond 0.1% 20/12/2030	46,313	1.56
JPY 7,000,000,000	Japan Government Ten Year Bond 0.6% 20/06/2024	48,317	1.63
JPY 5,000,000,000	Japan Government Ten Year Bond 0.8% 20/06/2023	34,452	1.16
JPY 3,650,000,000	Japan Government Twenty Year Bond 0.4% 20/03/2040	24,045	0.81
JPY 2,150,000,000	Japan Government Twenty Year Bond 0.4% 20/06/2040	14,136	0.48
JPY 4,510,000,000	Japan Government Two Year Bond 0.1% 01/06/2021	30,471	1.03
JPY 5,127,000,000	Japan Government Two Year Bond 0.1% 01/11/2021	34,666	1.17
JPY 8,120,000,000	Japan Government Two Year Bond 0.1% 01/01/2022	54,921	1.85
JPY 4,500,000,000	Japan Government Two Year Bond 0.1% 01/08/2022	30,469	1.03
JPY 4,000,000,000	Japan Treasury Discount Bill 0% 26/07/2021	27,020	0.91
		594,572	20.04
	Mexican Peso Denominated Fixed Rate Government Bonds - 2.94% (2020 - 0.00%)		
MXN 960,000,000	Mexican Bonos 7.75% 29/05/2031	36,804	1.24
MXN 1,320,000,000	Mexican Bonos 7.75% 23/11/2034	50,478	1.70
		87,282	2.94
	Norwegian Krone Denominated Fixed Rate Government Bonds - 1.35% (2020 - 1.69%)		
NOK 305,970,000	Norway Government Bond 1.375% 19/08/2030	25,358	0.85
NOK 171,770,000	Norway Government Bond 1.75% 06/09/2029	14,727	0.50
		40,085	1.35
	Peruvian Sol Denominated Fixed Rate Government Bonds - 2.66% (2020 - 0.00%)		
PEN 203,000,000	Peru Government Bond 5.35% 12/08/2040	38,640	1.30
PEN 199,000,000	Peru Government Bond 5.4% 12/08/2034	40,550	1.36
		79,190	2.66
	Russian Ruble Denominated Fixed Rate Government Bonds - 2.12% (2020 - 0.00%)		
RUB 6,180,000,000	Russian Federal Bond - OFZ 7.65% 10/04/2030	63,139	2.12
		63,139	2.12
	Singapore Dollar Denominated Fixed Rate Government Bonds - 6.15% (2020 - 4.89%)		
SGD 55,000,000	Singapore Government Bond 2.25% 01/08/2036	32,068	1.08
SGD 54,000,000	Singapore Government Bond 2.375% 01/06/2025	31,311	1.05
SGD 51,000,000	Singapore Government Bond 2.875% 01/07/2029	31,106	1.05
SGD 61,500,000	Singapore Government Bond 2.875% 01/09/2030	37,778	1.27
SGD 77,290,000	Singapore Government Bond 3.375% 01/09/2033	50,465	1.70
		182,728	6.15
	South African Rand Denominated Fixed Rate Government Bonds - 2.83% (2020 - 0.00%)		
ZAR 1,865,000,000	Republic of South Africa Government Bond 8% 31/01/2030	83,968	2.83
		83,968	2.83
	Swedish Krona Denominated Fixed Rate Government Bonds - 3.28% (2020 - 4.22%)		
SEK 466,830,000	Sweden Government Bond 0.75% 12/11/2029	41,484	1.40
SEK 330,730,000	Sweden Government Bond 2.25% 01/06/2032	33,808	1.14
SEK 175,020,000	Sweden Government Bond 3.5% 30/03/2039	21,959	0.74
		97,251	3.28

Portfolio Statement continued

As at 28 February 2021

Nominal		Market Value £'000	% of Net Assets
	DERIVATIVES - 6.78% (2020 - 5.58%)		
	Sterling Interest Rate Swaps - (0.00)% (2020 - (0.25)%)		
200,000,000	Receive 3.4% Pay Variable 15/05/2021	4,691	0.16
(14,000,000)	Pay 3.5% Receive Variable 18/01/2023	(666)	(0.02)
4,000,000	Receive 3.4% Pay Variable 15/03/2024	123	0.01
13,000,000	Receive 3.5% Pay Variable 15/03/2024	467	0.01
110,000,000	Receive 3.6% Pay Variable 15/05/2024	4,391	0.15
(315,000,000)	Pay 3% Receive Variable 15/04/2025	(2,193)	(0.07)
(407,000,000)	Pay 3.1% Receive Variable 15/06/2025	(3,261)	(0.11)
(360,000,000)	Pay 3.3% Receive Variable 15/07/2025	(1,255)	(0.04)
(122,000,000)	Pay 3.4% Receive Variable 15/08/2025	(227)	(0.01)
148,000,000	Receive 3.5% Pay Variable 15/09/2025	1,397	0.04
(90,000,000)	Pay 3.5% Receive Variable 15/10/2025	(176)	(0.01)
(22,000,000)	Pay 3.4% Receive Variable 15/11/2025	(43)	-
28,000,000	Receive 3.5% Pay Variable 15/12/2025	16	-
(132,000,000)	Pay 3.3% Receive Variable 15/01/2026	(1,844)	(0.06)
(180,000,000)	Pay 3.4% Receive Variable 15/01/2026	(2,070)	(0.07)
(85,000,000)	Pay 3.4% Receive Variable 15/02/2026	(734)	(0.02)
(132,000,000)	Pay 3.3% Receive Variable 15/05/2027	(316)	(0.01)
14,000,000	Receive 3.5% Pay Variable 18/01/2028	565	0.02
7,400,000	Receive 3.5% Pay Variable 15/09/2028	276	0.01
12,000,000	Receive 3.6% Pay Variable 15/06/2029	468	0.02
		<u>(391)</u>	<u>-</u>
	Sterling Open Futures Contracts - 0.02% (2020 - 0.01%)		
(540)	Sterling Long Gilt June 2021 Futures	645	0.02
		<u>645</u>	<u>0.02</u>
	Sterling Written Call Options - 0.27% (2020 - 0.17%)		
91,500,000	Sterling Call Option 0.0075 May 2021	10,877	0.37
(91,500,000)	Sterling Call Option 0.125 May 2021	(2,908)	(0.10)
		<u>7,969</u>	<u>0.27</u>
	Australian Dollar Open Forward Exchange Contracts - 0.19% (2020 - (0.03)%)		
	Bought AUD 2,200,000 : USD 1,660,492	32	-
	Bought AUD 2,750,000 : GBP 1,518,506	12	-
	Sold AUD 498,000,000 : GBP 282,771,597	5,632	0.19
		<u>5,676</u>	<u>0.19</u>
	Australian Dollar Open Futures Contracts - 0.10% (2020 - 0.00%)		
(11,060)	Australian 3Y Bond March 2021 Futures	3,064	0.10
		<u>3,064</u>	<u>0.10</u>
	Australian Dollar Written Put Option - 0.00% (2020 - 0.05%)		
(550,000,000)	Australian Dollar Put Option 67 March 2021	(1)	-
550,000,000	Australian Dollar Put Option 72 March 2021	3	-
		<u>2</u>	<u>-</u>
	Canadian Dollar Open Forward Exchange Contracts - 0.18% (2020 - 0.10%)		
	Sold CAD 341,000,000 : GBP 198,684,185	5,292	0.18
		<u>5,292</u>	<u>0.18</u>
	Chilean Peso Open Forward Exchange Contracts - 0.27% (2020 - (0.05)%)		
	Bought CLP 116,041,148,700 : USD 149,344,187	8,157	0.27
		<u>8,157</u>	<u>0.27</u>
	Chinese Yuan Open Forward Exchange Contracts - 0.02% (2020 - 0.00%)		
	Bought CNY 99,393,116 : USD 14,400,000	550	0.02
		<u>550</u>	<u>0.02</u>
	Chinese Yuan Offshore Open Forward Exchange Contracts - 0.04% (2020 - 0.00%)		
	Bought CNH 712,501,168 : EUR 89,000,000	1,178	0.04
		<u>1,178</u>	<u>0.04</u>
	Czech Koruna Interest Rate Swaps - 0.00% (2020 - 0.10%)		
	Euro Credit Default Swaps - (0.57)% (2020 - 0.80%)		
(180,000,000)	Pay 5% Receive Variable 20/12/2025	(16,665)	(0.57)
		<u>(16,665)</u>	<u>(0.57)</u>

Portfolio Statement continued

As at 28 February 2021

Nominal		Market Value £'000	% of Net Assets
	Euro Interest Rate Swaps - 0.23% (2020 - 0.31%)		
(189,750,000)	Pay 0.3% Receive Variable 14/06/2022	(231)	(0.01)
(253,125,000)	Pay 0.4% Receive Variable 14/06/2022	(221)	(0.01)
(86,250,000)	Pay 0.5% Receive Variable 14/06/2022	(12)	-
189,750,000	Receive 0.3% Pay Variable 14/06/2022	231	0.01
253,125,000	Receive 0.4% Pay Variable 14/06/2022	221	0.01
86,250,000	Receive 0.5% Pay Variable 14/06/2022	12	-
390,000,000	Receive 0.6% Pay Variable 15/12/2023	3,612	0.13
(83,000,000)	Pay 0.3% Receive Variable 05/11/2024	(295)	(0.01)
83,000,000	Receive 0.3% Pay Variable 05/11/2024	295	0.01
29,000,000	Receive 0.3% Pay Variable 26/06/2025	6	-
(42,500,000)	Pay 0.4% Receive Variable 08/07/2025	(50)	-
239,000,000	Receive 0.7% Pay Variable 15/07/2025	3,603	0.12
50,000,000	Receive 0.8% Pay Variable 15/07/2025	614	0.02
(64,000,000)	Pay 0.4% Receive Variable 06/08/2025	(233)	(0.02)
(32,000,000)	Pay 0.4% Receive Variable 07/08/2025	(98)	(0.01)
(36,000,000)	Pay 0.4% Receive Variable 11/08/2025	(108)	-
191,000,000	Receive 0.8% Pay Variable 15/09/2025	2,480	0.09
(200,000,000)	Pay 0.7% Receive Variable 15/10/2025	(3,318)	(0.11)
15,000,000	Receive 0.8% Pay Variable 15/06/2030	445	0.02
(12,000,000)	Pay 0.1% Receive Variable 06/07/2030	(170)	-
(12,000,000)	Pay 0.2% Receive Variable 07/07/2030	(197)	(0.01)
		6,586	0.23
	Euro Open Forward Exchange Contracts - 1.18% (2020 - 0.20%)		
	Bought EUR 108,961,975 : JPY 13,603,145,385	2,865	0.10
	Bought EUR 84,694,863 : USD 100,260,363	1,653	0.06
	Bought EUR 19,720,834 : CAD 30,572,244	(190)	(0.01)
	Bought EUR 42,808,564 : NOK 460,000,000	(1,168)	(0.04)
	Bought EUR 110,357,916 : SEK 1,150,000,000	(2,710)	(0.09)
	Bought EUR 90,978,438 : GBP 82,103,703	(2,993)	(0.10)
	Sold EUR 722,400,000 : GBP 665,562,569	37,393	1.26
		34,850	1.18
	Euro Open Futures Contracts - 0.35% (2020 - (0.42)%)		
(591)	Euro-Bono Bond March 2021 Futures	2,012	0.07
(2,037)	Euro-BTP March 2021 Futures	3,030	0.10
(1,481)	Euro-Oat March 2021	5,489	0.18
		10,531	0.35
	Euro Written Call Option - 0.09% (2020 - 0.14%)		
440,000,000	Euro Call Option 0.95 June 2021	403	0.01
(440,000,000)	Euro Call Option 1 June 2021	(102)	-
(200,000,000)	Euro Call Option 0.0035 August 2021	(1,070)	(0.04)
200,000,000	Euro Call Option 1 August 2021	3,490	0.12
		2,721	0.09
	Euro Written Put Option - 0.00% (2020 - 0.10%)		
	Indian Rupee Open Forward Exchange Contracts - 0.02% (2020 - 0.00%)		
	Bought INR 6,726,107,660 : USD 90,500,000	612	0.02
		612	0.02
	Indonesian Rupiah Open Forward Exchange Contracts - 0.10% (2020 - 0.00%)		
	Bought IDR 1,384,182,113,800 : USD 92,500,000	3,295	0.11
	Bought IDR 690,200,000,000 : EUR 40,136,401	(313)	(0.01)
		2,982	0.10
	Japanese Yen Open Forward Exchange Contracts - 0.83% (2020 - 0.03%)		
	Bought JPY 1,315,985,000 : USD 12,500,000	(87)	-
	Sold JPY 46,248,851,182 : GBP 337,144,840	24,752	0.83
		24,665	0.83
	Mexican Peso Open Forward Exchange Contracts - 0.01% (2020 - 0.00%)		
	Bought MXN 662,410,697 : USD 31,000,000	361	0.01
		361	0.01
	New Zealand Dollar Interest Rate Swaps - 0.00% (2020 - (0.01)%)		
	New Zealand Dollar Open Forward Exchange Contracts - 0.00% (2020 - 0.02%)		
	Norwegian Krone Open Forward Exchange Contracts - 0.00% (2020 - 0.01%)		
	Sold NOK 62,500,000 : GBP 5,340,221	124	-
		124	-

Portfolio Statement continued

As at 28 February 2021

Nominal		Market Value £'000	% of Net Assets
	Polish Zloty Interest Rate Swaps - 0.17% (2020 - 0.12%)		
(1,125,000,000)	Pay 0.3% Receive Variable 15/06/2022	(6)	-
593,000,000	Receive 0.3% Pay Variable 15/06/2022	24	-
132,000,000	Receive 0.5% Pay Variable 26/06/2025	447	0.01
190,000,000	Receive 0.6% Pay Variable 08/07/2025	568	0.02
190,000,000	Receive 0.6% Pay Variable 09/07/2025	594	0.02
282,000,000	Receive 0.5% Pay Variable 06/08/2025	1,146	0.04
141,000,000	Receive 0.5% Pay Variable 07/08/2025	569	0.02
160,500,000	Receive 0.5% Pay Variable 11/08/2025	648	0.02
110,000,000	Receive 0.7% Pay Variable 21/08/2025	267	0.01
176,000,000	Receive 0.7% Pay Variable 28/08/2025	386	0.01
326,000,000	Receive 0.7% Pay Variable 31/08/2025	814	0.02
		5,457	0.17
	Russian Ruble Open Forward Exchange Contracts - 0.02% (2020 - 0.00%)		
	Bought RUB 2,363,482,480 : USD 30,700,000	508	0.02
		508	0.02
	Singapore Dollar Open Forward Exchange Contracts - 0.08% (2020 - 0.00%)		
	Sold SGD 96,500,000 : GBP 54,505,406	2,400	0.08
		2,400	0.08
	Swedish Krona Interest Rate Swaps - 0.00% (2020 - 0.00%)		
900,000,000	Receive 0.2% Pay Variable 05/11/2024	28	-
(900,000,000)	Pay 0.2% Receive Variable 05/11/2024	(28)	-
		-	-
	Swedish Krona Open Forward Exchange Contracts - 0.00% (2020 - (0.01)%)		
	Sold SEK 78,000,000 : GBP 6,810,139	117	-
		117	-
	US Dollar Credit Default Swaps - (0.26)% (2020 - 0.00%)		
95,000,000	Receive 1% Pay Variable 20/12/2025	6,127	0.19
(225,000,000)	Pay 5% Receive Variable 20/12/2025	(12,823)	(0.45)
		(6,696)	(0.26)
	US Dollar Interest Rate Swaps - 1.20% (2020 - 2.11%)		
321,000,000	Receive 0.06% Pay Variable 07/04/2022	8,207	0.28
195,000,000	Receive 0.8% Pay Variable 06/05/2025	9,295	0.31
44,000,000	Receive 1.8% Pay Variable 08/09/2025	1,065	0.03
560,000,000	Receive 1.8% Pay Variable 17/09/2025	12,335	0.43
(595,000,000)	Pay 1.8% Receive Variable 15/10/2025	(12,327)	(0.42)
(90,000,000)	Pay 1.5% Receive Variable 29/10/2025	(2,150)	(0.08)
90,000,000	Receive 1.5% Pay Variable 29/10/2025	2,150	0.08
(30,000,000)	Pay 0.8% Receive Variable 06/03/2026	(47)	-
30,000,000	Receive 0.8% Pay Variable 06/03/2026	47	-
185,000,000	Receive 1.4% Pay Variable 27/05/2030	12,161	0.41
86,000,000	Receive 1.6% Pay Variable 26/06/2030	4,609	0.16
(19,000,000)	Pay 1.9% Receive Variable 29/10/2050	(442)	(0.02)
19,000,000	Receive 1.9% Pay Variable 29/10/2050	442	0.02
(5,700,000)	Pay 1.2% Receive Variable 06/03/2051	(744)	(0.03)
5,700,000	Receive 1.2% Pay Variable 06/03/2051	744	0.03
		35,345	1.20
	US Dollar Open Forward Exchange Contracts - 1.52% (2020 - 1.77%)		
	Bought USD 249,766,815 : JPY 26,288,705,350	1,781	0.06
	Bought USD 37,432,201 : JPY 3,910,000,000	469	0.02
	Bought USD 2,790,528 : NZD 3,900,000	(33)	-
	Bought USD 11,545,507 : CNH 79,100,000	(467)	(0.02)
	Bought USD 90,568,207 : PHP 4,429,691,000	(498)	(0.02)
	Bought USD 14,400,000 : CNH 99,393,116	(523)	(0.02)
	Bought USD 90,340,330 : INR 6,766,039,000	(1,116)	(0.04)
	Bought USD 121,000,000 : ZAR 1,851,356,731	(1,555)	(0.05)
	Bought USD 189,008,493 : SGD 256,500,000	(2,776)	(0.09)
	Bought USD 168,038,063 : EUR 142,000,000	(2,813)	(0.09)
	Bought USD 91,082,469 : IDR 1,391,084,340,000	(4,661)	(0.16)
	Bought USD 255,989,039 : CAD 334,451,154	(5,858)	(0.20)
	Bought USD 118,231,064 : AUD 164,700,000	(6,758)	(0.23)
	Bought USD 191,225,832 : GBP 146,507,598	(9,193)	(0.31)
	Sold USD 1,699,261,894 : GBP 1,299,541,433	79,343	2.67
		45,342	1.52

Portfolio Statement continued

As at 28 February 2021

Nominal		Market Value £'000	% of Net Assets
	US Dollar Written Call Options - 0.36% (2020 - 0.11%)		
1,200,000,000	US Dollar Call Option 108 May 2021	5,262	0.18
280,000,000	US Dollar Call Option 0.01 August 2021	12,969	0.44
(280,000,000)	US Dollar Call Option 0.135 August 2021	(7,579)	(0.26)
		10,652	0.36
	US Dollar Written Put Options - 0.36% (2020 - 0.20%)		
198,000,000	US Dollar Put Option 96 February 2021	-	-
4,800,000	US Dollar Put Option 6.45 September 2021	1,163	0.04
20,936	US Dollar Put Futures Option 99.5 June 2021	9,585	0.32
		10,748	0.36
	Investment assets ¹	2,838,345	95.50
	Net other assets	133,615	4.50
	Net assets	2,971,960	100.00

¹ Includes investment liabilities.

Unless otherwise stated, the holdings shown without market value are below £500 and rounded down.

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 2020.

Statement of Total Return

For the six months ended 28 February 2021 (unaudited)

	2021 £000s	2021 £000s	2020 £000s	2020 £000s
Income:				
Net capital (losses)/gains		(82,322)		17,361
Revenue	40,612		8,141	
Expenses	(6,146)		(1,796)	
Interest payable and similar charges	(75)		(2,264)	
Net revenue before taxation	34,391		4,081	
Taxation	(96)		(30)	
Net revenue after taxation		34,295		4,051
Total return before distributions		(48,027)		21,412
Distributions		(34,308)		(4,056)
Change in net assets attributable to shareholders from investment activities		(82,335)		17,356

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2021 (unaudited)

	2021 £000s	2021 £000s	2020 £000s	2020 £000s
Opening net assets attributable to shareholders		2,263,155		596,824
Amounts receivable on issue of shares	964,958		286,189	
Amounts payable on cancellation of shares	(186,188)		(73,795)	
		778,770		212,394
Change in net assets attributable to shareholders from investment activities (see above)		(82,335)		17,356
Retained distributions on accumulation shares		12,364		760
Unclaimed distributions		6		5
Closing net assets attributable to shareholders		2,971,960		827,339

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 2021 (unaudited)

	28 February 2021 £000s	28 February 2021 £000s	31 August 2020 £000s	31 August 2020 £000s
Assets:				
Fixed assets:				
Investments		2,956,667		2,282,034
Current assets:				
Debtors	146,822		145,633	
Cash and bank balances	103,878		111,957	
Total assets		3,207,367		2,539,624
Liabilities:				
Investment liabilities		(118,322)		(101,097)
Creditors:				
Distribution payable	(30,173)		(50,700)	
Other creditors	(86,912)		(124,672)	
Total liabilities		(235,407)		(276,469)
Net assets attributable to shareholders		2,971,960		2,263,155

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 and Richard Knight	
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
	E Shares	08 January 2021
	W Shares	08 January 2021
ISA status	Yes	
Share Classes and types of Shares	A (Income Shares)	
	C (Income Shares)	
	E (Income Shares)	
	W (Income Shares)	
Minimum investment	A Shares	Lump sum £500 Monthly saving £50
	C Shares	Lump sum £500 Monthly saving £50
	E Shares	Lump sum £25,000,000 (Available to Approved Investors only)
	W Shares	Lump sum £10,000,000 (Available to Approved Investors only)
Initial charge	A Shares	Nil
	C Shares	Nil
	E Shares	Nil
	W Shares	Nil
Annual ACD fee	A Shares	1.25%
	C Shares	0.75%
	E Shares	0.28%
	W Shares	0.38%

*29 February in a leap year

Fund Information continued

As at 28 February 2021 (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 2021	34,330	12,337,125	278.27
C Shares Income	28 February 2021	24,601	23,907,852	102.90
E Shares Income	28 February 2021	9,880	10,237,325	96.51
W Shares Income	28 February 2021	1	1,000	97.03

Share Classes E Income and W Income were launched on 8 January 2021.

Operating Charges

Share Class	Year Ended	(%)
A Shares Income	31 August 2020	1.37
C Shares Income	31 August 2020	0.80
E Shares Income	31 August 2020	N/A
W Shares Income	31 August 2020	N/A

Share Classes E Income and W Income were launched on 8 January 2021.

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 2020	4.8336
	30 April 2021	4.9558
C Shares Income	31 October 2020	1.7498
	30 April 2021	1.8673
E Shares Income	31 October 2020	N/A
	30 April 2021	0.5108
W Shares Income	31 October 2020	N/A
	30 April 2021	-

Share Classes E Income and W Income were launched on 8 January 2021.

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

Investment Review

Performance Summary

Over the 6 month period under review, 1st September 2020 to 28th February 2021, the Fund's 'C' class shares produced a total return of 23.0%. The Fund's benchmark, the FTSE All Share Total Return Index, produced a total return of 11.5%. The main reason for the 11.5% outperformance was advantageous stock and industry selection in the context of the beginning of a broad market rotation into 'value' stocks.

Market Background

The period under review is characterised by a notable rally in most equity markets, including the UK, following the release of positive vaccine data in early November. Stock markets are mechanisms for pricing future expectations and tend to heavily discount uncertainty. The prospect of a successful vaccination programme and eventual 'return to normal' (or near normal) for social and economic life was understandably well-received. The sharpness of the rally was still quite surprising. The FTSE All-Share appreciated by more than 12% in the first two weeks of November on one strong data release from Pfizer/BioNTech, yet it was well known that there were dozens of vaccine candidates in the works and that it was likely that – eventually – the virus would be effectively controlled. In hindsight it seems that the market needed a catalyst to begin a 'reopening' narrative that would lead to at least a partial reallocation of exposure for many investors.

Widespread repositioning within the market was more significant for our performance than the market level. 'Value' stocks outperformed strongly in a partial reversal of a multi-year trend of polarisation in the market between 'winners' (generally stocks with high growth and good quality aspects) and 'losers' (the rest, perceived lower growth or quality, and often not much lower). The pandemic exacerbated this polarisation with the essential structure of the market remaining intact, despite the very sharp selloff in March. Until November we had seen only limited realignment in market structure, such as some particularly badly hit companies losing their growth 'halo', and some businesses particularly suited to operating in lockdown gaining favour in the market. November began a genuine rotation away from 'growth' (and covid 'winners') to 'value' names. There are multiple explanations for the shift in narrative, ranging from expectations of high long-term interest rates and inflation, to better prospects for more cyclical companies, or simply an

overextension in previous trends, driven ultimately by investor psychology. It is often difficult to ascribe precise causation to events in financial markets, but what is clear is that the quality/growth trade had run extremely far by November and we have seen some partial reversal since, to the benefit of our value-driven approach.

Portfolio Review

The portfolio comprises predominantly high yielding UK equities 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 outperformed during the period due primarily to strong stock selection, though favourable industry allocation also contributed positively. We can illustrate our good performance in three themes: holding our nerve in pandemic-impacted stocks where declines went too far; our positions in less-impacted stocks that nonetheless were unduly punished in the sell-off; and our positions in cyclical companies that offered a very attractive balance of risk and reward.

Holding our nerve through the summer in several stocks that were hit hard during the first months of the pandemic led to some remarkable gains in the period. Transport operator National Express and aerospace manufacturer Senior both appreciated by more than 100%. These businesses have been impaired in the short term by the pandemic to a great extent, and long term value has been impacted by capital raises in both cases, but the price very much more than discounted these impacts and had drifted far from fundamental value.

Several of our holdings demonstrated very resilient operational performance through the challenging trading period of 2020 and appreciated as this became more apparent and recognised by the market. Stocks related to housing construction and maintenance are notable examples. Building products companies Tyman, and Norcros both appreciated by more than 66% in the period. We have seen a notable shift in consumer spending towards housing-related categories as many have spent longer at home in 2020 and related economic activity has generally been kept more open and accessible than most other areas during lockdown

Investment Review continued

restrictions. Some business models have come into their own during the pandemic as they are well exposed to themes of digitisation that have become more urgent. Kin & Carta, the digital transformation consultancy, appreciated by more than 120% in the period and was the strongest individual contributor to performance. We added to the position at very low levels in the Summer. Entain, the gaming company, also appreciated by more than 80% with very strong online growth despite the periodic closures of a great deal of elite sport during lockdown.

We saw excellent investment opportunities in certain cyclical sectors that were discounting too much pessimism throughout the Spring and Summer. Our positions in UK domestic banks Barclays, Natwest, and OneSavings Bank all appreciated strongly as we retained our conviction that bank balance sheets were in a very good place relative to the last crisis, and that government support would result in a less dramatic hit to the economy than was being provided for and expected by shareholders. Conversely, some of our defensive positioning detracted from relative performance in the period, with defence contractor BAE Systems and pharmaceutical major GlaxoSmithKline both underperforming the market rally notably. We continue to see good value in these names and in similarly defensive businesses in areas such as tobacco and utilities.

We made modifications to the portfolio as the opportunity set changed rapidly. We sold out of five positions, three after strong appreciation – Balfour Beatty, Begbies Treynor, and Pennon – and two to make room for higher conviction ideas – Sanofi and M&G.

We added 5 positions to the portfolio, all quite diversified and representing individually compelling investment cases. DCC distributes fuel. It is quality company with good returns on capital and a solid record of growth, which we were able to purchase at an attractive price. Conduit is a newly formed reinsurance company in a great position to take advantage of a compelling market for risk. The fundamentals of the business are uncorrelated to most other businesses and the valuation compelling for the high returns on offer. NatWest Group was added back to the portfolio to bolster our exposure to domestic banking as mentioned above. Real Estate Investors is a compelling portfolio of diversified regional real estate trading at a deep and unwarranted discount. Finally Hunting, an energy services firm with good market positions in heavily-

depressed US shale, which we were able to pick up at an extraordinarily low valuation that offered a great balance of risk and reward.

Outlook

We have seen a significant appreciation in many shares in the portfolio at the end of a year of elevated activity, both within the portfolio and in the wider market. Despite the strong gains we see reasons to be optimistic, both regarding the wider UK economy and UK market opportunity, and especially the compelling individual investment cases within the portfolio. The pandemic has caused a sharp economic contraction, but government support and now crucially the deployment of an effective vaccination programme create the conditions for a swift recovery. The UK economy and market entered 2020 not from a place of overstretch, but ready to outperform after years of Brexit-related and political uncertainty. The UK market was one of the most lowly rated in the developed world at the start of 2020. As we begin to gradually look through the pandemic, we can hope that these favourable conditions for outperformance will return alongside a potential surge in activity after many months of restrictions.

Our process emphasises bottom-up stock picking over macroeconomic forecasting, and we construct the portfolio to offer compelling upside from an aggregate of strong investment cases in a range of economic scenarios. During the period we have seen a partial reassertion of price paid as a key determinant of return received with a rally in 'value' stocks. This reassertion of fundamentals is only partial, and the distortion and polarisation in market values that have characterised the last 5 years very much remains. The continued reassertion of fundamental value suits our investment process, but we do not require such a tailwind to generate compelling performance. On an individual holding basis we still see compelling upside across the portfolio.

Portfolio Statement

As at 28 February 2021

Holding	Market Value		% of Net Assets
	£'000		
	UNITED KINGDOM EQUITIES - 84.19% (2020 - 88.79%)		
	Aerospace & Defense - 5.06% (2020 - 5.42%)		
397,379	BAE Systems	1,942	2.82
241,665	Meggitt	1,037	1.51
493,905	Senior	500	0.73
		3,479	5.06
	Banks - 4.96% (2020 - 2.57%)		
1,277,866	Barclays	2,055	2.99
741,619	Natwest	1,355	1.97
		3,410	4.96
	Beverages - 1.63% (2020 - 2.20%)		
418,966	Stock Spirits	1,119	1.63
		1,119	1.63
	Construction & Materials - 6.00% (2020 - 5.86%)#		
162,787	Keller	1,280	1.86
692,216	Norcros	1,613	2.34
366,807	Tyman	1,242	1.80
		4,135	6.00
	Electricity - 2.39% (2020 - 2.84%)		
122,702	SSE	1,646	2.39
		1,646	2.39
	Electronic & Electrical Equipment - 1.64% (2020 - 1.40%)		
372,834	Morgan Advanced Materials	1,126	1.64
		1,126	1.64
	Finance & Credit Services - 2.29% (2020 - 1.35%)#		
353,695	OSB	1,573	2.29
		1,573	2.29
	Food Producers - 2.06% (2020 - 2.81%)		
195,503	Tate & Lyle	1,419	2.06
		1,419	2.06
	Gas, Water & Multi-Utilities - 2.34% (2020 - 4.16%)		
197,384	National Grid	1,613	2.34
		1,613	2.34
	General Industrials - 1.52% (2020 - 1.75%)#		
511,478	Eurocell	1,043	1.52
		1,043	1.52
	Household Goods & Home Construction - 4.20% (2020 - 3.55%)		
44,715	Bellway	1,268	1.84
299,329	Redrow	1,625	2.36
		2,893	4.20
	Industrial Metals & Mining - 1.27% (2020 - 3.24%)#		
6,790	Antofagasta	121	0.18
32,951	BHP	750	1.09
		871	1.27
	Industrial Support Services - 3.36% (2020 - 3.07%)#		
149,338	Inchcape	1,050	1.53
374,599	SThree	1,262	1.83
		2,312	3.36
	Investment Banking & Brokerage - 5.70% (2020 - 8.49%)#		
174,149	IG	1,364	1.98
154,028	St. James's Place	1,834	2.67
230,093	Standard Life Aberdeen	721	1.05
		3,919	5.70
	Life Insurance - 1.64% (2020 - 1.70%)#		
432,309	Legal & General	1,128	1.64
		1,128	1.64
	Media - 1.65% (2020 - 1.17%)		
1,027,098	ITV	1,136	1.65
		1,136	1.65

Portfolio Statement continued

As at 28 February 2021

Holding		Market Value £'000	% of Net Assets
	Oil, Gas & Coal - 9.70% (2020 - 6.17%)#		
704,936	BP	2,065	3.00
919,714	Diversified Gas & Oil ¹	1,140	1.66
370,560	Hunting	934	1.36
180,735	Royal Dutch Shell	2,531	3.68
		6,670	9.70
	Personal Care, Drug & Grocer - 1.01% (2020 - 1.85%)#		
278,830	PZ Cussons	693	1.01
		693	1.01
	Pharmaceuticals & Biotechnology - 3.82% (2020 - 4.85%)		
216,747	GlaxoSmithKline	2,627	3.82
		2,627	3.82
	Precious Metals & Mining - 0.80% (2020 - 1.67%)		
3,201,473	Pan African Resources ¹	554	0.80
		554	0.80
	Real Estate Investment & Services - 1.57% (2020 - 2.20%)		
551,973	Palace Capital	1,079	1.57
		1,079	1.57
	Real Estate Investment Trusts - 2.47% (2020 - 2.91%)		
1,395,489	Hammerson	361	0.52
94,682	Land Securities	628	0.91
2,170,490	Real Estate Investors	716	1.04
		1,705	2.47
	Retailers - 1.97% (2020 - 2.42%)#		
301,518	DFS Furniture	653	0.95
9,225	Next	700	1.02
		1,353	1.97
	Software & Computer Services - 1.59% (2020 - 1.87%)#		
785,609	Kin & Carta	1,096	1.59
		1,096	1.59
	Telecommunications Service Provider - 3.09% (2020 - 3.06%)#		
695,981	BT	871	1.27
1,013,097	Vodafone	1,254	1.82
		2,125	3.09
	Tobacco - 8.62% (2020 - 9.03%)		
112,084	British American Tobacco	2,825	4.11
226,155	Imperial Brands	3,102	4.51
		5,927	8.62
	Travel & Leisure - 1.84% (2020 - 1.18%)		
246,461	National Express	738	1.07
242,416	TEN Entertainment	533	0.77
		1,271	1.84
	OVERSEAS EQUITIES - 13.57% (2020 - 10.90%)		
	Bermuda Equities - 1.57% (2020 - 0.00%)		
201,639	Conduit	1,081	1.57
		1,081	1.57
	France Equities - 2.06% (2020 - 3.49%)		
31,376	SCOR	736	1.07
20,537	TOTAL	684	0.99
		1,420	2.06
	Ireland Equities - 2.01% (2020 - 0.00%)		
24,000	DCC	1,381	2.01
		1,381	2.01
	Isle of Man Equities - 1.38% (2020 - 1.63%)		
68,273	Entain	951	1.38
		951	1.38
	Italy Equities - 0.89% (2020 - 1.03%)		
90,136	Enel	615	0.89
		615	0.89
	Jersey Equities - 2.37% (2020 - 3.57%)		
190,909	WPP	1,628	2.37
		1,628	2.37

Portfolio Statement continued

As at 28 February 2021

Holding		Market Value £'000	% of Net Assets
2,757,389	Singapore Equities - 2.28% (2020 - 0.12%) Capital Drilling	1,572	2.28
10,268	Switzerland Equities - 1.01% (2020 - 1.06%) Swiss Re	696	1.01
	DERIVATIVES - (0.02)% (2020 - 0.00%) UK Written Call Options - (0.02)% (2020 - 0.00%)		
(80)	BP Call Options April 2021	(5)	(0.01)
(160)	BT Call Options May 2021	(5)	(0.01)
(15)	SSE Call Options April 2021	-	-
	Investment assets ²	67,256	97.74
	Net other assets	1,556	2.26
	Net assets	68,812	100.00

¹ Securities Listed on Alternative Investment Market.

² Includes derivative liabilities.

Since the previous report, the portfolio classifications and prior year comparative figures have been updated to reflect the recent changes in the Industry Classification Benchmark (ICB) standard.

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 2020.

Statement of Total Return

For the six months ended 28 February 2021 (unaudited)

	2021 £000s	2021 £000s	2020 £000s	2020 £000s
Income:				
Net capital gains/(losses)		11,037		(635)
Revenue	1,193		985	
Expenses	(337)		(334)	
Interest payable and similar charges	-		(1)	
Net revenue before taxation	856		650	
Taxation	-		(4)	
Net revenue after taxation		856		646
Total return before distributions		11,893		11
Distributions		(1,158)		(955)
Change in net assets attributable to shareholders from investment activities		10,735		(944)

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2021 (unaudited)

	2021 £000s	2021 £000s	2020 £000s	2020 £000s
Opening net assets attributable to shareholders		52,513		46,567
Amounts receivable on issue of shares	12,362		13,748	
Amounts payable on cancellation of shares	(6,842)		(2,046)	
		5,520		11,702
Dilution adjustment		12		-
Change in net assets attributable to shareholders from investment activities (see above)		10,735		(944)
Unclaimed distributions		32		29
Closing net assets attributable to shareholders		68,812		57,354

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 2021 (unaudited)

	28 February 2021 £000s	28 February 2021 £000s	31 August 2020 £000s	31 August 2020 £000s
Assets:				
Fixed assets:				
Investments		67,266		52,353
Current assets:				
Debtors	334		554	
Cash and bank balances	2,543		775	
Total assets		70,143		53,682
Liabilities:				
Investment liabilities		(10)		(1)
Creditors:				
Distribution payable	(1,110)		(1,094)	
Other creditors	(211)		(74)	
Total liabilities		(1,331)		(1,169)
Net assets attributable to shareholders		68,812		52,513

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 GBP	
Income allocation date	31 August	
Income pay date	31 December (normally 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 (Available to Approved Investors only)
	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 (Available to Approved Investors only)
Initial charge	A Shares	Nil
	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.

** 0.54% p.a. minus the additional expense payable in respect of the W Shares.

Fund Information continued

As at 28 February 2021 (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 2021	882	15,663	5,632.60
C Shares Accumulation	28 February 2021	42,594	709,763	6,001.10
O Shares Accumulation	28 February 2021	88	80,178	108.98
W Shares Accumulation	28 February 2021	1	1,000	131.65

Operating Charges

Share Class	Year Ended	(%)
A Shares Accumulation	31 August 2020	1.63
C Shares Accumulation	31 August 2020	0.81
O Shares Accumulation	31 August 2020	0.20
W Shares Accumulation	31 August 2020	0.54

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 2020	-
C Shares Accumulation	31 October 2020	6.6106
O Shares Accumulation	31 October 2020	-
W Shares Accumulation	31 October 2020	0.4280

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

Investment Review

Performance Summary

Over the six month period under review, 1st September 2020 to 28th February 2021, the Fund's A class produced a total return of 24.29%. The Fund's benchmark, the FTSE 250 ex Investment Trust index, produced a total return of 22.56% over the period*.

The key reason(s) for this performance was not owning many financial stocks at a time when low yields remain a headwind to their profitability, and stock selection with strong performance from Accesso, Genus and Crest Nicholson as discussed below.

Market Background

The progress of the pandemic and the vaccination program, the government response and businesses adapting to the "lockdown" environment remained the dominant drivers of the market. Politics, such as the US presidential election, were notably absent as positive or negative factors. The UK / EU trade deal struck in January was barely noticed by the markets though has removed one further uncertainty to investing in the UK.

That said, it is worth noting that the UK enjoyed a period of political stability, something that arguably has not been the case since the summer of 2016 and this looks like it will continue.

The period under review started with the economy seemingly to continue to open up as covid cases remained low but as yet no vaccine on the horizon and ended in another national lockdown but the UK being one of the leading countries in rolling out the vaccine to its population.

The three themes of any United Kingdom national crisis held true: despite initial confidence the crisis is worse and goes on for much longer than expected; businesses, the population and the government rapidly adapt after a slow start; and the country finds a solution before most others.

And this very much dictated how the market performed.

Though September and October the UK Mid Cap market was mostly flat as businesses adapted well to the restrictions but concerns were building of the "second wave" of the pandemic

over winter and the likelihood that the pandemic would not be resolved "by Christmas".

However, as soon as positive news on the vaccines emerged in early November this moved mentality to viewing the pandemic as at the "beginning of the end" and therefore the UK Mid Cap market kept on rising to finish the period at the end of February up 25% despite the emergence of new variants of the virus and the "second wave" leading to rapidly rising infections, hospitalisations and deaths in December.

Starting with the first day of 2021, the rapidly falling cases, hospitalisations and deaths, and commencement and success of the vaccination program, and its positive results, vindicated the market's rise and indeed has pushed the UK Mid Cap market higher still.

To put the market review in perspective . . . one year into the pandemic causing the largest economic contraction in history with quite extraordinary government support for the economy and with a world beating vaccine rollout the UK Mid Cap market is at an all-time high. Expectations about the future are clearly more positive than there were even before most were even aware of the coronavirus.

Within all this, some would say there is much change going on beneath the surface but I would say that many positive and negative themes have merely accelerated by three years . . . which is the most common comment company management use in our meetings.

As examples of positive themes that have accelerated, the online economy is much more advanced today than it otherwise would have been, as is computer gaming and more people are renovating their properties than for a decade.

Whereas negative themes that have also accelerated such as international business travel may never recover to pre-pandemic levels and we must question how long it will take the traditional office to recover now that more people will be working from home at least one day a week for the rest of their careers. Therefore the whole ecosystem around international business travel (airports, hotels, conferences) and commercial offices () must be questioned more carefully.

Investment Review continued

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

The portfolio had already bought many businesses that would benefit from the economy "reopening" in the prior period during early summer and was therefore favourably positioned for the positive vaccine news.

So, during this period under review, only three new stocks were bought: Conduit – a start-up reinsurance company that will keenly benefit from the strong insurance and reinsurance prices we expect over the coming years without having a mispriced back book to contend with; One Savings Bank – a UK "challenger bank" that is successfully taking on the incumbent large established banks in niche markets, and Whitbread – a predominantly UK budget hotel company that relies on domestic business travel which will return and whose main competitor is in financial disarray.

A number of stocks were added to such as Money supermarket a price comparison website everyone should use where a new CEO is doing the basics to return the business to growth and will benefit as the economy opens up again, Melrose – an industrial business that is seeing its automotive division recover and is closer to selling its heating and air solutions business, Travis Perkins – a UK builders merchant that is benefitting from construction markets opening up and property owners improving their homes, and Howdens – a UK manufacturer of kitchens which is benefitting from property owners improving their homes having realised that the current setup was not catering well to home working and home education which is probably going to be an ongoing feature in the future.

Due to size, we sold out of St James's Place – a wealth management business, and due to a take-over we sold Kaz Minerals – a copper mining business in Kazakhstan.

We took profits in a number of stocks that had done well but our holding continues: Frontier Developments – a computer games developer whose main title "Elite" the portfolio manager of this Fund fondly remembers playing 35 years ago; ASOS – the global online fashion retailer which is benefitting from strong online sales during the lockdowns; Genus – the

global agricultural breeding solutions business where the high Research & Development spend is delivering results, case studies will be written about this company in the future; Accesso – provides ticketing solutions for theme parks which are about to re-open; and Intermediate Capital – the alternatives asset manager benefitting from the strong demand for alternative assets.

The main drivers of the performance were Accesso, Genus and Melrose, mentioned above, the southern based house builder Crest Nicholson where the new management team are turning the business around at a time when the UK housing market remains strong, and Wizz Air which is an Eastern European low cost airline that is spending the downtime displacing weaker competitors to take new routes and so will come out to the pandemic much stronger than how it entered and all being well, will be another company that will have case studies written on it.

Outlook

This time last year the markets had fallen 40% as the pandemic had hit Europe, the US and the UK and we were facing a severe recession.

Today, the outlook is being written when the markets have risen 69% to an all-time high and the portfolio has risen 91% following on from that market collapse, and we are debating the strength of the economic recovery.

The after effects of the pandemic will be profound and will be reflected in the portfolio holdings. Businesses that were unfortunately struggling before the pandemic may now cease to exist in their pre-pandemic form whereas businesses that benefit from a changed way of living, working, educating and leisure will go from strength to strength. Traditional high street jobs will be reduced likely replaced by jobs catering to the operating-from-home theme in its broadest sense.

Pre the pandemic, in the UK there were 33 million people in employment with another 1.4 million people unemployed whereas today almost 5 million of these good people are on furlough and an additional 1.7 million people are unemployed.

The near term direction of the market will be driven by how well the economy comes out of the pandemic and how it

Investment Review continued

reacts as the government pulls away its support. Or to put it in numbers, how many of the 5 million people on furlough move back to employment vs those who become unemployed.

I find myself positive but I have to admit that much needs to go right and the market levels leave little room for missteps along the way.

Portfolio Statement

As at 28 February 2021

Holding	Market Value £'000	% of Net Assets
UNITED KINGDOM EQUITIES - 84.49% (2020 - 87.00%)		
Aerospace and Defense - 4.51% (2020 - 4.22%)		
218,931 337,697	Meggitt QinetiQ	939 1,024
		2.16 2.35
		1,963
		4.51
Consumer Services - 2.28% (2020 - 3.17%)#		
94,265	HomeServe	992
		2.28
		992
		2.28
Electronic & Electrical Equipment - 10.95% (2020 - 11.00%)#		
97,995 350,000 58,500	Oxford Instruments Rotork Spectris	1,758 1,247 1,764
		4.04 2.86 4.05
		4,769
		10.95
Finance and Credit Services - 4.46% (2020 - 0.00%)		
437,219	OSB	1,945
		4.46
		1,945
		4.46
General Industrials - 3.07% (2020 - 1.83%)		
794,465	Melrose Industries	1,339
		3.07
		1,339
		3.07
Household Goods & Home Construction - 8.75% (2020 - 7.19%)		
38,226 476,633 219,116	Bellway Crest Nicholson Redrow	1,084 1,538 1,190
		2.49 3.53 2.73
		3,812
		8.75
Industrial Metals & Mining - 0.00% (2020 - 4.32%)#		
Investment Banking & Brokerage - 4.02% (2020 - 6.76%)#		
99,123	Intermediate Capital	1,751
		4.02
		1,751
		4.02
Leisure Goods - 3.20% (2020 - 5.26%)		
55,408	Frontier Developments ¹	1,394
		3.20
		1,394
		3.20
Pharmaceuticals & Biotechnology - 4.90% (2020 - 5.27%)		
42,734	Genus	2,133
		4.90
		2,133
		4.90
Real Estate Investment Trusts - 0.00% (2020 - 3.32%)		
Retailers - 15.21% (2020 - 12.73%)		
33,655 337,535 161,716	ASOS ¹ Howden Joinery Travis Perkins	1,879 2,407 2,338
		4.31 5.53 5.37
		6,624
		15.21
Software & Computer Services - 14.34% (2020 - 15.11%)#		
376,823 311,942 75,552 451,527	acceso Technology ¹ Auto Trader Blue Prism ¹ Moneysupermarket.com	2,035 1,754 1,135 1,318
		4.67 4.03 2.61 3.03
		6,242
		14.34
Travel & Leisure - 8.80% (2020 - 6.82%)		
44,929 43,209	Whitbread Wizz Air	1,537 2,294
		3.53 5.27
		3,831
		8.80
OVERSEAS EQUITIES - 11.55% (2020 - 9.91%)		
Bermudian Equities - 3.08% (2020 - 2.05%)		
250,000	Conduit	1,340
		3.08
		1,340
		3.08
Ireland Equities - 8.47% (2020 - 7.86%)		
220,947 59,527	Grafton Keywords Studios ¹	2,190 1,498
		5.03 3.44
		3,688
		8.47
	Investment assets	41,823
	Net other assets	1,742
	Net assets	43,565
		96.00 4.00 100.00

¹ Securities Listed on Alternative Investment Market.

#Since the previous report, the portfolio classifications and prior year comparative figures have been updated to reflect the recent changes in the Industry Classification Benchmark (ICB) standard.

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 2020.

Statement of Total Return

For the six months ended 28 February 2021 (unaudited)

	2021 £000s	2021 £000s	2020 £000s	2020 £000s
Income:				
Net capital gains/(losses)		8,879		(514)
Revenue	172		187	
Expenses	(186)		(272)	
Interest payable and similar charges	-		-	
Net expense before taxation	(14)		(85)	
Taxation	6		(1)	
Net expense after taxation		(8)		(86)
Total return before equalisation		8,871		(600)
Equalisation		(1)		(1)
Change in net assets attributable to shareholders from investment activities		8,870		(601)

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2021 (unaudited)

	2021 £000s	2021 £000s	2020 £000s	2020 £000s
Opening net assets attributable to shareholders		38,647		43,281
Amounts receivable on issue of shares	1,294		749	
Amounts payable on cancellation of shares	(5,246)		(2,632)	
		(3,952)		(1,883)
Change in net assets attributable to shareholders from investment activities (see above)		8,870		(601)
Closing net assets attributable to shareholders		43,565		40,797

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.

Balance Sheet

As at 28 February 2021 (unaudited)

	28 February 2021 £000s	28 February 2021 £000s	31 August 2020 £000s	31 August 2020 £000s
Assets:				
Fixed assets:				
Investments		41,823		37,454
Current assets:				
Debtors	100		39	
Cash and bank balances	2,235		1,261	
Total assets		44,158		38,754
Liabilities:				
Creditors:				
Other creditors	(593)		(107)	
Total liabilities		(593)		(107)
Net assets attributable to shareholders		43,565		38,647

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 and Richard Knight	
Benchmark	FTSE All-Share Index Total Return	
Income allocation date	31 August	
Income pay date	31 December (normally 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 (Available to Approved Investors only)
	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	Nil
	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 2021 (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 2021	305	4,735	6,434.02
C Shares Accumulation	28 February 2021	66,896	43,727,851	152.98
I Shares Accumulation	28 February 2021	53,178	44,931,749	118.35
Y Shares Accumulation	28 February 2021	2	30	6,452.82
O Shares Accumulation	28 February 2021	4,961	4,716,499	105.18

Operating Charges

Share Class	Year Ended	(%)
A Shares Accumulation	31 August 2020	1.35
C Shares Accumulation	31 August 2020	0.84
I Shares Accumulation ¹	31 August 2020	0.54
Y Shares Accumulation ²	31 August 2020	0.40
O Shares Accumulation ³	31 August 2020	0.20

¹ Operating charges have been capped at 0.54%.

² Operating charges have been capped at 0.40%.

³ Operating charges have been capped at 0.20%.

Operating Charges Figures are lower than usual this year due to a distribution fee policy change. More representative charges without this current year benefit to the Fund would be 1.37% for the A Accumulation class.

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 2020	78.6313
C Shares Accumulation	31 October 2020	2.5435
I Shares Accumulation	31 October 2020	2.2683
Y Shares Accumulation	31 October 2020	3.1660
O Shares Accumulation	31 October 2020	0.1372

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

Investment Review

Performance Summary

Over the 6 month period under review, 1st September 2020 to 28th February 2021, the Fund's 'C' class shares produced a total return of 27.5%. The Fund's benchmark, the FTSE All Share Total Return Index, produced a total return of 11.5%. The main reason for the 16% outperformance was positive stock selection across most of the portfolio.

Market Background

The period under review was characterised by a recovery in most equity markets, including the UK, following the release of positive vaccine data in early November. Stock markets are mechanisms for pricing future expectations and tend to heavily discount uncertainty. The prospect of a successful vaccination programme and eventual 'return to normal' (or near normal) for social and economic life was understandably well-received. The sharpness of the rally was still quite surprising. The FTSE All-Share appreciated by more than 12% in the first two weeks of November on one strong data release from Pfizer/BioNTech, yet it was well known that there were dozens of vaccine candidates in the works and that it was likely that – eventually – the virus would be effectively controlled. In hindsight it seems that the market needed a catalyst to begin a 'reopening' narrative that would lead to at least a partial reallocation of exposure for many investors.

'Value' stocks, along with mid and small caps, outperformed strongly in a partial reversal of a multi-year trend of polarisation in the market between 'winners' (generally stocks with high growth and good quality aspects) and 'losers' (the rest, perceived lower growth or quality). There are multiple explanations for this shift, ranging from expectations of higher long-term interest rates and inflation, to better prospects for more cyclical companies, or simply an overextension in previous trends, driven ultimately by investor psychology. It is often difficult to ascribe precise causation to events in financial markets, but what is clear is that the quality/growth trade had run extremely far by November and we have seen some partial reversal since.

Commodity prices staged a strong rally, in particular bulk and base metals. Even the depressed oil price had almost fully reversed to its pre pandemic level by the end of February. The pound sterling was also strong, helped by a Brexit deal finally being signed and a relatively quick vaccine rollout.

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 outperformed significantly during the period. We can illustrate this performance across three themes: holding our nerve in pandemic-impacted stocks where declines went too far; our positions in less-impacted stocks that nonetheless were unduly punished in the sell-off; and our positions in cyclical companies that offered a very attractive balance of risk and reward.

Holding our nerve through the summer in several stocks that were hit hard during the first months of the pandemic in sectors such as aerospace and leisure led to some strong gains in the post vaccine recovery. In most cases value has been impaired in the short term by the pandemic, but the price more than discounted these impacts and had drifted far from fundamental value.

Several of the Fund's more cyclical holdings demonstrated very resilient operational performance through the challenging trading period of 2020 and appreciated as this became more apparent and recognised by the market. Stocks related to housing construction and maintenance are notable examples. Building products companies Tyman, and Norcros, along with housebuilder Redrow and Crest Nicholson both performed well. There has been a notable shift in consumer spending towards housing-related categories as many consumers have spent longer at home in 2020. It has also been easier for these industries to adapt to lockdown restrictions.

Some business models have come into their own during the pandemic as they are well exposed to themes of digitisation that have become more urgent. Kin & Carta, the digital transformation consultancy, appreciated by more than 120% in the period and was one of the strongest individual

Investment Review continued

contributor to performance, helped by a well timed addition over the summer.

We saw excellent investment opportunities in certain cyclical sectors that were discounting too much pessimism throughout the Spring and Summer. Our positions in Natwest, and OneSavings Bank – both added to the portfolio at depressed levels earlier in 2020 - appreciated strongly as it became clear that trading was resilient and balance sheets were in robust shape. Conversely, some of the Fund's more defensive holdings detracted performance in the period, most notable our two holdings in the tobacco sector.

New additions to the portfolio came from a range of sectors, all representing individually compelling investment cases. Distribution conglomerate DCC is a high quality company with high and stable returns on capital and a solid record of growth, which we were able to purchase at an attractive price. Conduit is a newly formed reinsurance company in a great position to take advantage of a compelling market for risk. The fundamentals of the business are uncorrelated to most other businesses and the valuation compelling for the high returns on offer. Real Estate Investors is a compelling portfolio of diversified regional real estate trading at a deep and unwarranted discount. Finally Hunting, an energy services firm with good market positions in heavily-depressed US shale, which we were able to purchase at an extraordinarily low valuation despite a very strong net cash balance sheet.

The Fund ended the period with a notably less pro-cyclical positioning, as we reduced and sold out of a number of holdings after the very strong share price appreciate that occurred across many of the Fund's more cyclical holdings. Although we remain constructive on the prospects for economic recovery, the valuation opportunity is not as compelling as it once was.

Outlook

Despite the strong gains in the period we see reasons to be optimistic, both regarding the wider UK economy and UK market opportunity, and especially the compelling individual investment cases within the portfolio. The pandemic has caused a sharp economic contraction, but government support and now crucially the deployment of an effective vaccination programme create the conditions for a swift recovery. The UK economy and stock market entered 2020 not from a place of overstretch, but ready to outperform after years of Brexit-related and political uncertainty. The UK market was one of the most lowly rated in the developed world at the start of 2020. As we begin to gradually look through the pandemic, we can hope that these favourable conditions for outperformance will return alongside a potential surge in activity after many months of restrictions.

The Fund's proven and established investment process emphasises bottom-up stock picking over macroeconomic forecasting. We construct the portfolio to offer compelling upside from an aggregate of strong investment cases in a range of economic scenarios. Having served the Fund well over more than a decade, we are confident of continued strong performance in the years to come.

Portfolio Statement

As at 28 February 2021

Holding		Market Value	% of
		£'000	Net Assets
	UNITED KINGDOM EQUITIES - 85.11% (2020 - 90.40%)		
	Aerospace & Defence - 4.34% (2020 - 2.10%)		
350,000	BAE Systems	1,711	1.37
520,000	Meggitt	2,231	1.78
1,475,000	Senior	1,492	1.19
		5,434	4.34
	Banks - 1.71% (2020 - 1.76%)		
1,175,000	NatWest	2,146	1.71
		2,146	1.71
	Beverages - 1.97% (2020 - 2.87%)		
925,000	Stock Spirits	2,470	1.97
		2,470	1.97
	Construction & Materials - 8.06% (2020 - 7.25%)#		
300,000	Keller	2,358	1.88
1,800,000	Norcros	4,194	3.35
1,050,000	Tyman	3,554	2.83
		10,106	8.06
	Finance & Credit Services - 3.80% (2020 - 3.19%)#		
550,000	OSB	2,447	1.95
825,000	Provident Financial	2,318	1.85
		4,765	3.80
	Food Producers - 0.00% (2020 - 0.93%)		
	Gas, Water & Multiutilities - 1.38% (2020 - 2.12%)		
4,750,000	Infrastrata	1,734	1.38
		1,734	1.38
	General Industrials - 3.20% (2020 - 3.00%)#		
935,000	Eurocell	1,907	1.52
1,250,000	Melrose Industries	2,107	1.68
		4,014	3.20
	Household Goods & Home Construction - 7.03% (2020 - 6.38%)		
900,000	Crest Nicholson	2,905	2.32
771,836	Redrow	4,191	3.34
1,800,000	Walker Greenbank	1,710	1.37
		8,806	7.03
	Industrial Support Services - 5.81% (2020 - 5.93%)#		
4,745,000	Driver ¹	2,325	1.85
1,590,000	Empresaria ¹	747	0.60
2,900,000	Ince ¹	1,856	1.48
700,000	SThree	2,359	1.88
		7,287	5.81
	Investment Banking & Brokerage - 7.44% (2020 - 9.38%)#		
345,000	IG	2,702	2.16
11,200,000	Mercia Asset Management ¹	2,632	2.10
335,000	St. James's Place	3,988	3.18
		9,322	7.44
	Media - 2.48% (2020 - 2.81%)		
589,099	Ocean Outdoor	3,109	2.48
		3,109	2.48
	Oil, Gas & Coal - 12.84% (2020 - 11.89%)#		
1,200,000	BP	3,515	2.80
1,550,000	Diversified Gas & Oil ¹	1,922	1.53
6,150,000	Enteq Upstream ¹	953	0.76
615,000	Hunting	1,550	1.24
410,000	Royal Dutch Shell	5,741	4.58
2,000,000	Serica Energy ¹	2,412	1.93
		16,093	12.84
	Precious Metals & Mining - 2.07% (2020 - 4.14%)#		
15,000,000	Pan African Resources ¹	2,595	2.07
		2,595	2.07

Portfolio Statement continued

As at 28 February 2021

Holding		Market Value £'000	% of Net Assets
	Real Estate Investment & Services - 8.30% (2020 - 8.81%)		
250,000	Countrywide	983	0.78
417,128	Helical	1,650	1.32
1,958,320	Palace Capital	3,829	3.06
4,580,000	U & I	3,939	3.14
		10,401	8.30
	Real Estate Investment Trusts - 0.92% (2020 - 2.96%)		
3,500,000	Real Estate Investors	1,155	0.92
		1,155	0.92
	Retailers - 1.17% (2020 - 1.45%)#		
675,000	DFS Furniture	1,461	1.17
		1,461	1.17
	Software & Computer Services - 1.53% (2020 - 1.97%)#		
1,375,000	Kin & Carta	1,918	1.53
		1,918	1.53
	Tobacco - 6.99% (2020 - 8.11%)		
160,000	British American Tobacco	4,033	3.22
345,000	Imperial Brands	4,731	3.77
		8,764	6.99
	Travel & Leisure - 4.07% (2020 - 3.35%)		
340,000	Fuller Smith & Turner	2,897	2.31
1,000,000	TEN Entertainment	2,200	1.76
		5,097	4.07
	OVERSEAS EQUITIES - 9.79% (2020 - 8.82%)		
	Australia Equities - 0.96% (2020 - 2.01%)		
3,400,000	Resolute Mining	1,200	0.96
		1,200	0.96
	Bermuda Equities - 1.71% (2020 - 0.00%)		
401,115	Conduit	2,150	1.71
		2,150	1.71
	Guernsey Equities - 0.21% (2020 - 0.12%)		
7,256,654	Better Capital PCC 2012	36	0.03
33,000,000	Mercantile Ports and Logistics ¹	225	0.18
		261	0.21
	Ireland Equities - 2.07% (2020 - 0.00%)		
45,000	DCC	2,589	2.07
		2,589	2.07
	Jersey Equities - 0.84% (2020 - 0.80%)		
2,400,000	SafeStyle UK	1,056	0.84
		1,056	0.84
	Singapore Equities - 4.00% (2020 - 5.89%)		
8,800,000	Capital	5,016	4.00
		12,272	9.79
	Investment assets	118,949	94.90
	Net other assets	6,393	5.10
	Net assets	125,342	100.00

¹ Securities Listed on Alternative Investment Market.

The classifications and prior year comparatives have been updated, where required, to reflect recent changes in the Industry Classification Benchmark (ICB) standard.

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 2020.

Statement of Total Return

For the six months ended 28 February 2021 (unaudited)

	2021 £000s	2021 £000s	2020 £000s	2020 £000s
Income:				
Net capital gains		24,082		1,280
Revenue	1,467		1,730	
Expenses	(405)		(470)	
Interest payable and similar charges	-		-	
Net revenue before taxation	1,062		1,260	
Taxation	(33)		(22)	
Net revenue after taxation		1,029		1,238
Total return before equalisation		25,111		2,518
Equalisation		11		59
Change in net assets attributable to shareholders from investment activities		25,122		2,577

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2021 (unaudited)

	2021 £000s	2021 £000s	2020 £000s	2020 £000s
Opening net assets attributable to shareholders		93,002		91,124
Amounts receivable on issue of shares	12,773		23,719	
Amounts payable on cancellation of shares	(5,555)		(12,063)	
		7,218		11,656
Change in net assets attributable to shareholders from investment activities (see above)		25,122		2,577
Closing net assets attributable to shareholders		125,342		105,357

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.

Balance Sheet

As at 28 February 2021 (unaudited)

	28 February 2021 £000s	28 February 2021 £000s	31 August 2020 £000s	31 August 2020 £000s
Assets:				
Fixed assets:				
Investments		118,949		92,279
Current assets:				
Debtors	2,471		185	
Cash and bank balances	4,569		1,007	
Total assets		125,989		93,471
Liabilities:				
Creditors:				
Other creditors	(647)		(469)	
Total liabilities		(647)		(469)
Net assets attributable to shareholders		125,342		93,002

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 2021.

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

Birte Trenkner

Alexandra Auer

Authorised signatory

Authorised signatory

29 April 2021

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

Investors are only liable to capital gains tax if their total chargeable gains (net of allowable losses) in the year exceed the annual exemption (£12,300 for 2021/2022 year, £12,300 2020/2021 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% (18% prior to April 2016) or (for higher & additional rate taxpayers) 20% (28% prior to April 2016).

Income tax

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

Dividend distributions (Equity Funds)

An individual Shareholder who is resident for tax purposes in the United Kingdom will receive an annual Dividend Allowance which will exempt from tax his first £2,000 of dividend income, including dividend distributions received or deemed to be received from a Fund. Dividend income in excess of the Dividend Allowance is taxed at 7.5%, 32.5% or 38.1%, to the extent that income falls within the basic rate income tax band, the higher rate income tax band or the additional rate income tax band, respectively. Individual Shareholders should note that dividend income forms the top slice of an individual's income and that all dividend income (including that income exempted from tax by virtue of the

Dividend Allowance) is counted when determining which income tax rate band is applicable.

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

Additional Information continued

Financial Services and Market Act 2000, under which an investor may be entitled to receive compensation if the ACD is 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.

Annex: Securities Financing Transaction Regulations

Allianz Gilt Yield Fund

Please note that the Allianz Gilt Yield Fund, ceased all stock lending activities during the current accounting year.

Annex: Securities Financing Transaction Regulations continued

Allianz Strategic Bond Fund

Please note that the Allianz Strategic Bond Fund, ceased all stock lending activities during the current accounting year.

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